tnm
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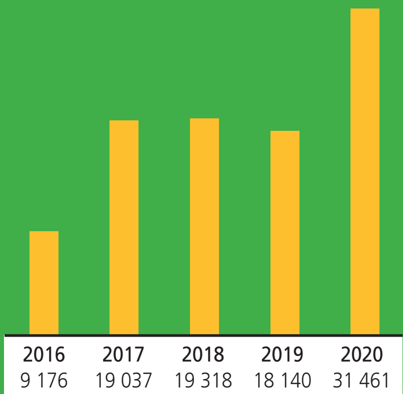
Financial highlights

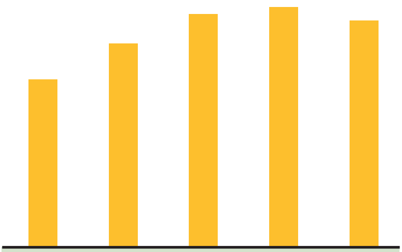
(all figures in millions of Malawi Kwacha)

	2016	2017	2018	2019	2020
Total revenue	67 398	82 101	93 584	96 891	90 898
EBITDA	22 602	28 798	35 091	37 011	31 246
EBITDA margin	34%	35%	37%	38%	34%
Profit after tax	7 813	12 404	15 635	13 174	7 728
Shareholders' funds	20 451	28 429	36 056	45 893	51 351
Capital expenditure	9 176	19 037	19 318	18 140	31 461
Dividends declared	3 012	4 819	7 530	7 530	5 522

Capital expenditure



Revenue



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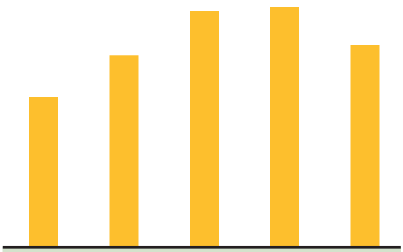
EBITDA



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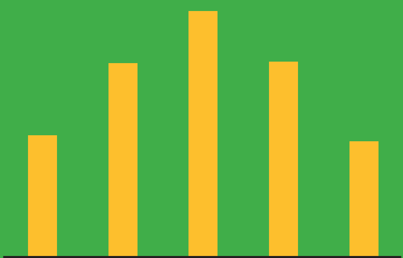
Profit after tax



2016	2017	2018	2019	2020
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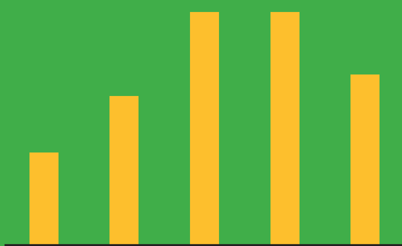
Dividend declared



2016	2017	2018	2019	2020
3 012	4 819	7 530	7 530	5 522

always with you

Vision

To be the leading digital services provider that creates a connected society

Mission

To be the premier telecoms and digital solutions company offering world class services

Purpose

Connecting society. Creating possibilities. Transforming lives

Values

Integrity
Trust. Honesty. Accountability. Commitment

Expressed through:
Complete candour

Excellence
Continuous learning. Continuous improvement

Expressed through:
Focus on processes and Consistency

Stewardship
Customer-centric. Customer-first

Expressed through:
People-centred leadership

Alive
Can do. Passionate. Speed

Expressed through:
Exuberance, energy, cheerfulness

Innovative
Creativity. Being first and original. Different

Expressed through:
Collaboration, speed and agility

Chairman's report

I present to you our shareholders my report for the year 2020, which was a challenging one in many respects.

Operating Environment

COVID-19 in the year 2020 brought about an unprecedented operating environment. With the first case being reported in April 2020, the workplace changed as working from home became the norm due to the public health concerns brought about by the pandemic. We had to respond by expanding our network capacity in order to service our customers. However, the global impact of COVID-19 restrictions affected the logistics of importing the required equipment for this purpose. Working from home in many businesses and organisations resulted in more usage of data services, contributing positively to our data business growth. However, physical distribution of our prepaid airtime vouchers, a major segment of our market, posed a major challenge.

The competitive environment was dominated by price competition which affected our voice revenue growth especially in the low to middle income segments which remain price sensitive. This also affected our subscriber growth numbers as well as revenue growth objectives.

Performance

Revenue declined by 6% underpinned by aggressive competitive environment, a declining customer affinity and competitive pricing. The drop in revenue was cushioned by growth in Mpamba revenue of 28% and growth in Data revenue of 18%. The decline in revenues resulted in our EBITDA declining by 16%. Our Net Profit also declined by 41%. Operating expenses were within prior year at MK73.7 billion with notable reductions in distribution and administrative expenses. We continue to structure our business in line with the digital transformation trends.

> ***TNM invested over MK31.5 billion in infrastructure during the year 2020***

TNM invested over MK31.5 billion in infrastructure during the year 2020. This is part of our ongoing effort of developing a sustainable business in line with our vision to be aligned with the global trends in digital transformation.

The digital revolution will continue to be part of our normal business and it will continue to disrupt what has so far been the traditional revenue source in in telecommunications which have largely been revolving around voice telephony. TNM has been driving its business in such a way that growth in data revenues is at the heart of our growth.

We will continue to transform our business by pioneering innovations that will transform the telecommunications sector in Malawi. Being pioneers of mobile telecommunications in this country since 1996, we take our role in innovations very seriously. I am glad to be part of this important phase of development in this industry that will contribute immensely to the development of individuals, businesses and the Malawi economy at large.

Our operating environment continues to be very competitive. We believe in differentiating ourselves by giving our customers exceptional and memorable customer experiences that make them remain loyal to our brand. Your board believes that this is the biggest differentiator between TNM and its competitors. TNM has in the past year continued to invest in technologies that support positive customer experiences and invest in our people despite the challenging circumstances we have faced during the year. We believe that our employees should be equipped with skills for the present as well as for future business needs.

Our key focus since 2019 has been the transformation of the corporate culture to high performance and customer centeredness. We have empowered our people with resources and sufficient decision-making authority in order to meet our customers' needs. Our management development program that was first piloted in 2020 continues to bear fruits as we harness young talent and develop them to be productive resources for the business.

Infrastructure Investment

Your board strongly believes that investment in infrastructure is important to have a sustainable business considering the disruptive nature of the industry. Our ability to continue to invest also depends on the macroeconomic stability. We are aware of the global and local disruptions that have resulted from the COVID-19 pandemic since the beginning of 2020. Despite these challenges, we have continued to invest for the future in line with what this disruptive industry demands. Our commitment of infrastructure investments for the past 5 years can be seen in the table below:

	2020 MK'million	2019 MK'million	2018 MK'million	2017 MK'million	2016 MK'million
Infrastructure investment	31,461	18,140	19,318	19,037	9,176

We have been investing in increasing the coverage of the 4G network in areas where we have seen growing demand for data usage in 2020. We invested MK10,428 million in indefeasible right of use agreements for the transmission network for the improvement of data network availability and quality. We also continued working on network quality improvement by increasing network speed and signal strength in order to deliver an excellent customer experience. We have continued to deploy new strategic network coverage sites with more coverage in some rural areas where the majority of Malawians live, as well as reducing network congestions in our existing coverage areas. We also deployed Facebook Wi-Fi hotspots in many areas so as to deliver access to our ever-growing social media users.

Financial Inclusion

The board understands that financial inclusion is important for the economic development of the country. The use of digital financial solutions cannot be overemphasized in light of the challenges posed by the global COVID-19 pandemic and the resultant restrictions in movements of people and physical money. When our economy grows, TNM will also grow. Since 2013, TNM Mpamba has been a key driver in financial inclusion initiatives in Malawi. TNM Mpamba continues to grow at a faster rate than the traditional telephony business. We will continue to deploy more solutions with our partners in providing various transaction solutions ranging from bill payments, insurance premium payments, bank integrations, international money transfers, to salary/wage payment solutions, etc., in addition to our existing services. This has been enabled by our investment in a stable platform that we did in 2018.

We will continue to invest in other financial inclusion solutions to provide our customers access to financial services that help them achieve their full potential.

Regulatory Environment

The regulatory environment remains stable but challenging. In the year 2020, the Malawi government introduced a policy to reduce data pricing in Malawi. TNM responded by reducing its out of bundle data prices by 80%.

The COVID-19 pandemic necessitated that many customers be encouraged to use electronic transactions to pay for services. This resulted in the removal of some fees and reduction of others on mobile money transactions. The COVID-19 regulations introduced by government have impacted the way people work and live. These regulations affect movement, gatherings and many other aspects of work life. TNM has accordingly adjusted to these regulations and will continue to comply.

The Data Protection bill is currently in the consultation stages. When passed into law, it will have impact on any organization that keeps data for more than 10,000 customers. On its mobile money side, TNM complied with the requirement of inter-operability among mobile money operators.

Our Social Responsibility

We continue to create value for our stakeholders including the society in which we operate in line with our core values. In 2020, TNM created wealth amounting to MK53.3 billion. We shared MK36.9 billion to our stakeholders, with the greatest portion being MK10.6 billion given to Government through levies and taxes. Our employees got MK9.9 billion of the value that TNM had created in the year. The summary of our contributions to the society is presented in the table below:

	2020 MK'million	2019 MK'million	2018 MK'million	2017 MK'million	2016 MK'million
Reinvested for future innovation	16 412	18 862	18 206	15 144	11 446
Employees	9 929	11 345	9 948	9 710	8 383
Government	10 628	11 279	11 349	9 918	6 954
As taxation	5 049	6 491	6 442	6 024	3 893
As MACRA fees and levies	5 579	4 788	4 907	3 894	3 061
Distribution partners	6 651	8 201	7 531	7 009	6 723
Lenders of capital as interest	4 186	4 141	2 821	2 840	3 477
Shareholders as dividend	5 522	7 530	7 530	4 819	3 012
	53 328	61 358	57 385	49 440	39 995

Our corporate social responsibility focus areas continue to be in the areas of health, education and support for vulnerable groups. We have contributed immensely through the traditional donations as well as providing connectivity to these important areas. TNM has contributed significantly towards the fight against the COVID-19 pandemic in Malawi especially in the education and health sectors. TNM provided ICT equipment and connectivity solutions to the education sector to allow for continued access to education when physical teaching and learning was not possible. TNM also contributed over MK150 million to the health sector to allow them access personal protective equipment (PPE), allow health personnel in the four central hospitals in Blantyre, Lilongwe, Mzuzu and Zomba to access connectivity for health surveillance as well as support for COVID-19 related issues. Our company continues to sponsor the TNM Super League which contributes enormously to the development of the most popular sport in Malawi, football.

Sustainable Development Goals (SDGs)

We are excited to be contributing to the United Nations (UN) sustainable development in many ways. Our core contribution is to goal number 9 which is about industry, innovation and infrastructure.

As I have said already, TNM is one of the biggest investors in innovation and infrastructure in Malawi. We are also proud that our services also contribute to UN SDG number one in ending poverty. Our business is a catalyst for economic activity that aims to end poverty among our people.

We contribute to UN SDG number 8 by providing decent work to our people in TNM directly but also helping create employment for people through our suppliers, distributors and other partners we work with.

We support SDG number 4 which is about providing quality education. In the year 2020, due to the challenges of the COVID-19 pandemic, TNM supported e-learning by providing connectivity and computers for learners to access education while they were unable to physically attend classed.

TNM supports the SDG number 3 on health. TNM has long partnered the health sector in Malawi in the provision of infrastructure. We supported the fight against the COVID-19 pandemic through the provision of personal protective equipment (PPE), providing communication solutions for health personnel in the 4 central hospitals of the country and cash for purchase of vital supplies in the public hospitals.

Outlook

We look ahead with great optimism and courage. The telecoms penetration in Malawi at 48% is still low compared to the regional markets where penetration is greater than 90%. The smartphone penetration is also very low but growing at a rate of more than 240% since 2018. We still have over 55% of Malawi's adult population which does not have access to financial services of any kind. This means that the potential for growth of our business is still enormous. With investments that we are putting in infrastructure development and continuous improvement of our business, we expect successful years ahead.

In 2021, the macro economic environment is expected to remain challenging, putting pressure on service revenue and our margins. The volatile exchange rates and foreign currency scarcity will continue to increase our cost of our operations. The adverse effects of the corona virus pandemic that started in 2020 are expected to continue in 2021. However, the vaccination programs that have been rolled out are expected to provide a good base for economic activity and hence economic recovery.

We anticipate that there will be a surplus in the maize harvest, resulting in food security and providing our rural consumers surplus disposable income to spend on our services.

We will continue to focus our attention on meeting and exceeding customer expectations by delivering outstanding customer experiences.

Board of Directors

Mr. Lekani Katandula and Dr Isaac Nyoka both joined the Board during the year, while Mr. John Biziwick retired from the Board in July 2020. On behalf of the shareholders and on my own behalf, I wish to welcome Mr. Katandula and Dr Nyoka to the Board and thank Mr. Biziwick for his valuable contributions and support during his tenure. I would also like to thank fellow directors for their counsel, support and co-operation during the year and I look forward to a fruitful working relationship with them in 2021 and beyond.

Management and Staff

The Board triggered its succession plan and appointed Mr. Arnold M'bwana on 5th November, 2020 as Acting CEO and subsequently was confirmed to the substantive position of CEO on 1st March 2021, after the sudden departure of Mr. Michiel Buitelaar in November, 2020. Arnold is an experienced executive having been part of the TNM senior management for the past 10 years. Arnold carries the confidence and support of the whole Board to fully deliver the growth potential of this business. On behalf of the Board, I would like to welcome Arnold to this new challenging position as he executes his mandate for which the Board has high expectations.

I would like to take this opportunity to express my sincere gratitude to all members of staff for their hard work and dedication to duty, especially so during this year where operations had been severely affected by the COVID-19 pandemic.

Shareholders

I am also grateful to all shareholders, who do not only support the vision of our business but are themselves great consumers of our services.

Dr George Partridge
Chairman

Group Chief Executive Officer's review

2020 was a rough year for TNM, where for the first time in 10 years we experienced a decline in total Group revenue, a drop of 6% compared to 2019. The revenue drop was mainly attributed to 18% decline in voice revenue. **Despite the challenges experienced, we were able to grow our subscriber base by 4%**, increase data revenues by 18% and grow Mpamba revenues by 28%.

2020 a challenging year and our optimism for the future

Our massive technology investments which started over three years ago have now set our business on a solid path for a world class digital services company. In 2020 we invested MK31,461 million in capital additions mainly towards expanding our 4G coverage, international and local ISP capacity, data analytics and billing capabilities. These investments have helped the business regain momentum for growth mainly in the area of customers for all key services. This accelerated growth in customers has demonstrated that the potential for growth in both the old and new revenue streams in our industry is still huge.

Total revenues at MK90,989 million, declined in 2020 by 6% compared to 2019, attributed to under performance of voice revenues affected by muted growth in customers and minutes of use (MoU). Customers only grew by 4% while MoUs grew by 9% over 2019. However, the customer and MoU growth could not result in corresponding revenue growth because of the pressure on voice pricing. Aggressive price competition resulted in 30% drop in our voice effective rate. As we build our future business growth on digital services, we will not lose focus on the urgent need to revamp the voice revenues through aggressive customer acquisition strategy since voice still contributes a significant proportion of our total revenues. With the majority of our customers still reliant on voice telephony and mobile penetration still very low in Malawi, we believe that the innovative solutions for this customer segment will continue to give us required revenues in the short to medium term.

Data usage continues to increase with 70% volume usage growth in 2020 resulting in 18% growth in revenues to MK19.8 billion. Pressure on price per MB of data, which dropped by 32%, means that growth of data users and actual usage still remains the most important factor for this segment. Data penetration is still very low in the market. The key success factor for data growth remains access to devices for both 3G and 4G. The great news is that we saw the number of 4G subscribers grow by more than two thirds in the year 2020. We expect this growth to continue in the coming years. Our journey to transform our business to a digital solutions provider is on track.

Our digital finance services are an important part of our business growth. TNM Mpamba is not only important for its revenue growth contribution but Mpamba and its impact on financial inclusion will help in driving economic activity among Malawians. People will not only be able to send and receive money both locally and internationally, but they will be able to replace the need for hard cash especially in a climate where the COVID-19 pandemic has restricted the movement of both people and hard cash. TNM Mpamba continues to experience tremendous growth arising from the innovations that we have rolled out and will continue to rollout in the coming year. The investment we made in the new Mpamba platform in 2018 has enabled the addition of various solutions and integrations with services and financial institutions which our customers use every day. This will continue to help new injection of electronic value in the mobile money ecosystem. **In 2020, Mpamba revenues at MK9,346 million represent 28% growth from the previous year.** As a requirement from the regulator of financial institutions, TNM Mpamba was integrated with the National Switch to allow for the interoperability with our competitor's mobile money solutions and all the banks in Malawi. In order to continue growth in this area, we will continue to grow our ecosystem (agent base, customers, merchants, billers and international remittances) and new service offerings; so that our services are accessed by all Malawians especially in the rural areas.

Our growth in enterprise services continues to yield positive results. In 2020, enterprise services contributed MK9,968 million in revenues. This represents 29% growth over the previous year. We expected that enterprise services revenue contribution will continue to grow in the coming years. As a leading service provider of digital services, TNM will continue to drive its innovative solutions and exceptional customer service in order to provide world class solutions to enterprises, both small and large.

TNM continues to be a profitable business. Our 2020 EBITDA at MK31,246 million represents an EBITDA margin of 34% from 38% in 2019. This drop in margin resulted from the decline in revenues despite our strict control on operating costs. Furthermore, EBITDA has been impacted by a provision on value added tax claim of MK2,306 million (2019: MK1,889 million) due to different interpretation of tax law between TNM Plc and Malawi Revenue Authority. This also resulted in the restatement of the financial statements for the year ended 31 December 2019. The issue has not yet been concluded as of the date of publishing this statement. The Group has taken a cautious approach and the provision has been made without prejuduce to our rights and claim before the Special Tax Arbitration.

The Group recorded an increase in depreciation expense of 8% due to increase in capital expenditure. TNM invested MK31,461 million in capital expenditure during the year (2019: MK18 140 million) in network transmission (local and international network transport), systems catering for capacity expansion, improvement and future use as customer base and data usage grow.

The provision on value added tax claim, decline in total revenue and increase in depreciation resulted in drop in net profit by 41% to MK7,728 million from MK13,174 million in 2019.

TNM has confidence in the growth of our economy

Despite 2020 being a year that had several disruptions including the political changes arising from the disputed 2019 elections and the eventual court ordered elections in June 2020, coupled with the COVID-19 pandemic, TNM has confidence in the growth of our economy. Despite the temporal setback of our declined revenues and profits, we continue to drive infrastructure investments which will form the backbone for our future growth.

Malawi has many factors that make us believe in its bright future. Malawi has less than 50% mobile penetration while our SADC neighbours have over 95% penetration. Only 16.4% have access to the internet. The GSMA forecasts that there will be continued growth of 3G (voice and data) in sub-Saharan Africa up to 2025. Subscriber numbers will continue to grow as a result of low mobile penetration in the market. We will therefore continue on our aggressive customer acquisition and distribution initiatives as we increase our network coverage and improve our quality in existing coverage areas.

In 2020 we embarked on a high-performance culture transformation drive focusing on developing our people's skills as well as operational skills at all levels of the organisation. In order to deliver our performance, we will continue to place the right people in the right roles within the organizational structure and align our people to the TNM values and vision

The TNM brand remains a strong brand in the market. We have built a brand that our customers have great confidence in and are proud to be associated with. True to our vision and mission the TNM brand is a great enabler to our customers to make everything possible in their lives.

Hence we embarked on a campaign in the year 2020 themed 'Nzotheka' (it is possible), to instill and inspire hope: in our youth about the future; our business partners about their business aspirations; our partners about success in our partnerships; and in the nation about our shared hope for a greater tomorrow.

In 2020, we focused our Corporate Social Responsibility (CSR) efforts on mitigating the impact of COVID-19 pandemic on the people of Malawi. In the education sector, we invested in computers and ICT equipment for secondary schools complete with internet connectivity to allow learners to access education while the schools were closed. Students from form 1-4 were able to access free lessons through the Ministry of Education website. In the health sector, we supported specialist doctors to provide health services to the populations through the Virtual Doctors initiative. We also provided the much needed connectivity to the national coordinating teams for COVID-19 taskforce with the essential communication and connectivity solutions. Our investment in the COVID-19 fight was in excess of MK150 million in the year.

TNM is a home-grown Malawian company. As such, we believe in Malawi. The success of Malawi means success of our business. When our people grow, we also grow. When the economy of Malawi improves, our revenues will also improve. We will therefore continue to contribute to the growth of our economy through our ordinary business activities, our investment in infrastructure which benefits the greater population of Malawi, as well as the social investment activities which make a big difference in our societies. We believe that our brand promise of **'always with you'** will continue to echo in our business and in the ears of our audiences.

Arnold Mbwana
Chief Executive Officer

Corporate governance

TNM plc'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 enhancing 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
- The 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 plc'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 plc, our staff and our customers.

Board of Directors meeting attendance record for 2020

Name of Director	2nd April 2020	2nd July 2020	14th July 2020	2nd October 2020	29th October 2020	19th November 2020	11th December 2020
			25th AGM		Special meeting	Extra Ordinary meeting	
Dr. George Partridge	Y	VC	Y	Y	Y	Y	Y
Mr. Hitesh Anadkat	Y	VC	N	Y	VC	Y	Y
Mr. John O'Neill	Y	VC	N/A	N/A	N/A	N/A	N/A
Mr. John Biziwick	Y	VC	N	N/A	N/A	N/A	N/A
Mrs. Elizabeth Mafeni	Y	VC	N	Y	Y	Y	Y
Mr. Lekani Katandula	N/A	A	N	Y	Y	Y	VC
Mr. Dean Lungu	Y	VC	N	VC	VC	VC	Y
Mr. Khumbo Phiri	Y	VC	N	VC	Y	VC	Y
Mr. Gerald Randall	Y	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Isaac Nzyoka	VC	VC	N	VC	VC	VC	VC

Y Attended **VC** Video conferencing (VC) **N** Not attended **A** Apologies **N/A** Not Applicable

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

Roles and responsibilities

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

Audit committee

Name of Director	31st March 2020	29th June 2020	30th September 2020	8th December 2020
Mr. Sean O'Neill	VC	N/A	N/A	N/A
Mr. John Biziwick	Y	VC	N/A	N/A
Mr. Lekani Katandula	N/A	VC	VC	Y
Dr. Isaac Nzyoka	N/A	VC	VC	VC
Mr. Khumbo Phiri	Y	N/A	N/A	N/A

Y Attended **VC** Video conferencing (VC) **N** Not attended **A** Apologies **N/A** Not Applicable

Roles and responsibilities

- Monitoring and advising on risk management and the internal control structure designed to safeguard TNM plc'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

Finance and procurement committee meeting attendance record for 2020

Name of Director	31st March 2020	29th June 2020	15th September 2020	30th September 2020	8th December 2020
			Extra Ordinary		
Mrs. Elizabeth Mafeni	Y	Y	VC	VC	Y
Mr. Dean Lungu	Y	Y	VC	VC	Y
Mr. Khumbo Phiri	Y	Y	VC	VC	Y

Y Attended **VC** Video conferencing (VC) **N** Not attended **A** Apologies

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

Appointments and remuneration committee meeting attendance record for 2020

Name of Director	31st March 2020	29th June 2020	30th September 2020	8th December 2020
Mr. Hitesh Anadkat	Y	Y	Y	Y
Mrs. Elizabeth Mafeni	Y	Y	VC	Y
Mr. Dean Lungu	Y	Y	VC	Y

Y Attended **VC** Video conferencing (VC) **N** Not attended **A** Apologies

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

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

The responsibilities of the division comprise:

- Internal audit
- Enterprise risk management
- Corruption and fraud investigation

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 continously embedding internal controls into the company culture. Internal audit provides assurance on the system of internal controls within the company. The mission of TNM 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 process.

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

The role and responsibilities of the Internal Audit function are outlined in a defined 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.

The Internal Audit Department 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 of the year.

Enterprise Risk Management

TNM executes an enterprise-wide risk management 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. Risk are ranked according to:

- Critical
- High
- Moderate
- Low

The functional level and company-wide 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.

Corruption and 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 programs covering various types of frauds and relevant controls are ongoing. Fraud risk assessments are in place to identify the potential fraud risks and assess their likelihood and potential impact.

Profile of Directors

Dr George Partridge
Chairman (57)
B.Soc.Sc, (Econ), MSc (Finance)
FCCA, CA (M), Ph.D.

Appointed to the Board
on 9th December 2016

Dr George B. Partridge was appointed Group Chief Executive of Press Corporation plc on 1st November 2016. Prior to this, he was the Chief Executive Officer of National Bank of Malawi plc, 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. Dr Partridge holds a B.Soc.Sc (Economics) with distinction from the University of Malawi, MSc (Finance) from the University of Southampton, UK and is a qualified chartered accountant (FCCA, CA (M)). 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.

Mrs Elizabeth Mafeni
Director (51)
MBL, FCCA, CPA (M), BCom.

Appointed to the Board
on 12th June 2015

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

Mr Lekani Katandula
Director (45)
Chartered Accountant (Fellow of ACCA and member of ICAM), a CFA Charter holder, Certified Information Systems Auditor (CISA), Bachelor of Accountancy, MBA from the University of Bradford (UK).

Appointed to the Board on 2nd July 2020

Mr Lekani Katandula is the Managing Director of Illovo Sugar (Malawi) plc. He joined on 3 August 2015 as Financial Director and served in this capacity until 1 December 2017 when he was appointed Human Resources Director. He was appointed Managing Director effective 1 April 2020.
Prior to joining Illovo, he was employed by Deloitte for 19 years, including 11 years as an Assurance and Advisory Partner.
Lekani has over the years served on several private sector boards, including Alliance Capital Limited, Ethanol Company Limited, Institute of Chartered Accountants in Malawi, Phoenix International School, SUCOMA Group Pension Scheme and Malawi Telecommunications Limited. He currently serves as a non-executive director at First Capital Bank (where he chairs the Credit Committee) and Chairman of The Public Private Partnership Commission.

Mr Dean Lungu
Director (70)
BSc Mechanical Engineering
MSc Industrial Engineering

Appointed to the Board on 24th 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 plc. 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 Ltd, whose notable projects include: repairs to the Kapichira Hydro Power Station River Training Dyke, in joint venture with Grinaker-LTA of South Africa, resurfacing of 210 km (Lilongwe–Salima–Nkhota Kota) Construction of Mtiti Bridge and Construction of Lweya Irrigation Scheme among others.

Dr Isaac Nzyoka
Director (48)
Doctorate of Business Administration (DBA), Executive Certificate – Leading High, Performing Health Organizations, Post Graduate Diploma–Health Systems Management, Bachelor of Science (Nursing)

Appointed to the Board on 2nd April 2020

Dr Isaac Nzyoka is Executive Head–Digital & Data-Rest of Africa for Old Mutual Limited where he is responsible for execution of the group's digital & data strategy across the 12 Rest of Africa countries in East Africa, West Africa and the SADC region. Hitherto his current position, Isaac was Group Chief Operating Officer (UAP Old Mutual Group), Managing Director (UAP Insurance Company) and Group Managing Director – Health Business (UAP Old Mutual). Has also worked for Aon in Kenya as Divisional Director.
Isaac holds membership in several organizations including Board Committee Member, Technology, Digital & Innovation Committee, UAP Old Mutual Holdings Board; Executive Director, UAP Insurance Rwanda; Member, Health Committee, UAP Old Mutual Uganda Board; Trustee, UAP Old Mutual Foundation.

Mr Khumbo Phiri
Director (41)
Master of Financial Services, Chartered Insurer with the Chartered Insurance Institute (CII) of London Bachelor of Education Humanities

Appointed to the Board on 26th 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 that 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 17 years in financial services areas of corporate and retail life insurance, Unit trusts, Strategy, Digital distribution and Operations.
He is the Chairman at MPICO Malls Limited, Director at Frontline Investments Limited and Capital investments Limited.

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

Mr Hitesh Anadkat
Vice Chairman (60)
B.Sc. Economics (Hons)

Appointed to the Board
on 5th April, 2007

Mr John Biziwick joined the Press Corporation plc as Group Operations Executive-Designate on 5th 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 that 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.

Mr John Biziwick
Director (62)
B.Soc.Sc, (Economics),
MSc (Economics)

Appointed to the Board
on 28th September 2016

Profile of Executive Management

Mr Arnold Mbwana
Chief Executive Officer

Mr Mbwana was appointed Chief Executive Officer in March 2021. Until this appointment, he was Chief Finance Officer of the company.
Arnold has more than 15 years' experience, in both local and international organisations, in the areas of finance, governance, enterprise risk management, audit and general management. He joined TNM Plc in 2011 and has been a senior executive for over 8 years.
Arnold is a Chartered Accountant (FCCA), Certified Fraud Examiner (CFE) and graduated from the University of Malawi with a Bachelor of Accountancy Degree. He also completed the International Executive Development Programme (IEDP) under Wits Business School and London Business School.
Arnold chairs the Board of Directors of TNM Mpamba Limited.

Mr Frank Magombo
Chief Marketing Officer

Mr. Frank Magombo is a Telco Executive, with over 14 years of industry-leading marketing expertise. Throughout his career, he has pioneered commercialization of new technologies and services in the growing mobile industry of Malawi and parts of Africa. His experience is mainly around business strategy, revenue management, customer value management, product innovation management, pricing and brand management with a specialty in transforming ideas into reality and revamping non-performing business line to deliver bottom-line growth. He has previously worked for Airtel Malawi in several positions and more recently Executive Marketing Director. He re-joined TNM on 1 February 2021 as Chief Marketing Officer having previously served as Head of Innovation. Frank holds a BSc in Computer Science from the University of Malawi, Chancellor College.

Mrs Christina Mwansa
Chief Legal & Regulatory Officer

Mrs Christina Mwansa holds a Bachelor of Laws (Honours) Degree from Chancellor College, University of Malawi. She started her career advocating for women's rights at the NGO Society for the Advancement of Women, thereafter she spent time in private practice at Racane and Associates overseeing the Lilongwe branch. She has worked for TNM for the past 20 years as in-house general counsel and company secretary. She has vast experience in corporate law, corporate governance and regulatory compliance as well as sound knowledge and understanding of applicable laws and regulations.

Mr Peter Kadzitche
Chief Finance Officer

Mr Peter Kadzitche is a fellow chartered management accountant with the Chartered Institute of Management Accountants (CIMA). He holds Bachelor of Accountancy from the Malawi Polytechnic and Advanced Diploma in Management Accounting. Peter has over 17 years' experience in accounting, finance and auditing. He joined TNM in the year 2005. He worked in TNM in several positions before being appointed as the Head of Division, Financial Management in 2011. In 2013 Peter was appointed as the Acting Chief Finance Officer and confirmed as the Chief Finance Officer in 2016. In 2019, he was appointed as the Chief Audit Officer before being re-appointed as the Chief Finance Officer in 2021.

Mr Lloyd Gowera
Chief Technical Officer

Mr Gowera is an experienced telecoms engineer with 19 years of experience in mobile communications engineering working with mobile networks operators and over 9 years at senior management levels. He is a holder of an MBA from ESAMI, a Bachelors of Science in IT, a Diploma in Telecommunications and Electronics Engineering and is Programme Management Certified (PMP). He has spent over 15 years with Airtel Malawi rising to the position of Head of Radio & Transmission Department during which time, he also worked in Madagascar and Zambia. In 2016, he moved to Papua New Guinea and clocked 4 years with DIGICEL handling network operations, new rollout and equipment modernization. He joined TNM on 9th March, 2021.

Mr Peter Munthali
Chief Information Officer

Mr Peter Munthali holds an MBA from the University of Cape Town's Graduate School of Business, an MSc in advanced Computer Science from the University of East Anglia (UK), and a BSc from the University of Malawi - all with Distinction. He has over 11 years of experience in the management of the technology function, primarily in the financial services sector. He managed the Information Technology department of Indebank from 2007 until 2016, and was instrumental in the establishment of various channel delivery services and improving back-office systems. He was also involved in several industry initiatives, including being a member of the team that oversaw the establishment of the National Switch. In 2016, he assumed the role of IT Services and Support Manager at National Bank of Malawi (NBM), following the acquisition of Indebank by NBM. He joined TNM in August 2018. In 2019, he was appointed Chief Information Officer

Mrs Phyllis Manguluti
Chief Channels Officer

An accomplished member of Executive management of Telekom Networks Malawi (TNM) that offers 22 years' continued and combined experience with success in the areas of planning, executing and negotiating at various Organizational levels. A Master of Business Administration and an Electrical and Electronic Engineer, an awardee from STEM in the field of Science. Currently working as the Chief Channels Officer, strategically responsible for TNM Sales and Customer services Channels. Previously also worked as Managing Executive for Operations, and was responsible for all operations in the 4 regions, Managing Executive for Customer Services, Head of Network Management Centre where she played an instrumental role in setting up the TNM's Network Management system using an integrated system solution. Regional Technical Manager for Central and Northern Region. On the international scene, she was also the first woman Consultant to have successfully led a telecommunication engineering project in Yemen in the year 2007. In addition, she also has 6 years' experience of board leadership; including providing oversight to sub-committees.

Mr Mpezenji Gonani
Chief Human Resources Officer

Mr Mpezenji Gonani holds a Master of Business Administration (MBA) from Eastern and Southern African Management Institute (ESAMI) and Bachelor of Arts in Human Resources Management from Chancellor College. Mpezenji has 22 years of experience in Human Resources Management, twelve of which has been in the Telecommunications industry, having joined TNM in 2008. He was appointed Chief Human Resources Officer in 2019. Previously also worked as the Managing Executive for Human Resources and Administration in TNM.

Corporate Social Responsibility

Education

Secondary school connectivity-Digital literacy

TNM made provision of computers and internet access to three school; Ngumbe CDSS in Blantyre, Chayamba Secondary School in Kasungu and Yamba Secondary school in Kasungu to make ICT learning more exciting and motivating.

The computers replete with internet connectivity tools (Wi-Fi) were part of the company's 'ICT for Schools' initiative, which has seen selected public education institutions benefitting from TNM's digital literacy agenda.

TNM as a Malawian company understands various technological trends in the developed world, where education is being delivered through the use of technology. We acknowledge the gap in Malawi as most school do not have access to ICT facilities hence the donations in secondary schools to align them with the world trends.

Free internet access

TNM Plc partnered Malawi Government to provide free internet to access to learning for secondary school students in the wake of the COVID-19 Pandemic.

The initiative was part of the Ministry of Education's efforts to make sure students in the country are still learning following the closure of school and colleges due to the pandemic.

All students from Form 1-4, were able to access lessons through the ministry's website; www.education.gov.mw where the lessons were uploaded at no data cost for TNM users.

Health

TNM supports Virtual Doctors in Corona fight
As the Coronavirus pandemic continued to negatively impact lives world over, TNM Plc intervened through Virtual Doctors (VDrs) to support increased access to specialist doctors at a time when their services are needed most.

The support through provision of handsets and data in light of the ever increasing demand for specialist medical services in due to the Coronavirus pandemic.

'Efforts by VDrs is even more important today in the wake of the Coronavirus pandemic. Remote access by to specialist doctors by frontline medical personnel through telecommunications technology comes in handy during this period as medical personnel across the globe pre-occupied with responding to growing cases on COVID-19'.

Five year Group financial review

Financials (in millions of Malawi Kwacha, unless otherwise stated)

	2020	2019	2018	2017	2016
Sales	112 559	121 361	118 528	104 680	86 138
VAT	(13 776)	(14 903)	(14 679)	(12 723)	(10 596)
Excise tax	(6 956)	(7 413)	(7 327)	(6 256)	(5 057)
International incoming call termination levy	(929)	(2 154)	(2 939)	(3 600)	(3 088)
Revenue (includes other income)	90 898	96 891	93 583	82 101	67 398
EBITDA	31 246	37 011	35 091	28 798	22 602
Headline earnings per share (MK)	0,77	1,31	1,56	1,24	0,78
Dividend per share (MK)	0,55	0,75	0,75	0,48	0,30
Contributions to Government					
Distributed to government through corporate taxation	7 795	6 589	6 541	6 024	3 894
Employees taxation deducted from remuneration (including FBT)	2 329	2 910	2 015	2 062	1 776
Net VAT amount collected on behalf of government	6 854	9 157	8 718	6 654	5 057
Excise tax on airtime usage revenue	6 956	7 413	7 327	6 645	5 057
Non-resident tax collected on behalf of government	755	948	634	708	478
Withholding tax on dividends	683	723	753	382	301
Levy on net operating revenue	2 802	2 966	3 346	2 666	2 174
Frequency and licence fees	2 777	1 822	1 561	1 228	887
International incoming call termination levy	929	2 154	2 939	3 600	3 088

	2020	2019	2018	2017	2016
Economic					
Distributed to employees	9 929	11 345	9 948	9 710	8 722
Distributed to shareholders as dividends	5 522	7 530	7 530	4 819	3 012
Distributed to providers of finance	4 186	4 141	2 821	2 840	3 477
Distributed to distribution partners	6 651	8 201	7 531	7 009	6 099
Capital expenditure	31 461	18 140	19 318	19 037	9 176
Employees					
Number of employees	561	563	706	685	726
Environment					
Number of base station sites	812	732	627	593	556
Number of shared sites	355	250	224	235	231

Contents

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TELEKOM NETWORKS MALAWI PLC

Consolidated and Separate Financial Statements

for the year ended 31 December 2020

Directors' report

For the year ended 31 December 2020

The Directors have pleasure in presenting their report and the audited consolidated and separate financial statements of Telekom Networks Malawi plc and its subsidiary, TNM Mpamba Limited, "the group" for the year ended 31 December 2020.

Nature of business

The company is engaged in providing telecommunication services in accordance with its licence issued by Malawi Communications Regulatory Authority (MACRA). The company has a wholly owned subsidiary, TNM Mpamba Limited, a company incorporated in Malawi and engaged in providing mobile money services.

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, P.O Box 3039, Blantyre, Malawi.

Financial performance

The results and state of affairs of the group and company are set out in the accompanying consolidated and separate statements of comprehensive income, the consolidated and separate statements of financial position, the consolidated and separate statements of changes in equity, the consolidated and separate statements 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:-

	2020	**2019**
	%	%
Press Corporation plc	41.31	41.31
Old Mutual Life Assurance Company Malawi Limited #	24.07	24.07
Nico Life Insurance Company Limited #	5.63	5.63
Magni Holdings Limited	-	4.51
Others	28.99	24.48
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 Partridge*	-	Chairman - Non-executive Director
Mr. Hitesh Anadkat**	-	Vice Chairman - Non-executive Director
Mr. Dean Lungu****	-	Non-executive Director
Mr. John M. O'Neill****	-	Non-executive Director (Up to 2 April 2020)
Mrs. Elizabeth Mafeni*	-	Non-executive Director
Mr. John Bizwick*	-	Non-executive Director (Up to 9 July 2020)
Mr. Khumbo Phiri***	-	Non-executive Director
Dr. Isaac Nzyoka***	-	Non-executive Director
Mr. Lekani Katandula****	-	Non-executive Director (From 2 July 2020)
Michiel Buitelaar	-	Executive Director (Up to 4 November 2020)
Mrs. Christina Mwansa	-	Company Secretary

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

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

	2020 Number of shares million	**2019** Number of shares million
Mr. Hitesh Natwarlal Anadkat		
Livingstone Exports Limited	51	51
Livingstone Holdings Limited	150	150
NG Anadkat Limited	196	42
Magni Holdings Limited	-	453
First Capital Bank Limited	38	38

There has been no change in the direct shareholding in the company as listed above, up to the date of this report.

Non executive Directors' remuneration

The Non-Executive Directors' remuneration for the current year have 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.

Value added tax adjustments

The Group has processed prior year adjustments amounting to MK4 194 million for financial years 2015 to 2019 and made a provision for the year under review amounting to MK2 305 million in respect of value added tax treatment in various transactions. The provisions arose due to different interpretation of tax law between the Group and Malawi Revenue Authority. The issue has not yet been closed as at the time of releasing the financial statements. The Group has taken a cautious approach and the provisions have been made without prejudice to our rights and claims before the Special Arbitration.

Impact of COVID 19

The world is still facing the COVID-19 pandemic, which may affect delivery of some critical equipment and trade stock due to lock downs from source countries; however, most countries have rolled out vaccination programs, which will help to reduce the impact. In addition, the Directors are still of the view that the pandemic will not have a significant impact on the performance of the company because of opportunities in data growth as more people prefer to work from home and online meetings. Telecommunication industry is classified as an essential service.

Dividends

During the year, a total dividend of MK5 522 million at MK0.55 per share was declared. MK2 510 million was paid in July 2020 and MK1 807 million was paid in September 2020. The balance of MK1 205 million which was declared in December 2020 was paid in January 2021.

Auditors

Deloitte, Chartered 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 2021.

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

By order of the Board

______________________ ______________________

Chairman of the Board Chairman of Board Audit Committee

Statement of Directors' Responsibilities

For the year ended 31 December 2020

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Telekom Networks Malawi plc and its subsidiary, comprising the consolidated and separate statements of financial position at 31 December 2020, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013.

The Act also requires the Directors to ensure the group keeps proper accounting records which disclose with reasonable accuracy the financial position of the group and enable them to ensure that the financial statements comply with the Malawi Companies Act, 2013.

In preparing the consolidated and separate 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 consolidated and separate financial statements; and
- Preparation of consolidated and separate financial statements on a going concern basis unless it is inappropriate to presume that the group 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 group and to maintain adequate systems of internal control to prevent and detect fraud and other irregularities.

The Directors have made an assessment of the group's and company's ability to continue as a going concern and have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the group and of its operating results.

Chairman of the Board	Chairman of Board Audit Committee

Date: 23 April 2021

Independent auditor's report to the members of Telekom Networks Malawi plc

P. O. Box 187
Blantyre
Malawi

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

TELEKOM NETWORKS MALAWI PLC

Opinion

We have audited the consolidated and separate financial statements (the financial statements) of Telekom Networks Malawi plc (the group) set out on pages 44 to 107, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements 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 group as at 31 December 2020, 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.

Emphasis of Matter – Restatement of current year comparatives

We draw attention to note 1.2 to the financial statements which indicates that the financial statements for the year ended 31 December 2019 have been restated as a result of a prior year error. Our opinion is not modified in respect of this matter.

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 group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other 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.

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

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue (for group and company)	
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 be used and should be contract liabilities (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 group has been disclosed in note 3.14 to the financial statements 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) audit 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 group's billing system and by using advanced data analytics mirror the dynamic, intelligent tariff regimes to independently compute the income for the year and thus assess the completeness and accuracy of the figures in the revenue reports; • We obtained a contract liabilities reconciliation for the expected contract liabilities as at period end and tested the accuracy and completeness of the reconciling items; • We re-computed contract liabilities from Intelligent Network data using Computer Assisted Audit Techniques (CAATS); and • We checked that the contract liabilities 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 found revenue recognition policy to be in line with International Financial Reporting Standards and industry practice. In addition, the contract liabilities disclosed in note 28 to the financial statements have been assessed to be in accordance with the revenue recognition policy.

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 the 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 group'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 group 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 group'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 group'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 group 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; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, actions taken to eliminate threats or safeguards applied.

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.

Chartered Accountants
Christopher Kapenda
Partner

29 April 2021

Statements of comprehensive income

For the year ended 31 December 2020

	Note	Group 2020 MK'000	Group 2019 MK'000 Restated	Company 2020 MK'000	Company 2019 MK'000
Revenue	6	87 303 879	93 274 127	78 998 415	87 144 877
Cost of sales	7	(20 453 038)	(23 422 412)	(17 648 053)	(21 316 147)
Gross profit		66 850 841	69 851 715	61 350 362	65 828 730
Other income	8	3 594 290	3 616 694	4 619 201	3 617 444
Network operating costs	9	(32 063 037)	(29 256 626)	(31 447 757)	(28 582 564)
Administrative expenses	10	(21 181 834)	(20 169 813)	(18 034 234)	(18 227 170)
Operating profit		17 200 260	24 041 970	16 487 572	22 636 440
Finance income	11	390 215	82 185	115 825	20 708
Finance expenses	11	(4 653 671)	(4 209 464)	(4 654 074)	(4 209 464)
Net finance expenses		(4 263 456)	(4 127 279)	(4 538 249)	(4 188 756)
Profit before income tax		12 936 804	19 914 691	11 949 323	18 447 684
Income tax expense	12	(5 208 192)	(6 740 367)	(3 761 618)	(5 883 857)
Profit for the year		7 728 612	13 174 324	8 187 705	12 563 827
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		7 728 612	13 174 324	8 187 705	12 563 827
Earnings per share					
Basic and diluted earnings per share (MK)	13	0.77	1.31		
Dividend per share (MK)		0.55	0.75		

Statements of financial position

For the year ended 31 December 2020

		Group		Company		
		2020	**2019**	**2020**	**2019**	**01.01.2019**
	Note	MK'000	MK'000	MK'000	MK'000	MK'000
			Restated		Restated	Restated
ASSETS						
NON-CURRENT ASSETS						
Contract assets	6	600 953	558 569	600 953	558 569	302 727
Investment in subsidiaries	14	-	-	1 255 627	1 255 627	-
Equity investments	14	81 000	81 000	81 000	81 000	81 000
Property, plant and equipment	15	67 355 117	59 413 329	66 839 896	58 966 354	52 081 042
Intangible assets	16	8 601 034	7 658 364	8 135 570	6 954 754	7 622 283
Right of use assets	17	11 661 429	5 008 208	11 661 429	5 008 208	-
Deferred tax	24	6 242	4 533	-	-	-
Total non-current assets		88 305 775	72 724 003	88 574 475	72 824 512	60 087 052
CURRENT ASSETS						
Contract assets	6	636 783	568 366	636 783	568 366	528 497
Inventories	18	2 442 094	2 431 916	2 442 094	2 431 916	3 213 368
Trade and other receivables	19	14 045 894	14 071 178	11 219 371	13 760 879	11 941 334
Amount due from related companies	20	420 811	279 317	3 105 257	2 334 583	1 603 335
Bank and cash balances	21	14 677 183	13 083 825	2 271 047	3 523 180	2 266 518
Total current assets		32 222 765	30 434 602	19 674 552	22 618 924	19 553 052
TOTAL ASSETS		120 528 540	103 158 605	108 249 027	95 443 436	79 640 104
CAPITAL AND LIABILITIES						
EQUITY						
Share capital	22	401 618	401 618	401 618	401 618	401 618
Share premium	23	2 346 921	2 346 921	2 346 921	2 346 921	2 346 921
Retained earnings		41 157 311	38 950 947	41 005 907	38 340 450	33 306 961
Total equity		43 905 850	41 699 486	43 754 446	41 088 989	36 055 500

Statements of financial position (continued)

		Group		Company		
	Note	2020 MK'000	2019 MK'000 Restated	2020 MK'000	2019 MK'000 Restated	01.01.2019 MK'000 Restated
NON-CURRENT LIABILITIES						
Deferred tax	24	1 097 334	936 958	1 097 334	936 958	682 713
Long-term portion of interest bearing loans	25	21 906 223	6 367 813	21 906 223	6 367 813	14 678 104
Long-term portion of deferred payment facility		-	-	-	-	178 712
Long-term portion of lease liabilities	31	936 955	2 140 764	936 955	2 140 764	-
Total non-current liabilities		23 940 512	9 445 535	23 940 512	9 445 535	15 539 529
CURRENT LIABILITIES						
Amounts due to related parties	20	-	24 221	1 189 516	1 097 648	-
Bank overdraft	21	4 601 264	4 751 416	4 601 264	4 751 416	499 123
Current portion of interest-bearing loans	25	4 355 207	11 618 461	4 355 207	11 618 461	4 678 104
Current portion of deferred payment facility		-	-	-	-	572 936
Dividend payable	27	1 204 855	2 510 113	1 204 855	2 510 113	2 510 113
Contract liabilities	28	4 561 814	4 885 867	4 561 814	4 885 867	3 905 036
Trade and other payables	29	27 406 527	16 582 941	22 887 488	15 174 791	13 742 561
Amounts payable to owners of e-money	30	8 261 193	6 432 490	-	-	-
Current portion on lease liabilities	31	777 640	3 196 292	777 640	3 196 292	-
Current tax payable		1 513 678	2 011 783	976 285	1 674 324	2 137 202
Total current liabilities		52 682 178	52 013 584	40 554 069	44 908 912	28 045 075
Total liabilities		76 622 690	61 459 119	64 494 581	54 354 447	43 584 604
TOTAL EQUITY AND LIABILITIES		120 528 540	103 158 605	108 249 027	95 443 436	79 640 104

The financial statements were approved and authorised for issue by the Board of Directors on 23 April 2021 and were signed on its behalf by:

____
Chairman of the Board

____
Chairman of Board Audit Committee

Statements of changes in equity

For the year ended 31 December 2020

	Share capital MK'000	Share premium MK'000	Retained earnings MK'000	Total MK'000
Group				
2020				
Balance at 1 January 2020 as restated	401 618	2 346 921	38 950 947	41 699 486
Comprehensive income for the year	-	-	7 728 612	7 728 612
Dividend declared (MK0.55 per share)	-	-	(5 522 248)	(5 522 248)
Balance at 31 December 2020	401 618	2 346 921	41 157 311	43 905 580
2019				
Balance at 1 January 2019 as previously reported	401 618	2 346 921	35 612 021	38 360 560
Prior year adjustment	-	-	(2 305 060)	(2 305 060)
Balance at 1 January 2019 as restated	401 618	2 346 921	33 306 961	36 055 500
Comprehensive income for the year	-	-	13 174 324	13 174 324
Dividend declared (MK0.75 per share)	-	-	(7 530 338)	(7 530 338)
Balance at 31 December 2019	401 618	2 346 921	38 950 947	41 699 486
Company				
2020				
Balance at 1 January 2019 as restated	401 618	2 346 921	38 340 450	41 088 989
Comprehensive income for the year	-	-	8 187 705	8 187 705
Dividend declared (MK0.55 per share)	-	-	(5 522 248)	(5 522 248)
Balance at 31 December 2020	401 618	2 346 921	41 005 907	43 754 446
2019				
Balance at 1 January 2019 as previously reported	401 618	2 346 921	35 612 021	38 360 560
Prior year adjustment	-	-	(2 305 060)	(2 305 060)
Balance at 1 January 2019 as restated	401 618	2 346 921	33 306 961	36 055 500
Comprehensive income for the year	-	-	12 563 827	12 563 827
Dividend declared (MK0.75 per share)	-	-	(7 530 338)	(7 530 338)
Balance at 31 December 2019	401 618	2 346 921	38 340 450	41 088 989

Statements of cash flows

For the year ended 31 December 2020

	Note	Group 2020 MK'000	Group 2019 MK'000	Company 2020 MK'000	Company 2019 MK'000
Cash flows from operating activities					
Cash receipts from customers		90 781 959	96 084 995	85 388 450	89 721 812
Cash payments to suppliers and employees		(46 081 650)	(49 198 509)	(44 694 191)	(53 169 474)
Cash generated from operations		44 700 309	46 886 486	40 694 259	36 552 338
Interest paid	11	(4 186 435)	(4 141 336)	(4 186 435)	(4 141 336)
Income tax paid		(5 547 630)	(6 616 074)	(4 299 281)	(6 092 490)
Cash generated from operating activities		34 966 244	36 129 076	32 208 543	26 318 512
Cash flows from investing activities					
Interest received	11	390 215	82 185	115 825	20 708
Purchase of Property, plant and equipment	15	(20 286 610)	(16 414 490)	(20 100 010)	(16 103 094)
Purchase of intangible assets	16	(746 466)	(1 726 488)	(746 466)	(1 726 488)
Proceeds from sale of property, plant and equipment		22 458	63 685	22 458	63 685
Net cash used in investing activities		(20 620 403)	(17 995 108)	(20 708 193)	(17 745 189)
Cash flows from financing activities					
Dividend paid to owners of the company	27	(6 827 506)	(7 530 338)	(6 827 506)	(7 530 338)
Proceeds from loans	25	15 261 327	3 599 477	15 261 327	3 599 477
Repayment of loans	25	(6 986 171)	(4 969 411)	(6 986 171)	(4 969 411)
Lease liability payments		(14 049 981)	(1 917 034)	(14 049 981)	(1 917 034)
Repayment of deferred payment facility	26	-	(751 648)	-	(751 648)
Net cash used in financing activities		(12 602 331)	(11 568 954)	(12 602 331)	(11 568 954)
Net increase/(decrease) in cash and cash equivalents		1 743 510	6 565 014	(1 101 981)	(2 995 631)
Cash and cash equivalents at beginning of year		8 332 409	1 767 395	(1 228 236)	1 767 395
Cash and cash equivalents at end of year	21	10 075 919	8 332 409	(2 330 217)	(1 228 236)

Notes to the financial statements

1. General information

1.1. Reporting entity

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.

The company's subsidiary, TNM Mpamba Limited is primarily involved in the provision of a wide range of mobile money services.

The group comprises of Telekom Networks Malawi plc and its wholly owned subsidiary.

1.2. Restatements on 2019 financial statements

The group has processed prior year adjustments in respect of value added tax treatment in various transactions for financial years 2015 to 2019. The restatement arose from a tax audit report from Malawi Revenue Authority. The group has appealed the final determination to the Special Arbitrator. Notwithstanding the appeal, the group has accrued for the additional taxes arising based on the final determination by MRA and this has been treated as a correction of a prior period error. The impact of this restatement is detailed in the analysis below:

	31/12/2019 As previously reported K'000	Adjustment K'000	31/12/2019 Restated K'000
Consolidated			
Administrative costs	18 281 049	1 888 764	20 169 813
Profit for the year	15 063 088	(1 888 764)	13 174 324
Retained earnings	43 144 771	(4 193 824)	38 950 947
Trade and other payables	12 389 117	4 193 824	16 582 941
Separate			
Administrative costs	17 724 476	502 694	18 227 170
Profit for the year	13 066 521	(502 694)	12 563 827
Retained earnings	41 148 204	(2 807 754)	38 340 450
Trade and other payables	12 367 037	2 807 754	15 174 791

1. General Information (continued)

1.2. Restatements on 2019 financial statements (continued)

	01/12/2019 As previously reported K'000	Adjustment K'000	01/12/2019 Restated K'000
Consolidated			
Retained earnings	35 612 021	(2 305 060)	33 306 961
Trade and other payables	11 437 501	2 305 060	13 742 561
Separate			
Retained earnings	35 612 021	(2 305 060)	33 306 961
Trade and other payables	11 437 501	2 305 060	13 742 561

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 group 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 2020.

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

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 2020, and have not been applied in preparing these financial statements. Those which may be relevant to the group are set out below. The group 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 reporting periods beginning on or after 1 January 2023	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
Annual reporting periods beginning on or after 1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
Annual reporting periods beginning on or after 1 January 2022	*Property, Plant and Equipment* - Proceeds before Intended Use (Amendments to IAS 16) The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Annual reporting periods beginning on or after 1 January 2022	Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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 reporting periods beginning on or after 1 January 2022	Annual Improvements to IFRS Standards 2018–2020 Makes amendments to the following standards: • **IFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. • **IFRS 9** – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. • **IFRS 16** – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The Directors anticipate that these standards and interpretations in future periods will have no significant impact on the financial statements of the group.

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries made up to 31 December each year. Control is achieved when the company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the company gains control until the date when the company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

3.1 Functional and presentation currency

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

3. Significant accounting policies (continued)

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 the 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.

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 Property, plant and equipment

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

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 group'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 Leases

(a) The group as lessee

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The lease liability is presented as a separate line in the statements of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss (see note 31).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The group has used this practical expedient.

3. Significant accounting policies (continued)

3.6 Leases (continued)

(b) The group as lessor

The group enters into lease agreements as a lessor with respect to some of its assets.

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3.7 Impairment of non-financial assets

At the end of each reporting period, the group 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 group 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.

3.8 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.

3.9 Trade receivables

Receivables are measured at amortised cost using the effective interest method less any allowance made for impairment of these receivables. The group 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 group'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.

3.10 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.

3.11 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 statements 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 group intends to settle its current tax assets and liabilities on a net basis.

3.12 Provisions

A provision is recognised in the statements of financial position when the group 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.

3.12 Provisions (continued)

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.

3.13 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.

3.14 Revenue from contracts with customers

The group 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 group recognises revenue when it transfers control of a product or as services are rendered to a customer.

For bundled packages, the group 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 group 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

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

Devices
The group sells a range of devices. The group 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 group assesses postpaid contracts including handsets to determine if they contain a significant financing component. The group has elected to apply the practical expedient that allows the group 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 group does not charge for financing component hence does not separately account for a financing component.

Interconnect and roaming
The group 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 group 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 group 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 group reduces interconnect and roaming revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

Mpamba transaction fee
Mpamba is a mobile money transaction service allowing customers to deposit, transfer and withdraw money or pay for goods and services and using a mobile phone. Registration is free and available at any Mpamba agent.

Revenue from this service is earned largely from transfer and withdrawal transactions performed by customers. A graduated tariff depending on the funds being transacted is applied on all transactions which are cumulatively reported as Mpamba transaction fees. Revenue is recognised when a customer performs successful Mpamba transaction.

3.15 Employee benefits
Pension obligations - Defined contribution plan

The group 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 group 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.

3.16 Financial instruments

Financial assets and financial liabilities are recognised in the group's and the company's statement of financial position when the group and 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.

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.

3.16.1. 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.

3.16.2. 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.

3.16.3 Impairment of financial assets

The group 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 group 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 group'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 group 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 group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

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.

3.16.4. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group 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 group 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 group'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 group'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.

3.16.4. Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the group 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 group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the group 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.

The group 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 group 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.

3.16.5. Definition of default

The group 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 group, in full (without taking into account any collateral held by the group).

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

3.16.6. 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.

3.16.7. Write-off of trade receivables

The group 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 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3.16.8. 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.

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

If the group 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 group 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.

3.16.9. Derecognition of financial assets

The group 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 group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group 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 group 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.

3.17 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 group, are measured in accordance with the specific accounting policies set out below.

3.17.1 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 group 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 group 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 group's documented risk management or investment strategy, and information about the group 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.

3.17 Financial liabilities

3.17.2 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.

3.17.3 Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group'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.

3.18 Segment reporting

A segment is a distinguishable component of the group 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 group does not, at present, have distinguishable business segments.

3.19 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.

3.20 Comparatives

During the year the group changed the presentation of the statement of comprehensive income. Previously, the entity was presenting the items in the Statement of comprehensive income by combining the items according to their nature and function. The group has adopted to present these items according to their function starting in 2020. Comparative information has been restated to effect this change. There is no impact on the statement of comprehensive income or equity as a result of this change.

4. Critical accounting judgments and key sources of estimation uncertainty

4.1 Critical judgements in applying the group's accounting policies

In the application of the group'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 group provides credit terms to customers on post paid services and selected dealers. Management is aware that certain debts due to the group may not be recoverable either in part or in full. The group 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 group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.1 Loss allowance for trade and other receivables (continued)

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.

4.2.3 Impairment of goodwill

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

4.2.4 Impairment of property, plant and equipment and intangible assets

The group 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 group'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 group 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 group 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 group 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 38 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 group has exposure to the following risks from its use of financial instruments:

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

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

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

The group's risk management policies are established to identify and analyse the risks faced by the group, 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 group's activities. The group, 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 group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

5.1 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the group'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 group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Over 70% of the group'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 group 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.

5. Financial Risk Management (continued)

5.1 Credit Risk (continued)

b) Cash and cash equivalents

The group 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 group will not be able to meet its financial obligations as they fall due. The group'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 group'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 group is still growing. Over 70% of the group's sales are on cash basis, therefore the risk of default which would affect the going concern is mitigated.

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 group'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 group transacts the majority of its sales, non-capital expenditure purchases and borrowings in its functional currency Malawi Kwacha (MK). The group is exposed to currency risk where these transactions are denominated in currencies other than functional currency.

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

The group mitigates currency risk by immediate conversion of foreign denominated liability into local borrowings.

5.5 Interest rate risk

The group 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 group by maintaining an appropriate mix between fixed and floating rate borrowings.

The group's exposures to interest on financial liabilities are detailed in notes 21, 25, 26 and 31 to the financial statements.

5.6 Capital management

The group'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 group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure.

6. Revenue

	Group		Company	
	2020	2019	2020	2019
	MK'000	MK'000	MK'000	MK'000
Revenue is derived from the following revenue streams:				
Prepaid airtime	39 356 936	47 082 274	39 356 936	47 082 274
Data	19 833 078	16 896 282	19 833 078	16 896 282
International incoming	2 613 913	4 381 889	2 613 913	4 381 889
Messaging	3 097 407	4 521 101	3 097 407	4 521 101
Mpamba fees and commissions	9 334 599	7 325 145	47 219	112 030
Enterprise business services	7 038 768	5 948 140	8 031 684	7 032 005
Interconnect	1 282 777	2 639 342	1 282 777	2 639 342
Post-paid airtime	2 578 646	2 199 120	2 578 646	2 199 120
Visitors roaming	131 949	434 274	131 949	434 274
Service revenue	85 268 073	91 427 567	76 973 609	85 298 317
Handsets, equipment and accessories	2 035 806	1 846 560	2 024 806	1 846 560
Total revenue	87 303 879	93 274 127	78 998 415	87 144 877

Assets and liabilities related to contracts with customers

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

Contract assets				
Current	636 783	568 366	636 783	568 366
Non-current	600 953	558 569	600 953	558 569
	1 237 736	1 126 935	1 237 736	1 126 935
Contract receivables	5 789 351	9 634 847	5 789 351	9 634 847
Contract liabilities	(4 561 814)	(4 885 867)	(4 561 814)	(4 885 867)

Loss allowance for contract receivables is recognised in the income, as detailed in note 19 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 group.

Contract liabilities represent unearned income arising from prepaid airtime purchases but not yet used on the network. Contract liabilities are disclosed in note 28 to the financial statements.

Contract assets relates to up-front unbilled revenue recorded for the sale of devices under mobile contract packages.

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

	Group		Company	
	2020	2019	2020	2019
	MK'000	MK'000	MK'000	MK'000
		Restated		Restated

7. Cost of Sales

Dealer commission	3 779 208	4 659 345	4 772 104	5 244 851
MACRA annual levy	2 802 137	2 966 427	2 802 137	2 966 427
Interconnect charges	1 132 129	2 066 852	1 132 129	2 066 852
IDD call charges	933 779	1 694 118	933 779	1 694 118
Marketing development expenses	2 872 413	3 541 237	3 368 862	4 029 158
Mpamba expenses	4 294 330	3 179 692	-	-
Cost of recharge vouchers	826 479	1 066 857	826 479	1 066 857
RBT and other subscription charges	1 072 147	1 517 941	1 072 147	1 517 941
Cost of starter packs and sim cards	678 425	503 058	678 425	503 058
Handsets, equipment and accessories	1 808 910	1 841 956	1 808 910	1 841 956
International roaming charges	253 081	384 929	253 081	384 929
Total cost of sales	20 453 038	23 422 412	17 648 053	21 316 147

8. Other income

Airtel site sharing	2 733 600	2 692 347	2 733 600	2 692 347
Rental income	802 714	715 344	802 713	715 344
Sundry income	79 604	195 158	7 118	195 908
(Loss)/profit on disposal of property, plant and equipment	(21 628)	13 845	(22 342)	13 845
Dividend income	-	-	1 098 112	-
Total other income	3 594 290	3 616 694	4 619 201	3 617 444

	Group		Company	
	2020	2019	2020	2019
	MK'000	MK'000	MK'000	MK'000
		Restated		Restated

9. Network operating costs

Depreciation	12 203 311	11 062 838	11 962 853	10 880 446
Network repairs and maintenance	5 442 574	5 105 815	5 082 041	4 614 145
Power and site security	2 797 234	3 449 777	2 782 946	3 449 777
Lease circuit and fibre charges	2 521 789	2 546 019	2 521 789	2 546 019
Site and space rental	3 417 052	2 565 940	3 417 051	2 565 940
Data access and bandwidth charges	2 903 900	2 703 899	2 903 900	2 703 899
Spectrum, frequency and other licences	2 777 177	1 822 338	2 777 177	1 822 338
Total network operating costs	32 063 037	29 256 626	31 447 757	28 582 564

10. Administrative expenses

Staff costs and allowances	9 929 407	11 343 678	9 607 478	11 203 610
Depreciation	1 843 450	1 905 814	1 740 967	1 682 494
Marketing and other expenses	1 313 445	1 193 685	1 313 445	1 144 801
Office and other administrative expenses	6 515 858	3 352 671	3 843 823	1 931 431
Consultancy and other expenses	28 569	682 284	25 565	683 034
Motor vehicle running costs	779 687	783 569	779 686	767 464
Insurance	221 957	304 301	218 757	297 901
Impairment losses on receivables	211 814	201 033	211 814	201 033
Audit fees	195 302	180 500	160 152	157 500
Directors' remuneration	126 400	117 514	126 400	117 514
Donations	15 945	104 764	6 147	40 388
Total selling and administrative expenses	21 181 834	20 169 813	18 034 234	18 227 170

11. Finance income and expenses

Interest on bank deposits and other short term investments	280 494	77 393	6 262	15 980
Interest on staff loans	109 721	4 792	109 563	4 728
Total finance income	390 215	82 185	115 825	20 708
Interest expenses				
- interest bearing loans and bank overdrafts	(3 728 220)	(3 295 951)	(3 728 220)	(3 295 951)
- deferred payment facility	-	(7 150)	-	(7 150)
Lease interest expenses	(458 215)	(838 235)	(458 215)	(838 235)
Net foreign exchange losses	(467 236)	(68 128)	(467 639)	(68 128)
Total finance expenses	(4 653 671)	(4 209 464)	(4 654 074)	(4 209 464)

12. Income tax expense

	Group		Company	
	2020 MK'000	**2019** MK'000	**2020** MK'000	**2019** MK'000
Current tax expense				
Current year tax charge	4 939 714	6 490 655	3 491 431	5 629 612
Final tax on dividend received from subsidiary	109 811	-	109 811	-
Deferred tax expense				
Origination and reversal of temporary differences	158 667	249 712	160 376	254 245
Total income tax expense	5 208 192	6 740 367	3 761 618	5 883 857

Reconciliation of effective tax rate

	2020 %	**2019** MK'000	**2020** %	**2019** MK'000
Group				
Income tax charge at 30%	30.00	3 881 040	30.00	5 974 407
Effects of final tax on dividend received from subsidiary	0.85	109 811	-	-
Non-deductible expenses	9.41	1 217 341	3.85	765 960
	40.26	5 208 192	33.85	6 740 367
Company				
Income tax charge	30.00	3 584 797	30.00	5 534 305
Effects of final tax on dividend received from subsidiary	0.92	109 811	-	-
Non-deductible expenses	0.56	67 010	1.89	349 552
	31.48	3 761 618	31.89	5 883 857

13. Earnings per share

The calculation of the basic and diluted earnings per share for the year ended 31 December 2020 was based on the profit attributable to ordinary shareholders of MK7 728 million (2019 Restated: MK13 174 million) and the weighted average number of ordinary shares in issue for the year ended 31 December 2020.

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.

	Group		Company	
	2020	2019 Restated	2020	2019 Restated
Profit attributable to ordinary shareholders for the year (MK'000)	7 728 612	13 174 324	8 187 705	12 563 827
Weighted average number of shares ('000)	10 040 450	10 040 450	10 040 450	10 040 450
Basic earnings per share (MK)	0.77	1.31	0.82	1.25
Diluted earnings per share (MK)	0.77	1.31	0.82	1.25
Average number of shares ('000)				
Issued ordinary shares as at beginning and end of the year	10 040 450	10 040 450	10 040 450	10 040 450

14. Investments

National Switch Limited – equity investment	81 000	81 000	81 000	81 000
TNM Mpamba Limited – investment in subsidiary	-	-	1 255 627	1 255 627
	81 000	81 000	1 336 627	1 336 627

TNM Mpamba Limited is a wholly owned subsidiary of Telekom Networks Malawi plc incorporated in 2018 and started its operations on 1 January 2019. The total capital for TNM Mpamba Limited at the date of registration was MK1 255 million which was the value of total assets transferred from Telekom Networks Malawi plc. TNM Mpamba Limited started operations in January 2019.

In 2018, the company purchased 14 million shares representing 9% of the ordinary share capital of National Switch Limited at a price of MK2.71 per share. This company is involved in connecting financial institutions systems to offer domestic interoperability of digital payment systems in Malawi. The Directors of the group do not consider that the group is able to exercise significant influence over National Switch Limited. The investment is carried at its fair value.

15. Property, plant and equipment

	Land and buildings MK'000	Equipment and machinery MK'000	Motor vehicles MK'000	Office equipment MK'000	Capital work in progress MK'000	Total MK'000
Group						
Cost						
At 1 January 2020	4 568 578	78 577 761	3 886 514	5 115 626	5 205 684	97 354 163
Additions	154 309	7 382 714	692 809	369 330	11 687 448	20 286 610
Transfers	751	3 414 332	49 715	263 670	(5 827 604)	(2 099 136)
Disposals	-	(1 110 321)	(349 898)	(431 958)	-	(1 892 177)
At 31 December 2020	4 723 638	88 264 486	4 279 140	5 316 668	11 065 528	113 649 460
Depreciation and impairment losses						
At 1 January 2020	2 099 169	30 298 946	2 040 693	3 502 026	-	37 940 834
Charge for the year	366 117	8 308 016	628 447	536 560	-	9 839 140
Disposals	-	(1 017 314)	(316 570)	(151 747)	-	(1 485 631)
As at 31 December 2020	2 465 286	37 589 648	2 352 570	3 886 839	-	46 294 343

The balance of MK2 099 million (2019: MK402 million) for transfers under capital work in progress was transferred to intangible assets in note 16 to the financial statements.

	Land and buildings MK'000	Equipment and machinery MK'000	Motor vehicles MK'000	Office equipment MK'000	Capital work in progress MK'000	Total MK'000
At 1 January 2019	4 135 928	65 265 416	3 630 040	4 607 116	4 165 368	81 803 868
Additions	336 864	9 902 447	717 550	465 405	4 992 224	16 414 490
Transfers	95 786	3 411 376	-	43 105	(3 951 908)	(401 641)
Disposals	-	(1 478)	(461 076)	-	-	(462 554)
At 31 December 2019	4 568 578	78 577 761	3 886 514	5 115 626	5 205 684	97 354 163
Depreciation and impairment losses						
At 1 January 2019	1 595 405	23 387 761	1 768 327	2 971 333	-	29 722 826
Charge for the year	503 764	6 911 658	684 607	530 693	-	8 630 722
Disposals	-	(473)	(412 241)	-	-	(412 714)
As at 31 December 2019	2 099 169	30 298 946	2 040 693	3 502 026	-	37 940 834
Carrying amount						
At 31 December 2020	2 258 352	50 674 838	1 926 570	1 429 829	11 065 528	67 355 117
At 31 December 2019	2 469 409	48 278 815	1 845 821	1 613 600	5 205 684	59 413 329

	Land and buildings MK'000	Equipment and machinery MK'000	Motor vehicles MK'000	Office equipment MK'000	Capital work in progress MK'000	Total MK'000
Company						
Cost						
At 1 January 2020	4 563 107	77 659 572	3 861 514	4 866 021	5 205 684	96 155 898
Additions	154 309	7 382 714	640 083	235 456	11 687 448	20 100 010
Transfers	751	3 414 332	49 715	263 670	(5 827 604)	(2 099 136)
Disposals	-	(1 110 321)	(349 898)	(417 685)	-	(1 877 904)
At 31 December 2020	4 718 167	87 346 297	4 201 414	4 947 462	11 065 528	112 278 868
Depreciation and impairment losses						
At 1 January 2020	1 928 917	29 909 039	2 015 693	3 335 895	-	37 189 544
Charge for the year	364 040	8 221 954	627 349	521 716	-	9 735 059
Disposals	-	(1 017 314)	(316 570)	(151 747)	-	(1 485 631)
At 31 December 2020	2 292 957	37 113 679	2 326 472	3 705 864	-	45 438 972
Cost						
At 1 January 2019	4 135 928	65 265 416	3 630 040	4 607 116	4 165 368	81 803 868
Additions	331 393	9 591 484	717 550	470 443	4 992 224	16 103 094
Transfers	95 786	3 411 376	-	43 105	(3 951 908)	(401 641)
Disposals	-	(608 704)	(486 076)	(254 643)	-	(1 349 423)
At 31 December 2019	4 563 107	77 659 572	3 861 514	4 866 021	5 205 684	96 155 898
Depreciation and impairment losses						
At 1 January 2019	1 595 405	23 387 761	1 768 327	2 971 333	-	29 722 826
Charge for the year	333 512	6 909 465	674 711	489 475	-	8 407 163
Disposals	-	(388 187)	(427 345)	(124 913)	-	(940 445)
At 31 December 2019	1 928 917	29 909 039	2 015 693	3 335 895	-	37 189 544
Carrying amount						
At 31 December 2020	2 425 210	50 232 618	1 874 942	1 241 598	11 065 528	66 839 896
At 31 December 2019	2 634 190	47 750 533	1 845 821	1 530 126	5 205 684	58 966 354

Property, plant and equipment is encumbered as disclosed in notes 21 and 25 to the financial statements.

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

16. Intangible assets

	Goodwill MK'000	PTS licence MK'000	Computer software MK'000	Total MK'000
Group				
Cost				
At 1 January 2020	588 410	1 648 000	13 774 813	16 011 223
Additions	-	-	746 466	746 466
Transfer from capital work in progress (note 15)	-	-	2 099 136	2 099 136
At 31 December 2020	588 410	1 648 000	16 620 415	18 856 825
Amortisation				
At 1 January 2020	-	892 667	7 460 192	8 352 859
Amortisation for the year	-	164 800	1 954 790	2 119 590
Disposals	-	-	(216 658)	(216 658)
At 31 December 2020	-	1 057 467	9 198 324	10 255 791
Carrying amount				
At 31 December 2020	588 410	590 533	7 422 091	8 601 034

Amount of MK2 099 million (2019: MK402 million) was transferred from capital work in progress in note 15 to the financial statements.

	Goodwill MK'000	PTS licence MK'000	Computer software MK'000	Total MK'000
Cost				
At 1 January 2019	588 410	1 648 000	11 646 684	13 883 094
Additions	-	-	1 726 488	1 726 488
Transfer from capital work in progress (note 15)	-	-	401 641	401 641
At 31 December 2019	588 410	1 648 000	13 774 813	16 011 223
Amortisation				
At 1 January 2019	-	727 867	5 532 944	6 260 811
Amortisation for the year	-	164 800	1 927 248	2 092 048
At 31 December 2019	-	892 667	7 460 192	8 352 859
Carrying amount				
At 31 December 2019	588 410	755 333	6 314 621	7 658 364

	Goodwill MK'000	PTS licence MK'000	Computer software MK'000	Total MK'000
Company				
Cost				
At 1 January 2020	588 410	1 648 000	12 687 878	14 924 288
Additions	-	-	746 466	746 466
Transfer from capital work in progress	-	-	2 099 136	2 099 136
At 31 December 2020	588 410	1 648 000	15 533 480	17 769 890
Amortisation				
At 1 January 2020	-	892 667	7 076 867	7 969 534
Amortisation for the year	-	164 800	1 715 930	1 880 730
Disposals	-	-	(215 944)	(215 944)
At 31 December 2020	-	1 057 467	8 576 853	9 634 320
Carrying amount				
At 31 December 2020	588 410	590 533	6 956 627	8 135 570
Cost				
At 1 January 2019	588 410	1 648 000	11 646 684	13 883 094
Additions	-	-	1 726 488	1 726 488
Transfer from capital work in progress	-	-	401 641	401 641
Disposals	-	-	(1 086 935)	(1 086 935)
At 31 December 2019	588 410	1 648 000	12 687 878	14 924 288
Amortisation				
At 1 January 2019	-	727 867	5 532 944	6 260 811
Amortisation for the year	-	164 800	1 745 095	1 909 895
Disposals	-	-	(201 172)	(201 172)
At 31 December 2019	-	892 667	7 076 867	7 969 534
Carrying amount				
At 31 December 2019	588 410	755 333	5 611 011	6 954 754

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.

16. Intangible assets (continued)

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 group 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.

Public Telecommunications Services (PTS) licence relates to the license that the Malawi Communications Regulatory Authority issued to the group. This is a licence that enables the group 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.

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.

17. Right of use assets

	Land and buildings MK'000	Equipment and machinery MK'000	Total MK'000
Group and Company			
Cost			
At 1 January 2020	3 736 505	3 517 585	7 254 090
Additions	330 579	10 574 425	10 905 004
Disposals	-	(3 440 682)	(3 440 682)
At 31 December 2020	4 067 084	10 651 328	14 718 412
Amortisation			
At 1 January 2020	1 116 640	1 129 242	2 245 882
Charge for the year	1 162 340	925 691	2 088 031
Disposals	-	(1 276 930)	(1 276 930)
At 31 December 2020	2 278 980	778 003	3 056 983
Carrying amount	1 788 104	9 873 325	11 661 429
Cost			
At 31 December 2019	3 736 505	3 517 585	7 254 090
Amortisation			
At 31 December 2019	1 116 640	1 129 242	2 245 882
Carrying amount	2 619 865	2 388 343	5 008 208

The group leases several assets including buildings, sites and dark fiber. The average lease term is 4 to 5 years.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	MK'000	MK'000	MK'000	MK'000
Amounts recognised in profit and loss				
Amortisation expense on right-of-use assets	2 088 031	2 245 882	2 088 031	2 245 882
Interest expense on lease liabilities (note 31)	488 199	838 235	488 199	838 235
Expense relating to short-term leases	129 262	283 774	129 262	283 774

At 31 December 2020, the group is committed to MK142.19 million (2019: MK312.36 million) for short-term leases.

The total cash outflow for leases amount to MK11 933.00 million for the year ended 31 December 2020 (2019: MK3 039.04 million).

The maturity analysis of lease liabilities is presented in note 31 to the financial statements.

18. Inventories

Recharge vouchers	203 360	155 191	203 360	155 191
Handsets and data equipment	1 604 503	1 564 726	1 604 503	1 564 726
Starter packs and simcards	57 152	159 912	57 152	159 912
Spares and goods in transit	577 079	554 218	577 079	554 218
Net realisable value write down	-	(2 131)	-	(2 131)
	2 442 094	2 431 916	2 442 094	2 431 916

Inventories are carried at the lower of cost and net realisable value. The cost of inventories recognised as an expense during the year was MK3.3 billion (2019: MK3.4 billion).

19. Trade and other receivables

Trade receivables	5 789 351	9 914 194	5 789 351	9 914 194
Loss allowance	(635 753)	(485 960)	(635 753)	(485 960)
	5 153 598	9 428 234	5 153 598	9 428 234
Other receivables				
Staff advances and loans	1 203 976	940 978	1 169 699	936 325
Deposits and prepayments	4 752 481	2 735 900	4 752 481	2 735 900
Sundry receivables	2 935 839	966 066	143 593	660 420
	8 892 296	4 642 944	6 065 773	4 332 645
As at 31 December	14 045 894	14 071 178	11 219 371	13 760 879

19. Trade and other receivables (continued)

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

The company has elected to measure the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses allowance 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.

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; and
6. Other trade receivables.

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

Group

At 31 December 2020 the lifetime expected loss provision for trade receivables was as follows:

Expected credit loss rate	Current	30 days	60 days	90 days	120 days	150 days	>180 days
Dealers	0.5%	2.0%	3.0%	4.9%	7.0%	9.8%	24.4%
Postpaid	0.7%	0.9%	1.4%	1.8%	2.8%	4.7%	14.1%
Interconnect & international incoming*	-	-	-	-	-	-	-
Roaming*	-	-	-	-	-	-	-
Enterprise	1.6%	5.6%	7.5%	9.4%	11.6%	15.1%	18.8%
Other trade receivables	0.2%	1.0%	1.6%	3.1%	7.9%	17.6%	27.3%

Gross carrying amount	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 MK'000
Dealers	1 678 511	204 380	156 302	69 703	2 808	4 314	407 355	2 523 373
Postpaid	92 323	156 122	118 457	123 293	59 299	58 623	422 451	1 030 568
Interconnect & international incoming*	576 960	-	-	-	70 695	209 983	-	857 638
Roaming*	47 557	17 745	-	4 407	1 783	1 331	44 270	117 093
Enterprise	209 389	141 443	661	84 721	12 194	17 458	56 393	522 259
Other trade receivables	298 032	78 945	21 658	184 315	68 881	6 669	79 920	738 420
Total	2 902 772	598 635	297 078	466 439	215 660	298 378	1 010 389	5 789 351

Expected credit loss	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 MK'000
Dealers	8 621	3 989	4 766	3 401	196	421	-	21 394
Postpaid	659	1 395	1 672	2 173	1 666	2 735	59 651	69 951
Interconnect & international Incoming*	-	-	-	-	-	-	-	-
Roaming*	-	-	-	-	-	-	-	-
Enterprise	3 322	7 895	50	7 980	1 414	2 631	10 623	33 915
Other trade receivables	744	761	352	5 751	5 447	1 174	21 850	36 079
Total	13 346	14 040	6 840	19 305	8 723	6 961	92 124	161 339

Group

At 31 December 2019 the lifetime expected loss provision for trade receivables was as follows:

Expected credit loss rate	Current	30 days	60 days	90 days	120 days	150 days	>180 days
Dealers	0.33%	1.25%	2.09%	3.90%	10.34%	15.63%	31.33%
Postpaid	0.63%	0.79%	1.27%	1.59%	2.57%	4.33%	13.96%
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%
Enterprise	0.32%	2.03%	3.78%	7.56%	15.12%	30.23%	30.23%
Other trade receivables	0.03%	0.07%	0.02%	0.30%	0.49%	0.28%	0.43%

Notes to the financial statements (continued)

19. Trade and other receivables (continued)

Gross carrying amount	Current MK'000	30 days MK'000	60 days MK'000	90 days MK'000	120 days MK'000	150 days MK'000	days MK'000	Total MK'000
Dealers	2 232 512	175 982	36 715	-	58	953	361 773	2 807 993
Postpaid	161 426	90 577	147 633	90 829	70 980	64 559	213 181	839 185
Interconnect & international incoming*	399 924	-	385 347	260 358	-	423 663	14 114	1 483 406
Roaming*	48 228	35 125	-	8 211	3 873	820	59 747	156 004
Enterprise	154 607	234 539	171 685	110 567	24 034	53 170	83 294	831 896
Other trade receivables	957 157	295 806	550 839	195 511	15 222	205 812	1 575 363	3 795 710
Total	3 953 854	832 029	1 292 219	665 476	114 167	748 977	2 307 472	9 914 194

Expected credit loss	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 MK'000
Dealers	7 356	2 204	769	-	6	149	863	11 347
Postpaid	1 020	716	1 874	1 445	1 821	2 798	29 770	39 444
Interconnect & international Incoming*	-	-	-	-	-	-	-	-
Roaming*	-	-	-	-	-	-	-	-
Enterprise	499	4 727	6 488	8 357	3 633	16 074	25 182	64 960
Other trade receivables	151	197	106	582	74	576	6 728	8 414
Total	9 026	7 844	9 237	10 384	5 534	19 597	62 543	124 165

Company

At 31 December 2020 the lifetime expected loss provision for trade receivables was as follows:

Expected credit loss rate	Current	30 days	60 days	90 days	120 days	150 days	>180 days
Dealers	0.5%	2.0%	3.0%	4.9%	7.0%	9.8%	24.4%
Postpaid	0.7%	0.9%	1.4%	1.8%	2.8%	4.7%	14.1%
Interconnect & international incoming*	-	-	-	-	-	-	-
Roaming*	-	-	-	-	-	-	-
Enterprise	1.6%	5.6%	7.5%	9.4%	11.6%	15.1%	18.8%
Other trade receivables	0.2%	1.0%	1.6%	3.1%	7.9%	17.6%	27.3%

Gross carrying amount	Current MK'000	30 days MK'000	60 days MK'000	90 days MK'000	120 days MK'000	150 days MK'000	days MK'000	Total MK'000
Dealers	1 678 511	204 380	156 302	69 703	2 808	4 314	407 355	2 523 373
Postpaid	92 323	156 122	118 457	123 293	59 299	58 623	422 451	1 030 568
Interconnect & international incoming*	576 960	(426 055)	(102 581)	(77 752)	70 695	236 400	579 971	857 638
Roaming*	47 557	17 745	-	4 407	1 783	1 331	44 270	117 093
Enterprise	209 389	141 443	661	84 721	12 194	17 458	56 393	522 259
Other trade receivables	298 032	78 945	21 658	184 315	68 881	6 669	79 920	738 420
Total	2 902 772	172 580	194 497	388 687	215 660	324 795	1 590 360	5 789 351

Expected credit loss	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 MK'000
Dealers	8 621	3 989	4 766	3 401	196	421	-	21 394
Postpaid	659	1 395	1 672	2 173	1 666	2 735	59 651	69 951
Interconnect & international Incoming*	-	-	-	-	-	-	-	-
Roaming*	-	-	-	-	-	-	-	-
Enterprise	3 322	7 895	50	7 980	1 414	2 631	10 623	33 915
Other trade receivables	744	761	352	5 751	5 447	1 174	21 850	36 079
Total	13 346	14 040	6 840	19 305	8 723	6 961	92 124	161 339

Company

At 31 December 2019 the lifetime expected loss provision for trade receivables was as follows:

Expected credit loss rate	Current	30 days	60 days	90 days	120 days	150 days	>180 days
Dealers	0.33%	1.25%	2.09%	3.90%	10.34%	15.63%	31.33%
Postpaid	0.63%	0.79%	1.27%	1.59%	2.57%	4.33%	13.96%
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%
Enterprise	0.32%	2.03%	3.78%	7.56%	15.12%	30.23%	30.23%
Other trade receivables	0.03%	0.07%	0.02%	0.30%	0.49%	0.28%	0.43%

Notes to the financial statements (continued)

19. Trade and other receivables (continued)

Company (continued)

Gross carrying amount	Current MK'000	30 days MK'000	60 days MK'000	90 days MK'000	120 days MK'000	150 days MK'000	days MK'000	Total MK'000
Dealers	2 232 512	175 982	36 715	-	58	953	361 773	2 807 993
Postpaid	161 426	90 577	147 633	90 829	70 980	64 559	213 181	839 185
Interconnect & international incoming*	399 924	-	385 347	260 358	-	423 663	14 114	1 483 406
Roaming*	48 228	35 125	-	8 211	3 873	820	59 747	156 004
Enterprise	154 607	234 539	171 685	110 567	24 034	53 170	83 294	831 896
Other trade receivables	957 157	295 806	550 839	195 511	15 222	205 812	1 575 363	3 795 710
Total	3 953 854	832 029	1 292 219	665 476	114 167	748 977	2 307 472	9 914 194

Loss allowance	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 MK'000
Dealers	7 356	2 204	769	-	6	149	863	11 347
Postpaid	1 020	716	1 874	1 445	1 821	2 798	29 770	39 444
Interconnect & international Incoming*	-	-	-	-	-	-	-	-
Roaming*	-	-	-	-	-	-	-	-
Enterprise	499	4 727	6 488	8 357	3 633	16 074	25 182	64 960
Other trade receivables	151	197	106	582	74	576	6 728	8 414
Total	9 026	7 844	9 237	10 384	5 534	19 597	62 543	124 165

The group 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 are as follows:

	Group		Company	
	2020 MK'000	2019 MK'000	2020 MK'000	2019 MK'000
As at 1 January	485 960	492 081	485 960	492 081
Increase during the year	211 814	201 033	211 814	201 033
Receivables written off during the year as uncollectible	(62 021)	(207 154)	(62 021)	(207 154)
At 31 December	635 753	485 960	635 753	485 960

Reconciliation of loss allowance

	Group 2020	Group 2019	Company 2020	Company 2019
Loss allowance per expected loss provision matrix	161 339	124 165	161 339	124 165
Loss allowance for specific receivables	474 414	361 795	474 414	361 795
At 31 December	635 753	485 960	635 753	485 960

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.

20a. Amounts due from/to related companies

	Group 2020	Group 2019	Company 2020	Company 2019
Due from				
National Bank of Malawi plc	375 802	259 785	372 802	259 785
Peoples Trading Centre Limited	13 504	5 903	11 351	5 903
First Capital Bank Limited	8 936	11 470	8 936	11 470
Presscane Limited	1 153	2 159	1 153	2 159
Malawi Telecommunications Limited	21 416	-	-	
TNM Mpamba Limited	-	-	2 711 015	2 055 266
	420 811	279 317	3 105 257	2 334 583
Due to:				
Malawi Telecommunications Limited	-	11 938	-	11 938
Press Corporation plc	-	12 283	-	12 283
TNM Mpamba Limited	-	-	1 189 516	1 073 427
	-	24 221	1 189 516	1 097 648

Related party transactions are denominated in Malawi Kwacha. The amounts outstanding are unsecured and will be settled in cash. No interest is charged on the outstanding amounts. 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.

20b. Related party disclosures

The group 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 group are set out below:

	Group 2020 MK'000	Group 2019 MK'000	Company 2020 MK'000	Company 2019 MK'000
Income				
Fellow subsidiaries of Press Corporation plc				
Malawi Telecommunications Limited				
Interconnection	39 853	332 040	39 853	332 040
Site rentals	560 744	658 268	560 744	658 268
International incoming	191 388	345 436	191 388	345 436
Peoples Trading Centre Limited				
Lease of internet capacity and virtual private network (VPN)	56 629	59 402	56 629	59 402
National Bank of Malawi plc				
Broadband	302 984	246 093	304 984	246 093
USSD and SMS	344 626	382 847	344 266	382 847
Presscane				
Broadband	4 710	4 644	4 710	4 644
Subsidiary				
TNM Mpamba Limited				
SMS revenue	-	-	1 489 343	1 195 896
Shareholder				
First Capital Bank plc				
Broadband	93 089	106 259	93 089	106 259
USSD and SMS	13 036	16 849	13 036	16 849
Charges				
Fellow subsidiaries of Press Corporation plc				
Malawi Telecommunications Limited				
Interconnection	(6 754)	(21 427)	(6 754)	(21 427)
Site rentals	(858 724)	(969 851)	(858 724)	(404 811)
ISP capacity	(969 851)	(542 038)	(404 829)	(542 038)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	MK'000	MK'000	MK'000	MK'000
National Bank of Malawi plc				
Finance charges	(140 138)	(186 103)	(140 138)	(186 103)
Incentives	-	(109 774)	-	(109 774)
Shareholder				
First Capital Bank plc				
Finance charges	(109 087)	(74 000)	(109 087)	(74 000)
Incentives	(28 425)	(4 407)	(28 425)	(4 407)
Livingstone Exports Limited				
Premises rental	(134 808)	(127 752)	(134 808)	(127 752)
Old Mutual Life Assurance Company (Malawi) Limited				
Pension contributions and group life insurance	(685 290)	(800 249)	(685 290)	(797 223)
Subsidiary				
TNM Mpamba Limited				
Commission on airtime sales	-	-	(1 040 135)	(1 073 750)

First Capital Bank plc
Banking facilities with First Capital Bank plc are disclosed in note 21 to the financial statements.

National Bank of Malawi plc
Banking facilities with this fellow subsidiary of Press Corporation plc are disclosed in note 21 to the financial statements.

In addition, related parties including shareholders, directors and parties related thereto are subscribers to the group's services for which they are charged at 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:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	MK'000	MK'000	MK'000	MK'000
Directors' remuneration:				
- fees for services as directors	126 400	117 514	126 400	117 514
Senior management salaries and other short-term benefits	1 824 236	1 683 463	1 824 236	1 683 463

21. Cash and cash equivalents

	Group		Company	
	2020 MK'000	2019 MK'000	2020 MK'000	2019 MK'000
Bank and cash balances	14 677 183	13 083 825	2 271 047	3 523 180
Bank overdraft	(4 601 264)	(4 751 416)	(4 601 264)	(4 751 416)
Cash and cash equivalents	10 075 919	8 332 409	(2 330 217)	(1 228 236)
<u>Bank and cash comprises</u>				
Standard Bank plc	967 877	574 426	-	-
National Bank of Malawi plc	1 585 353	3 394 882	519 271	1 147 784
First Capital Bank plc	4 952 059	1 419 081	13 296	189 656
FDH Bank plc	2 779 374	1 411 172	174 987	174 882
Others	4 392 520	6 284 264	1 563 493	2 010 858
Bank and cash balance	14 677 183	13 083 825	2 271 047	3 523 180

The bank balances in the trust accounts are invested and earned interest at an average rate of 3% as at 31 December 2020 (2019: 3%). 95% of the interest earned in these accounts is distributed to the owners of e-money. All other bank balances are non-interest earning.

	Group 2020	Group 2019	Company 2020	Company 2019
<u>Bank overdraft comprises</u>				
Standard Bank plc	2 063 298	1 730 784	2 063 298	1 730 784
National Bank of Malawi plc	792 380	2 294 752	792 380	2 294 752
First Capital Bank plc	1 745 586	725 880	1 745 586	725 880
	4 601 264	4 751 416	4 601 264	4 751 416

Overdraft facilities

The company has the following overdraft facilities:

	Group 2020	Group 2019	Company 2020	Company 2019
Standard Bank plc	3 500 000	3 500 000	3 500 000	3 500 000

The bank overdraft facility is unsecured. The rate of interest is Standard Bank plc reference rate plus 1.5% effectively 13.6% (2019:14.6%) and expires on 31 July 2021.

	Group 2020	Group 2019	Company 2020	Company 2019
National Bank of Malawi plc	2 500 000	2 500 000	2 500 000	2 500 000

The bank overdraft facility is secured by a debenture of MK2.5 billion (2019: MK2.5 billion) over the group's assets. The rate of interest is National Bank of Malawi plc reference rate plus 1.8% effectively 13.9% (2019:14.6%) and expires on 31 March 2021.

	Group 2020	Group 2019	Company 2020	Company 2019
First Capital Bank plc	1 800 000	1 800 000	1 800 000	1 800 000

The bank overdraft facility is secured by a debenture of MK1.8 billion (2019: MK1.8 billion) ranking pari passu with the debenture securing the First Capital Bank plc overdraft facility. The rate of interest is First Capital Bank plc reference rate plus 2% effectively 14.1% (2019:15.1%) and expires on 30 April 2021.

22. Statement of capital

	Group		Company	
	2020 MK'000	2019 MK'000	2020 MK'000	2019 MK'000
Number (thousand)	10 040 450	10 040 450	10 040 450	10 040 450
Nominal value per share (Malawi Kwacha)	0.04	0.04	0.04	0.04
Nominal value (thousand Malawi Kwacha)	401 618	401 618	401 618	401 618

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

23. Share premium

On 3 November 2008, in an offer to the public, 1 290 450 000 ordinary shares of 4 tambala each were allotted at a premium of 196 tambala per share. The resultant premium on issue of MK2 529 282 000 less offer expenses of MK182 361 000 was credited to 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.

24. Deferred tax

	Group		Company	
	2020 MK'000	2019 MK'000	2020 MK'000	2019 MK'000
Deferred tax liabilities				
Balance as at 1 January	(936 958)	(682 713)	(936 958)	(682 713)
Origination and reversal of temporary differences	(160 376)	(254 245)	(160 376)	(254 245)
As at 31 December	(1 097 334)	(936 958)	(1 097 334)	(936 958)
Analysed as:				
Accelerated capital allowances	(2 616 321)	(2 651 949)	(2 616 321)	(2 651 949)
Bonus provision	(57)	166 989	(57)	166 989
Deferred income	1 368 544	1 465 760	1 368 544	1 465 760
Other temporary differences	150 500	82 242	150 500	82 242
Deferred tax liabilities	(1 097 334)	(936 958)	(1 097 334)	(936 958)

24. Deferred tax (continued)

	Group		Company	
	2020 MK'000	**2019** MK'000	**2020** MK'000	**2019** MK'000
Deferred tax assets				
Balance as at 1 January	4 533	-	-	-
Origination and reversal of temporary differences	1 709	4 533	-	-
As at 31 December	6 242	4 533	-	-
Deferred tax expense	(158 667)	(249 712)	(160 376)	(254 245)

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

25. Interest bearing loans

	Old Mutual Investment Group Limited commercial paper MK'000	NICO Asset Managers commercial paper MK'000	Standard Bank dual currency revolving facility MK'000	Total MK'000
Group				
2020				
At beginning of the year	5 000 000	5 000 000	7 986 274	17 986 274
Additions	10 000 000	-	5 261 327	15 261 327
Interest charged	1 323 225	649 405	1 105 035	3 077 665
Capital repayments	-	-	(6 986 171)	(6 986 171)
Interest paid	(1 323 225)	(649 405)	(1 105 035)	(3 077 665)
	15 000 000	5 000 000	6 261 430	26 261 430
Long term portion of loans	15 000 000	5 000 000	1 906 223	21 906 223
Current portion of loans	-	-	4 355 207	4 355 207
	15 000 000	5 000 000	6 261 430	26 261 430

	Old Mutual Investment Group Limited commercial paper MK'000	NICO Asset Managers commercial paper MK'000	Standard Bank dual currency revolving facility MK'000	Total MK'000
2019				
At beginning of the year	5 000 000	5 000 000	9 356 208	19 356 208
Additions	-	-	3 599 477	3 599 477
Interest charged	696 667	648 902	1 463 245	2 808 814
Capital repayments	-	-	(4 969 411)	(4 969 411)
Interest paid	(696 667)	(648 902)	(1 463 245)	(2 808 814)
	5 000 000	5 000 000	7 986 274	17 986 274
Long term portion of loans	-	5 000 000	1 367 813	6 367 813
Current portion of loans	5 000 000	-	6 618 461	11 618 461
	5 000 000	5 000 000	7 986 274	17 986 274

Company

	Old Mutual Investment Group Limited commercial paper MK'000	NICO Asset Managers commercial paper MK'000	Standard Bank dual currency revolving facility MK'000	Total MK'000
2020				
At beginning of the year	5 000 000	5 000 000	7 986 274	17 986 274
Additions	10 000 000		5 261 327	15 261 327
Interest charged	1 323 225	649 405	1 105 035	3 077 665
Capital repayments	-	-	(6 986 171)	(6 986 171)
Interest paid	(1 323 225)	(649 405)	(1 105 035)	(3 077 665)
	15 000 000	5 000 000	6 261 430	26 261 430
Long term portion of loans	15 000 000	5 000 000	1 906 223	21 906 223
Current portion of loans	-	-	4 355 207	4 355 207
	15 000 000	5 000 000	6 261 430	26 261 430
2019				
At beginning of the year	5 000 000	5 000 000	9 356 208	19 356 208
Additions	-	-	3 599 477	3 599 477
Interest charged	696 667	648 902	1 463 245	2 808 814
Capital repayments	-	-	(4 969 411)	(4 969 411)
Interest paid	(696 667)	(648 902)	(1 463 245)	(2 808 814)
	5 000 000	5 000 000	7 986 274	17 986 274
Long term portion of loans	-	5 000 000	1 367 813	6 367 813
Current portion of loans	5 000 000	-	6 618 461	11 618 461
	5 000 000	5 000 000	7 986 274	17 986 274

24. Interest bearing loans (continued)

Old Mutual Investment Group Limited

On 26 February 2015, the company secured commercial debt paper of MK5.0 billion. The arranger and administrator was Old Mutual Investment Group Limited (OMIGL). The commercial paper was for a period of 5 years with an option of early repayment in tranches of MK1.0 billion after the third year. The coupon rate was 364 Treasury bill rate plus 200 basis points. The loan was secured with a debenture ranking behind National Bank of Malawi Plc overdraft facility and First Capital Bank Plc overdraft facility debentures and ranking pari pasu with the NICO Asset Managers Limited commercial paper debenture. On 25 February 2020 the loan was rolled over for another 5 year period on the same terms.

In 2020, the company secured commercial debt paper of MK10.0 billion. The arranger and administrator is Old Mutual Investment Group Limited (OMIGL). The commercial paper is for a period of 5 years with an option of early repayment in tranches of MK1.0 billion after the third year. The coupon rate is 364 treasury bill rate plus 175 basis points. The loan is secured with a debenture ranking behind National Bank of Malawi Plc overdraft facility and First Capital Bank plc overdraft facility debentures and ranking pari pasu with the Old Mutual Investment Group commercial paper and NICO Asset Managers Limited commercial paper debentures.

NICO Asset Managers Limited

On 10 July 2017, the company secured commercial debt paper of MK5.0 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 MK1.0 billion after the third year. The coupon rate is 180 treasury bill rate plus 182 basis points. The loan is secured with floating debenture over TNM assets ranking behind the debenture to secure overdraft facilities of National Bank of Malawi plc and First Capital Bank plc and ranks pari-passu with the Old Mutual Investment Group Limited commercial paper debenture.

Standard Bank Dual currency facility

TNM entered into a Dual Currency Revolving Credit Facility 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 7.9% (2019: 8.3%) for the dollar exposure, Standard Bank Malawi plc reference rate plus 2.1% effectively 14.5% 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.

26. Deferred payment facility

	Group		Company	
	2020	2019	2020	2019
	MK'000	MK'000	MK'000	MK'000
At beginning of the year	-	751 648	-	751 648
Interest charged	-	7 150	-	7 150
Capital repayments	-	(751 648)	-	(751 648)
Interest paid	-	(7 150)	-	(7 150)
At end of the year	-	-	-	-

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 were payable in instalments over a period of two years.

The rate of interest on the facility was six months US$ LIBOR plus 6.5% effectively 8.4% per annum payable within six months after receipt of the invoice.

The facility was unsecured. The facility was fully repaid in 2019.

27. Dividend payable

	Group		Company	
	2020	2019	2020	2019
	MK'000	MK'000	MK'000	MK'000
At beginning of the year	2 510 113	2 510 113	2 510 113	2 510 113
Dividend declared	5 522 248	7 530 338	5 522 248	7 530 338
Dividend paid	(6 827 506)	(7 530 338)	(6 827 506)	(7 530 338)
At end of the year	1 204 855	2 510 113	1 204 855	2 510 113

28. Contract liabilities

	Group	Company		Group
	2020	2019	2020	2019
	MK'000	MK'000	MK'000	MK'000
	4 561 814	4 885 867	4 561 814	4 885 867

Contract liabilities consist of the value of unused airtime on prepaid service sold to customers and unused bonuses in customer phones. There is no interest charged on these liabilities.

29. Trade and other payables

	Group 2020 MK'000	Group 2019 MK'000 Restated	Company 2020 MK'000	Company 2019 MK'000 Restated	Company 01.01.2019 MK'000 Restated
Payables - capital expenditure	10 863 055	-	10 863 055	-	1 853 996
Trade payables	5 366 525	5 490 837	4 015 605	5 490 837	3 200 006
International incoming termination levy	119 500	51 557	119 502	51 557	213 893
Accrued expenses	4 171 814	4 905 733	4 219 431	4 903 107	4 307 603
VAT, excise tax and other taxes	6 885 633	6 134 814	3 669 895	4 729 290	4 167 063
Total trade and other payables	27 406 527	16 582 941	22 887 488	15 174 791	13 742 561

The Directors consider that the carrying values approximate the fair value of trade and other payables. These liabilities do not attract any interest charge. VAT, excise tax and other taxes balance for 2019 has been restated. The restatement relates to the additional value added taxes arising following a tax audit by the Malawi Revenue Authority as detailed in note 1.2 to the financial statements.

30. Amounts payable to owners of e-money

	Group 2020 MK'000	Group 2019 MK'000
Customers	5 771 056	4 370 708
Agents	1 074 051	990 593
Billers	766 274	723 194
Others	649 812	347 995
Total amounts payable to owners of e-money	8 261 193	6 432 490

Amounts payable to owners of e-money comprises of deposits made by subscribers to their respective mobile money wallets and the group holds equivalent balances in the trust bank accounts. The funds are not available for the group's use. The Directors consider that the carrying value of these balances approximates its fair value.

31. Lease liabilities

The group as a lessee

	Group		Company	
	2020 MK'000	2019 MK'000	2020 MK'000	2019 MK'000
Lease liabilities	1 714 595	5 337 056	1 714 595	5 337 056
Long term portion of lease liability	936 955	2 140 764	936 955	2 140 764
Short term portion of lease liability	777 640	3 196 292	777 640	3 196 292
Total	1 714 595	5 337 056	1 714 595	5 337 056
Maturity analysis				
Year 1	1 505 846	2 779 055	1 505 846	2 779 055
Year 2	1 406 391	2 752 538	1 406 391	2 752 538
Year 3	408 287	2 689 786	408 287	2 689 786
Year 4	269 155	437 513	269 155	437 513
Year 5	161 590	266 508	161 590	266 508
Onwards	444 084	266 527	444 084	266 527
	4 195 353	9 191 927	4 195 353	9 191 927
Less: Unearned interest	(2 480 858)	(3 854 871)	(2 480 858)	(3 854 871)
	1 714 495	5 337 056	1 714 495	5 337 056

The group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the group's finance division.

All lease obligations are denominated in Malawi Kwacha.

32. Capital commitments

	Group		Company	
	2020 MK'000	2019 MK'000	2020 MK'000	2019 MK'000
Authorised and contracted for	7 108 737	4 360 804	7 108 737	4 360 804
Authorised but not contracted for	37 604 561	21 682 453	35 404 561	20 875 143

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

33. Financial instruments-exposure to currency risk

The group's exposure to foreign currency risk was as follows:

	Group		Company	
	2020 MK'000	2019 MK'000	2020 MK'000	2019 MK'000
US Dollar				
Bank balances	105 506	493 047	105 506	493 047
Trade receivables-international roaming	117 092	156 005	117 092	156 005
Trade receivables-international incoming traffic	545 798	986 302	545 798	986 302
Trade payables-international roaming and other payables	(89 222)	(537 768)	(89 222)	(537 768)
Capital expenditure and other foreign liabilities	(9 534 677)	(1 449 377)	(9 534 677)	(1 449 377)
Statement of financial position exposure	(8 855 503)	(351 791)	(8 855 503)	(351 791)
Euro				
Bank balances	195 873	196 433	195 873	196 433
Other foreign liabilities	(2 176 620)	(82 197)	(2 176 620)	(82 197)
Statement of financial position exposure	(1 980 747)	114 236	(1 980 747)	114 236
Total statement of financial position exposure	(10 836 250)	(237 555)	(10 836 250)	(237 555)

34. 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:

	Group and Company	
	2020 MK'000	2019 MK'000
US Dollar	(885 550)	(35 179)
Euro	(198 075)	11 424

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 2020. The analysis is prepared assuming the amount of the bank overdraft outstanding at 31 December 2020 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 borrowings and all other variables were held constant, the company's profit for the year ended 31 December 2020 would decrease/increase by MK1 545 million (2019: MK1 166 million).

35. 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:-

	Group		Company	
	2020 MK'000	**2019** MK'000	**2020** MK'000	**2019** MK'000
Trade and other receivables (note 19)	14 045 894	14 071 178	11 219 371	13 760 879
Contract assets (note 6)	636 783	568 366	636 783	568 366
Amount due from related parties (note 20)	420 811	279 317	3 105 257	2 334 583
	15 103 488	14 918 861	14 961 411	16 663 828

36. Financial instruments-exposure to liquidity risk

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

	Group		Company	
	2020 MK'000	2019 MK'000	2020 MK'000	2019 MK'000
Financial assets				
Trade and other receivables (note 19)	9 293 413	11 335 278	6 466 890	11 024 979
Amounts due from related companies (note 20)	420 811	279 317	3 105 257	2 334 583
Contract assets (note 6)	636 783	568 366	636 783	568 366
Bank and cash balances (note 21)	14 677 183	13 083 825	2 271 047	3 523 180
Total current financial assets	25 028 190	25 266 786	12 479 977	17 451 108
Financial liabilities				
Bank overdraft (note 21)	(4 601 264)	(4 751 416)	(4 601 264)	(4 751 416)
Trade and other payables (note 29)	(20 520 894)	(10 448 127)	(19 217 592)	(10 445 501)
Customer and other deposits (note 30)	(8 261 193)	(6 432 490)	-	-
Amount due to related parties (note 20)	-	(24 221)	(1 189 516)	(1 097 648)
Current portion of lease liabilities (note 31)	(777 640)	(3 196 292)	(777 640)	(3 196 292)
Current portion of interest bearing loans (note 25)	(4 355 207)	(11 618 461)	(4 355 207)	(11 618 461)
Total current financial liabilities	(38 516 198)	(36 471 007)	(30 141 219)	(31 109 318)
Net liquidity exposure	(13 488 008)	(11 204 221)	(17 661 242)	(13 658 210)

37. Operating segments

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components.

All operating segments' operating results are reviewed regularly by the group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, investment property and intangible assets other than goodwill.

37.1 Basis for segmentation

The group has two reportable segments which are based on the type of business among its subsidiary, These segments are: telecommunication services and mobile money services. The segments offer different products and services, and are managed separately because they require different regulation.

The following summary describes the operations in each of the group's reportable segments:

Reportable segment	Operations
Telecommunications	Provides a wide range of communications and products and services.
Mobile money	Provides a wide range of mobile money services which among other services include; money transfers, cash withdrawals, bill payments, cash deposits, merchant payments

37.2 Geographical segment presentation

All operations of the group are in Malawi and therefore geographical segment presentation has not been made.

37.3 Information about major customers

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

37.4 Information about reportable segments

Information regarding the results of each reportable segment is set out below. Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the group's CEO. Segment profit after income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of the respective segment. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

37. Operating segments (Continued)

37.4 Information about reportable segments (Continued)

	Telecommunication Services MK'000	Mobile money MK'000	Total MK'000
2020			
Revenue			
External revenue	77 958 280	9 345 599	87 303 879
Other income – external	3 521 090	73 200	3 594 290
Inter-segment revenue	2 138 246	1 489 342	3 627 588
Segment revenue	83 617 616	10 908 141	94 525 757
Segment operating profit/(loss)	16 487 572	1 811 119	18 298 691
Segment interest income	115 825	274 390	390 215
Segment interest expense	(4 186 435)	-	(4 186 435)
Segment foreign exchange losses	(467 639)	403	(467 236)
Segment income tax expenses	(3 761 618)	(1 446 894)	(5 208 512)
Segment profit/(loss) for the year	8 187 705	693 018	8 880 723
Depreciation and amortisation	13 703 820	342 941	14 046 761
Segment assets	108 249 027	12 279 513	120 528 540
Segment liabilities	64 494 581	12 128 109	76 622 690
Capital additions	20 846 476	186 600	21 033 076

	Telecommunication Services MK'000	Mobile money MK'000	Total MK'000
2019			
Restated			
Revenue			
External revenue	85 948 981	7 325 145	93 274 126
Other income – external	3 616 695	-	3 616 695
Inter-segment revenue	1 195 896	1 073 427	2 269 323
Segment revenue	90 761 572	8 398 572	99 160 144
Segment operating profit (loss)	22 636 440	1 405 530	24 041 970
Segment interest income	20 708	61 477	82 185
Segment interest expense	(4 141 336)	-	(4 141 336)
Segment foreign exchange losses	(68 128)	-	(68 128)
Segment income tax expenses	(5 883 857)	(856 510)	(6 740 367)
Segment profit for the year	12 563 827	610 497	13 174 324
Depreciation and amortisation	12 562 940	405 712	12 968 652
Segment assets	95 443 436	7 715 169	103 158 605
Segment liabilities	54 354 447	7 104 672	61 459 119
Capital additions	17 829 582	311 396	18 140 978

37. Operating segments (Continued)

37.4 Information about reportable segments (Continued)

Reconciliation of information on reportable segments to IFRS measures

	2020 MK'000	2019 MK'000 Restated
Revenue		
Total revenues for reportable segments	94 525 757	99 160 144
Elimination of inter-segment revenue	(3 627 588)	(2 269 323)
Consolidation revenue	90 898 169	96 890 821
Consolidated profit	8,826,723	13,174,324
Inter-segment eliminations	(1,098,111)	-
Consolidated profit	7 728 612	13 174 324
Assets		
Total assets for reportable segments	124 735 077	108 253 179
Inter-segment eliminations	(2 950 910)	(3 838 947)
Eliminations of investment in subsidiaries	(1 255 627)	(1 255 627)
Consolidated total assets	120 528 540	103 158 605
Liabilities		
Total liabilities for reportable segments	78 469 924	65 298 066
Inter-segment eliminations	(1 847 235)	(3 838 947)
Consolidated total liabilities	76 622 689	61 459 119

38. Contingent liabilities

	Group and Company	
	2020 MK'000	2019 MK'000
Legal claims	1 008 000	346 000
Malawi Revenue Authority claim	3 758 209	-
Business licences for towers	-	418 612
Total contingent liabilities	4 766 209	764 612

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

Malawi Revenue Authority claim
The amount represent a claim by Malawi Revenue Authority following a tax audit. The group disputes the amount claimed. The group is of the opinion that there is no merit and substances in the majority of claims by Malawi Revenue Authority.

39. Fair value measurements

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

39.1 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.

39.2 Fair value measurements recognised in the statements 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).

39. Fair value measurements (Continued)

39.3 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.

	Group		Company	
	2020 MK'000	2019 MK'000	2020 MK'000	2019 MK'000
Level 3				
Financial assets at amortised cost				
Trade and other receivables (note 19)	9 293 413	11 335 278	6 466 890	11 024 979
Amounts due from related companies (note 20)	420 811	279 317	3 105 257	2 334 583
Contract assets (note 6)	636 783	568 366	636 783	568 366
Bank and cash balances (note 21)	14 677 183	13 083 825	2 271 047	3 523 180
Total financial assets	25 028 190	25 266 786	12 479 977	17 451 108
Financial liabilities at amortised cost				
Bank overdraft (note 21)	4 601 264	4 751 416	4 601 264	4 751 416
Trade and other payables (note 29)	20 237 065	10 448 127	19 217 592	10 445 501
Amounts due to related parties (note 20)	-	24 221	1 189 516	1 097 648
Customer and other deposits (note 30)	8 261 194	6 432 490	-	-
Interest bearing loans (note 25)	26 261 430	17 986 274	26 261 430	17 986 274
Lease liabilities (note 31)	1 714 595	5 337 056	1 714 595	5 337 056
Total financial liabilities	61 075 548	44 979 584	52 984 397	39 617 895

40. 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 the group and the company 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.

41. 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.

42. 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.

	2020	**2019**
Kwacha/GBP	1 050.57	976.93
Kwacha/Euro	947.90	835.10
Kwacha/Rand	52.83	52.98
Kwacha/US Dollar	770.84	743.95
Inflation rate %	7.6	11.5

As at the time of approval of these financial statements, the above rates had moved as follows:

Kwacha/US Dollar	793.53
Kwacha/GBP	1 156.90
Kwacha/Rand	59.53
Kwacha/Euro	1 012.87
Average inflation (%) (March 2021)	9.4

Administration

TNM shops

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

Salima Shop
Salima Boma

KIA Shop
Kamuzu International Airport

Area 2 Shop
Area 2 – Along M1

City Mall Shop
Lilongwe City Mall (Game)

Crossroads Shop
Crossroads – Manobec Complex

Ntcheu Shop
Ntcheu – Along M1

Zomba Shop
Zomba

Mangochi Shop
Mangochi

Balaka Shop
Balaka

Blantyre Shop
Blantyre, Ground Floor
Livingstone Towers

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

Karonga Shop
Karonga

Mzuzu Main Shop
Mzuzu – Mpico House

Mzimba Shop
Mzimba Boma

Mzuzu Shoprite Shop
Mzuzu Shoprite Shopping Mall

Kasungu Shop
Kasungu Boma

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

TNM Northgate Arcade
In-Store, SPAR Northgate Arcade
– Chichiri
Along Masauko Chipembere
Highway

Maselema Shop
TNM Business Services Office
Park, Maselema

Nchalo Shop
Nchalo Trading Centre

Limbe Shop
Limbe, Opposite Limbe Police