

# Annual Report 2016

**NITL**  
The National Investment Trust Limited





**NATIONAL INVESTMENT TRUST LIMITED**  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

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**NATIONAL INVESTMENT TRUST LIMITED**  
**INVESTMENT POLICY**

For the year ended 31 December 2016

The principal objective of the company is to provide a vehicle to facilitate broad public participation in a diverse portfolio of equity investments, bonds, property and equity of property companies and money market investments in Malawi.

The company's investment portfolio is managed by an independent fund manager, NICO Assets Managers Limited, whose management is subject to the overall direction of the Board of Directors of the company. The Fund Manager has day-to-day control and discretion in the management of the investment portfolio in accordance with the investment policy. The investment portfolio is managed with a view to providing shareholders with a return by way of both annual income and capital growth. Subject to cash flow considerations, net after tax income, other than income from investment switches and unrealised net gains on the investment portfolio, is distributed to shareholders.

The Board of Directors recognises that there will always be a risk present in any portfolio of investments but has adopted an investment policy which seeks to minimize that risk by defining permitted investments and placing limits on the extent of exposure to individual investments as follows:-

***Equities***

Up to 100% of the investment portfolio may be invested in equities provided that no more than 40% of the portfolio may be invested in any single listed company and no more than 10% of the portfolio may be invested in any single unlisted company. Further limitations on investment in equities of property companies are set out below.

***Bonds***

Up to 25% of the investment portfolio may be invested in public or private sector bonds provided that no more than 10% of the portfolio may be invested in any single bond issue or series of bonds of a single private sector issuer. It is a requirement that bonds must have a fixed redemption date and period to redemption of not more than ten years. Private sector bonds must be fully secured and public sector bonds must be guaranteed by the Government of Malawi.

***Property and Equity of Property Companies***

Up to 25% of the investment portfolio may be invested in properties or equity of property companies provided that no more than 10% of the investment portfolio may be invested in any single property investment.

***Cash Equivalents***

No restrictions are placed on short-term investments in the form of Treasury Bills, Reserve Bank Bills or deposits with licensed financial institutions.

***Restrictions***

The Fund Manager may not without the consent of the majority of the Board of Directors: acquire or dispose of any unlisted equities or bonds or enter into a contract on behalf of the company to acquire or dispose of any unlisted equities or bonds, borrow money in the name of the company, or pledge any property or assets belonging to the company or create charges or mortgages thereon.

## **ECONOMIC INDICATORS**

The economy is expected to have slowed to a growth of 2.6% in real GDP in 2016 as a result of the reduced agricultural harvest for 2016 which was caused by the adverse weather shocks during the 2015/16 growing season. This has also led to high inflation rates negatively affecting the economic growth. The World Bank has forecast real GDP growth of 4.2% in 2017 as the economy recovers on the back of anticipated improvement in agricultural production. Risks to economic growth in 2017 are adverse weather shocks, high inflation rates, insufficient power supply, rising global oil prices, lower global commodity prices (e.g. tobacco), high lending rates as they reduce private sector activity and many others. Lower global commodity prices and uncompetitive exports may also add to the strain on the economy.

The stock market registered low returns of negative 8.5% in the period under review, driven by the poor performance of some of the listed companies like Illovo, NBS Bank, NICO Holdings and NITL, which combined represent a large portion of the market capitalization on the stock market. This reversed some of the gains achieved by some of the other counters in the period under review. Interest rates on the money market have been volatile as a result of the unstable liquidity levels caused by the tight monetary policy that the Reserve Bank of Malawi (RBM) is implementing through open market operations (OMO). Treasury bill rates averaged 27.7% in the year ended 31 December 2016 which is above the average inflation rate of 21.8%, resulting in positive real returns on the money market.

Total foreign currency reserves stood at US\$943.54 million (4.51 months of import cover) as at 31 December 2016 compared to US\$1,007 million (4.82 months of import cover) as at 31 December 2015. The local currency recorded some subdued appreciation in value during the tobacco marketing season as a result of the RBM's monetary policy implementation, but has depreciated overall during the year. The Kwacha depreciated by 8.3% in the year ending 31 December 2016 from K672.7/USD to K728.6/USD.

## **INVESTMENT PORTFOLIO**

Total assets for the company shrank by 15.7% in 2016 to K6.59 billion from K7.81 billion as at 31 December 2015. The equity portfolio also recorded negative growth with an overall fair value loss of K1.3 billion as compared to a fair value gain of K0.3 billion the previous period. The loss was mainly attributed to share price losses in NBS Bank from K23.00 to K6.00, NICO from K28.00 to K17.00 and Illovo from K230.00 to K160.00. The portfolio recorded a 24.0% decrease in net dividend income and a 13.9% decrease in interest income.

National Bank of Malawi (NBM) continues to record good performance. After tax profits in the half year ended 30 June 2016 increased by 2% compared to the same period in the previous year. In a recent trading statement NBM has stated that they expect profits for 2016 to be at least 25% higher than that achieved in 2015. The dividend received from NBM marginally increased by 0.9% during the period under review.

Standard Bank (Malawi) Limited also recorded a good performance in the year. Dividends received from Standard Bank Malawi Limited increased by 33% in the period under review. Standard Bank Malawi Limited has released its financial results for the year ending 31 December 2016 which show that the bank has recorded a 45% growth in profit after tax to K19.4 billion mainly due to growth in interest income. The board has recommend a final dividend of K21.31 per share (K5 billion) to be tabled at the next annual general meeting.

First Merchant Bank Limited (FMB) recorded lower performance in the half year ended 30 June 2016 as after tax profits decreased by 31% compared to the same period in the previous year. However in a recent trading statement FMB has announced that profits for 2016 will be approximately 40% higher than that achieved in 2015. Dividends received from FMB decreased by 80% in the period under review.

**INVESTMENT PORTFOLIO** (Continued)

NBS Bank Limited (NBS) recorded declining performance as it continues to face challenges in the tough economic environment. Profit after tax decreased by 306% in the half year to 30 June 2016 compared to the same period in 2015. In a recent trading statement, NBS has stated that it expects losses after tax for the year ending 31 December 2016 to be at least 20% higher than 2015 figures. NBS did not pay any dividend during the year for the second year in a row. NBS held an extraordinary general meeting on 29 December 2016 whereby the shareholders approved an increase in authorized share capital and a rights issue to be done for the bank in 2017 amounting to not less than K10 billion.

NICO Holdings Limited (NICO) has faced some challenges in 2016. Profit after tax decreased by 72% in the half year to 30 June 2016 compared to the same period in 2015. This has led to a 33% decline in dividends received from NICO compared to previous year. In a recent trading statement, NICO has stated that they expect profits for 2016 to be at least 20% lower than that achieved in 2015.

Telecom Networks Malawi Limited (TNM) recorded a 5% increase in net profit after tax in the half year to 30 June 2016 compared to the same period in the previous year. In a recent trading statement, TNM has stated that they expect profits for 2016 to be at least 20% higher than that achieved in 2015. Dividends received from the company increased by 333% in the period under review, mainly as a result of purchase of additional shares by NITL.

Illovo Sugar Malawi Limited (Illovo) recorded a 144% increase in profit after tax during the half year ended 30 September 2016. Illovo did not pay any dividend in the period under review. In a recent trading statement, Illovo states that it expects profit after tax for the year ending 31 March 2017 to be at least 60% higher than that achieved in the same period in the previous year. The increase in the company's profit after tax for the year ending 31 March 2017 including the change in accounting policy is expected to be at least 200% higher than that achieved for the year ended 31 March 2016 once the accounts for the prior year are restated.

Press Corporation Limited (PCL) recorded a 16.8% drop in after tax profits for the half year ended 30 June 2016. In a recent trading statement, PCL has stated that it expects profit after tax for the year ending 31 December 2016 to be at least 20% higher than 2015 figures. The results have been negatively affected by exchange losses incurred following the depreciation of the Kwacha. The financial services segment remains the main driver of the Group's results. TNM also contributed significantly to the group's results. The dividend received from PCL was 39% lower in the period under review, which was partially attributed to a disposal of some shares by NITL.

On the property investments, Malawi Property Investment Company Limited (MPICO) recorded a 53% increase in after tax profit for the half year ended 30 June 2016 from the same period in the previous year. MPICO also had a rights issue whereby they raised capital in order to pay off some of the debt from its balance sheet. The rights price was K7.83 per share, which at the time was at a premium to the market price of K6.00 per share. Recently the MPICO price has increased to K8.60 as at 28 February 2017. NITL participated in its rights and hence bought additional shares in the company. MPICO did not pay any dividend in the period under review. In a recent trading statement, MPICO has stated that it expects profit after tax for the year ending 31 December 2016 to be at least 100% higher than 2015 figures.

Kang'ombe Investments Limited recorded a 24% increase in net profits in the year ended 31 December 2016 compared to the previous year. The interim dividend received from the company increased by 40% from the previous year.

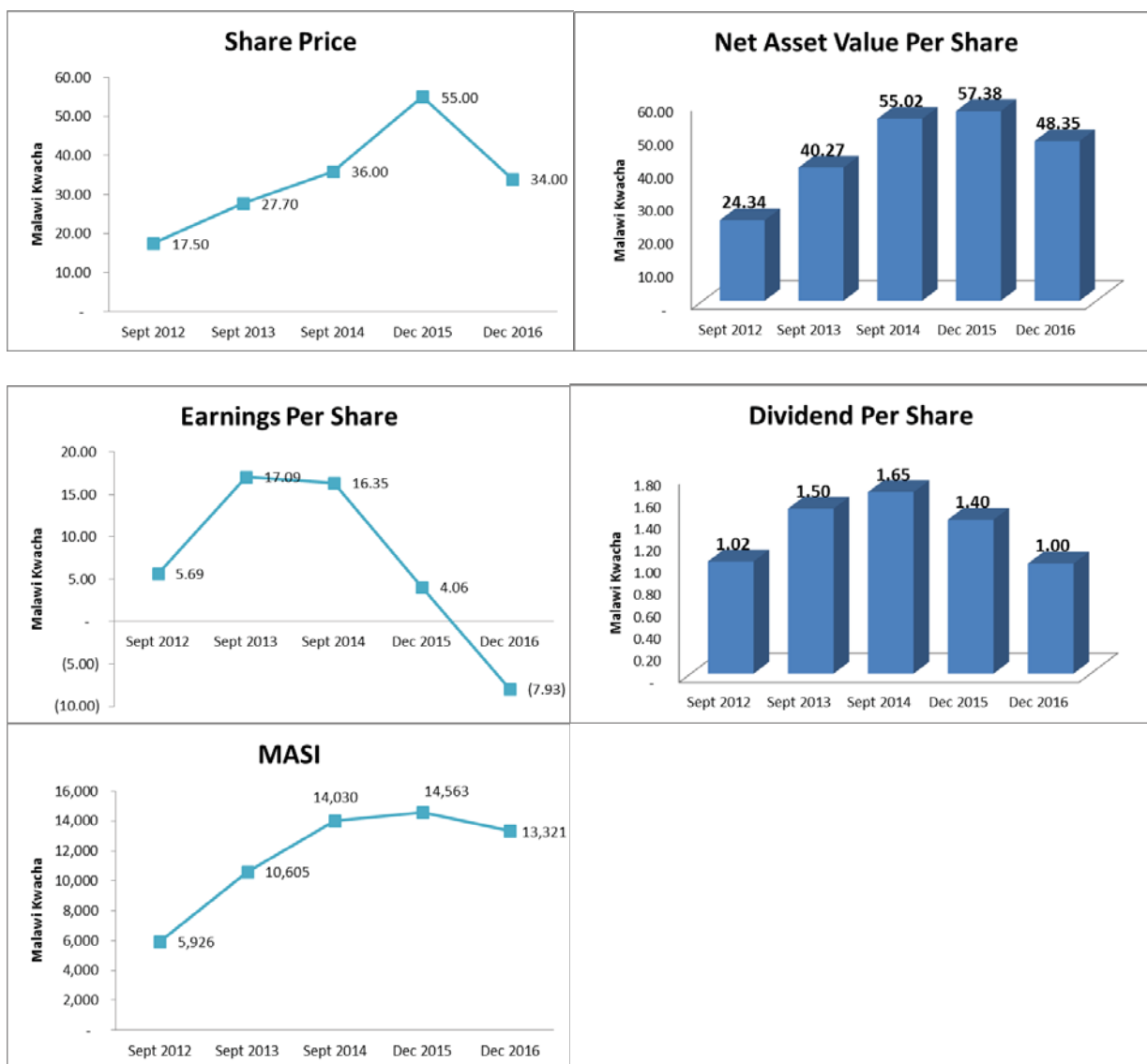
Auction Holdings Limited (AHL) recorded lower performance in the period on account of lower tobacco average prices, high debt levels and prevailing macroeconomic pressures on the economy. The company recorded an after tax loss of K1.75 billion for the year ended 31 March 2016 representing a decrease of 579% from the previous year. Going forward, the company's performance is to be driven by the diversification of the company's revenue base. The dividend received from AHL decreased by 75% in the period under review.

NATIONAL INVESTMENT TRUST LIMITED  
**FUND MANAGER'S REPORT** (Continued)  
 For the year ended 31 December 2016

**INVESTMENT PORTFOLIO** (Continued)

Dairibord Malawi Limited continued to experience poor performance in the nine months to September 2016. The company incurred a loss of K87 million in the 9 months, a 53% deterioration from the same period in the previous year. The company did not pay any dividend in the period under review. We are currently looking at options to dispose of our shareholding in Dairibord at an appropriate price.

The net asset value per share of National Investment Trust Limited as at 31 December 2016 stood at K48.35 compared to the Malawi Stock Exchange quoted share price of K34.00 representing a discount of 30%. The earnings per share as at close of the year stood at negative K7.93. Refer to the graphs below for 5 year historical movements in the above parameters.



### **Investment Transactions**

NITL has disposed of some shares in PCL and for the first time bought shares in Old Mutual. We have further increased exposure in TNM and National Bank in order to boost the performance of the portfolio. We participated in the MPICO rights issue. This was done based on the approved equity strategy of the fund.

### **OUTLOOK**

The World Bank has forecast real GDP growth of 4.2% in 2017. This will be driven by expected improvements in agricultural output. The agricultural first round estimates have suggested a 35.9% increase in maize production. This means that food availability will improve, which in turn will ease pressures on inflation. As a result, in the short to medium term, interest rates are expected to decrease as the inflation rates decline.

The monetary policy rate was adjusted to 24.0% from 27.0% in November 2016 in response to a decline in the rate of inflation. This rate is unlikely to be revised downwards in the short term. However, if inflation continues in a persistent downward trend, it may be revised downwards in the medium to long term. Most commercial banks revised downwards their base lending rates in response to the decrease in the monetary policy rate. Authorities will continue implementing a tight monetary policy as indicated in the latest monetary policy committee minutes of November 2016. The exchange rate is expected to continue depreciating in the short term as the lean season continues and the US Dollar continues to strengthen against its major trading partners. The exchange rate may appreciate and stabilize once the tobacco season opens in April 2017 but will continue depreciating once the tobacco season ends.

A majority of the companies listed on the stock exchange have published favourable trading statements for the year ending 31 December 2016 which is expected to in turn boost the performance of the listed counters and result in improving share prices and increased dividends. As interest rates decline together with positive economic growth prospects, we expect the equity market to improve which will lead to improved performance for NITL going forward. Risks are still significant going forward and a couple of counters still have company specific risks that may impact performance. The fund will continue to implement its equity strategy within the investment policy framework.



**NICO**  
Asset Managers

24 March 2017



NATIONAL INVESTMENT TRUST LIMITED  
**DIRECTORS' REPORT**

For the year ended 31 December 2016

***Nature of Business***

The company is a closed end collective investment scheme established with the objective of providing investors with the opportunity to invest in a diversified portfolio of equity investments, bonds, property and equity of property companies and money market investments in Malawi. The company is licensed by the Registrar of Companies in accordance with the Securities Act through the Reserve Bank of Malawi. The company's investment policy, has been fully complied with during the period and is presented on page 1.

***Share capital***

Details of the current authorised and issued share capital are set out in note 7. An analysis of shareholders by type and holding is set out in note 19.

***Dividends***

An interim dividend of **30 tambala per share** (2015: 60 tambala) was paid on 23 September 2016 to shareholders registered in the company's share register on 16 September 2016. The directors recommend a final dividend of **70 tambala per share** (2015: 80 tambala) for declaration at the forthcoming Annual General Meeting.

***Directors***

The following directors served in office during the period under review and four Board meetings were held.

	<b>Attendance</b>	<b>Attendance Record %</b>
<b>Served all period</b>		
Mr. G. Chimimba	4/4	100
Mrs. E. Gondwe	3/4	75
Mr. P. Nkata	4/4	100
Mr. G. Msisha	4/4	100
Mr. R. Mdeza	4/4	100
Mr. F. Changaya	4/4	100
Mr. M. Mkandawire	4/4	100

All directors are non-executive.

The Following are the qualifications of the Directors who served during the period:

<b>Name</b>	<b>Qualifications</b>
Mr. G. Chimimba	FCCA, CA (Mw)
Mrs. E. Gondwe	MBA, ACCA Certified Dip. Accounting and Finance, B. Soc. Sc. (Public Admin and Psychology)
Mr. P. Nkata	B. Sc. Honours (Mechanical Engineering), Chartered Engineer
Mr. G. Msisha	LLB, M.A (Econs), BA (Econs)
Mr. R. Mdeza	FCCA, B.Com, CA (Mw)
Mr. F. Changaya	DBA (student), MBA, MSc. Marketing, Post Graduate Dip. Marketing (MCIM), BBA
Mr. M. Mkandawire	BA Honours (Econ), B. Soc. Sc. (Econ and Sociology)

The regulations governing collective investment schemes stipulate that the majority of directors of the company must not be affiliated persons. None of the directors are affiliated persons.

NATIONAL INVESTMENT TRUST LIMITED

**DIRECTORS' REPORT** (Continued)

For the year ended 31 December 2016

In terms of the company's articles of association Mr. F. Changaya, Mr. P. Nkata and Mr. G. Msisha retire at the forthcoming annual general meeting. All the retiring directors are eligible for re-election.

Other than as disclosed in note 17 to the financial statements, none of the directors held a direct or indirect interest in the shares of the company as at the reporting date.

***Statement on corporate governance***

The company has a unitary board of directors comprising seven non-executive directors. There are no executive directors.

The Board complies with the major principles of modern corporate governance as contained in the Code of Best Practice for Corporate Governance in Malawi (The Malawi Code II).

The Board meets at least four times a year. Adequate and efficient communication and monitoring systems are in place to ensure that the directors receive all relevant information to guide them in making necessary strategic decisions, and providing effective leadership, control and strategic direction over the company's operations, and in ensuring that the company fully complies with relevant legal, ethical and regulatory requirements.

In accordance with The Malawi Code II, the Board regularly assesses its performance and effectiveness as a whole as well as that of individual Directors.

***Board Committees***

***a) Finance and Audit Committee***

The Finance and Audit Committee conducts its business in accordance with detailed terms of reference and does the following:

- monitors the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, including reviewing significant financial reporting judgments contained in them;
- reviews the company's internal financial controls to ensure the operation of adequate systems and control processes to safeguard the company's assets;
- reviews the company's policies and procedures to ensure they adequately address compliance and regulatory issues;
- oversees the company's relationship with its external auditor and reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process;
- makes recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment and remuneration of external auditors.

During the period under review the Finance and Audit Committee held four meetings. There were no disagreements between the Finance and Audit Committee and the Board of Directors.

	<b>Attendance</b>	<b>Attendance Record %</b>
Mr. R. Mdeza	4/4	100
Mr. G. Msisha	4/4	100
Mr. M. Mkandawire	4/4	100

**Board Committees** (Continued)

**b) Investment Committee**

The Board appointed an Investment Committee whose role is to supervise and assist the Fund manager of the company in its investment decisions. The Fund Managers report to the Investment Committee on all investment purchases and disposals and also has to seek prior authorisation from the Committee before undertaking transactions with a value in excess of K20 million. Transactions with a value in excess of K40 million require approval of the Board of Directors. During the period under review, four Investment Committee meetings were held.

	<b>Attendance</b>	<b>Attendance Record %</b>
Mrs E Gondwe	4/4	100
Mr. F Changaya	3/4	75
Mr. P Nkata	2/2	100 (from 20 May 2016)

**c) Appointments and Remuneration Committee**

This Committee comprised three non-executive directors as listed below. The Committee reviews on a regular basis the composition, size and balance of the full Board to ensure that the Board is not lacking in skills or experience and adequately represents the interests of the shareholders as a whole. Additionally, the Committee deliberates on the appropriate level of remuneration of directors to be recommended for approval by the shareholders in general meeting. This Committee also makes recommendations to the Board on the appointment and contractual terms of appointment of the Fund Manager. The committee held two meetings during the period which were attended as follows:

	<b>Attendance</b>	<b>Attendance Record %</b>
Mr. F. Changaya	2/2	100
Mr. P. Nkata	1/2	50
Mr. G. Msisha	1/1	100 (from 20 May 2016)

**Ethical Standards**

The Board is fully committed to ensuring the company's affairs are conducted with integrity and that the highest ethical standards are maintained.

**Directors' fees**

Currently, the chairman receives an annual fee of K1 718 750 and directors receive an annual fee of K1 562 500 each, together with sitting allowances at the rate of K84 375 for the chairman and K67 750 for other directors for each meeting attended.

At the forthcoming annual general meeting, it will be proposed that fees and sitting allowances be increased based on recommendations from the Appointment and Remuneration Committee of the Board.

**Management**

The company has an agreement with NICO Assets Managers Limited for a period of 3 years and four months commencing from 1 January 2015 to 30 April 2018, under the terms of which NICO Asset Managers Limited is contracted as sole managers of the company.

Subject to the overall policy and direction of the Board, the Fund Manager has day-to-day administrative and general control and discretion in the management, in accordance with the investment policy, of the funds and investments of the company throughout the term of the agreement.

NATIONAL INVESTMENT TRUST LIMITED

**DIRECTORS' REPORT** (Continued)

For the year ended 31 December 2016

**Board Committees** (Continued)

**Management** (Continued)

Specific duties of Fund Manager include:

- To ensure adequate administrative, secretarial, accounting, financial and internal control systems are maintained.
- To ensure the establishment of acceptable custodial arrangements to ensure the safe custody of the company's assets.

NICO Asset Managers Limited is licensed as an investment/portfolio manager by the Reserve Bank of Malawi under the authority vested in it by the Securities Act.

**Custodian**

All scripts of the company are held by Standard Bank of Malawi Limited.

**Change of Year End**

National Investment Trust Limited (NITL) is a collective investment scheme regulated by the Securities Act, 2010 amongst other laws. According to the laws under which it is regulated, NITL is supposed to have a financial year ending on 31 December. To change the year end date from the previous 30 September to 31 December, NITL extended the previous reporting period to run to 31 December 2015, therefore having a 15 month financial reporting period ended 31 December 2015 compared to the current 12 months ended 31 December 2016.

**Independent auditors**

The auditors, Deloitte, have signified their willingness to continue in office and a resolution to confirm their re-appointment as auditors in respect of the year ending 31 December 2017, is to be proposed at the forthcoming annual general meeting.



**G Chimimba** (Chairman)



**R Mdeza** (Director)

NATIONAL INVESTMENT TRUST LIMITED  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

For the year ended 31 December 2016

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

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

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

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable Accounting Standards when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

**Approval of the financial statements**

The financial statements of the company as indicated above, were approved by the board of directors on 24 March 2017 and are signed on its behalf by:



**G Chimimba** (Chairman)



**R Mdeza** (Director)



## Valuation of unlisted equity investments

As disclosed in note 6 to the financial statements, the entity has investments in unlisted shares amounting to K739 million (2015: K766 million).

The unlisted investments were fair valued by NICO Asset Managers Limited using valuation techniques and inputs as disclosed in note 18.1.

We identified the valuation of unlisted share investments as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the fair value.

Our audit procedures included:

- assessing the competence and capabilities of the valuers;
- reviewing the appropriateness of the relative valuation method used in the determination of the Company's most significant unquoted investment and the choice of the benchmarked company. In particular, we assessed the appropriateness of judgements reached on any possible adjustments that should be considered in the relative valuation; and
- confirming that the valuation methodologies utilised by the valuers is consistent with IFRS and industry norms.

We found that the judgements applied in determining the fair values were appropriate and that the fair values are reasonable.

We checked that the fair values reported in the financial statements correspond with the values determined from the valuation exercise.

### Other Information

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

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

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

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

## **Responsibilities of the directors for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

We communicate with the directors 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 identify during our audit.



### **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

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

From the matters communicated with the directors, we determine 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.

A handwritten signature in black ink that reads "Deloitte". The signature is written in a cursive style with a horizontal line underneath the word.

### **Chartered Accountants**


John Melrose  
Partner


30 March 2017

NATIONAL INVESTMENT TRUST LIMITED  
**STATEMENT OF FINANCIAL POSITION**  
 At 31 December 2016

	<u>Notes</u>	<u>2016</u> K'000	<u>2015</u> K'000
<b>ASSETS</b>			
Cash and cash equivalents	5	257 226	209 861
Prepaid expenses		140	140
Dividends receivable		1 229	-
Interest receivable		1 670	2 562
Equity investments	6	6 277 074	7 600 270
Deferred tax	10	<u>48 462</u>	<u>-</u>
Total assets		<u><u>6 585 801</u></u>	<u><u>7 812 833</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	7	2 700	2 700
Share premium	7	169 550	169 550
Retained earnings	7	<u>6 354 659</u>	<u>7 574 180</u>
Total shareholders' equity		<u>6 526 909</u>	<u>7 746 430</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	56 676	48 914
Income tax payable	9	<u>2 216</u>	<u>12 490</u>
Total current liabilities		<u>58 892</u>	<u>61 404</u>
<b>Non-current liabilities</b>			
Deferred tax	10	<u>-</u>	<u>4 999</u>
Total liabilities		<u>58 892</u>	<u>66 403</u>
Total equity and liabilities		<u><u>6 585 801</u></u>	<u><u>7 812 833</u></u>

The financial statements of the company were approved and authorized for issue by the Board of Directors on 24 March 2017 and were signed on its behalf by:

  
**G Chimimba** (Chairman)

  
**R Mdeza** (Director)

NATIONAL INVESTMENT TRUST LIMITED  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2016

	<u>Notes</u>	12 months ended <u>31.12.16</u> K'000	15 months ended <u>31.12.15</u> K'000
<b>Revenue</b>			
Dividend income	11	229 212	301 635
Interest income	12	<u>32 104</u>	<u>37 302</u>
Total revenue		<u>261 316</u>	<u>338 937</u>
<b>Expenditure</b>			
Auditor's remuneration-current year		(8 616)	(7 322)
-prior year		(195)	1 131
Directors' remuneration - fees		(11 094)	(12 031)
- allowances		(4 374)	(4 381)
Directors' travel and accommodation		(3 302)	(3 165)
Management fees	13	(31 969)	(40 964)
Listing expenses		(17 045)	(17 314)
Transfer secretarial fees		(6 451)	(8 295)
Communication costs	14	(10 401)	(4 972)
Consultancy fees		(559)	(519)
Other expenses		<u>(4 848)</u>	<u>(2 784)</u>
Total expenditure		<u>(98 854)</u>	<u>(100 616)</u>
<b>Profit before fair value (loss)/gain on equity investments</b>		162 462	238 321
Fair value (loss)/gain on equity investments	6	<u>(1 258 690)</u>	<u>265 608</u>
<b>(Loss)/profit before tax</b>		(1 096 228)	503 929
Income tax	9	<u>25 207</u>	<u>44 085</u>
<b>(Loss)/profit for the year/period</b>		<u>(1 071 021)</u>	<u>548 014</u>
<b>Earnings per share (tambala)</b>			
Basic and diluted	15	<u>(793)</u>	<u>406</u>

*There were no items of other comprehensive income.*

NATIONAL INVESTMENT TRUST LIMITED  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2016

	<u>Share capital</u> K'000	<u>Share premium</u> K'000	<u>Retained earnings</u> K'000	<u>Total</u> K'000
At 1 October 2014	2 700	169 550	7 255 666	7 427 916
Dividends declared	-	-	(229 500)	(229 500)
Profit for the period	<u>-</u>	<u>-</u>	<u>548 014</u>	<u>548 014</u>
At 31 December 2015	<u>2 700</u>	<u>169 550</u>	<u>7 574 180</u>	<u>7 746 430</u>
At 1 January 2016	2 700	169 550	7 574 180	7 746 430
Dividends declared	-	-	(148 500)	(148 500)
Loss for the year	<u>-</u>	<u>-</u>	<u>(1 071 021)</u>	<u>(1 071 021)</u>
At 31 December 2016	<u>2 700</u>	<u>169 550</u>	<u>6 354 659</u>	<u>6 526 909</u>

**Dividend per share**

Dividend per share is calculated by dividing the total dividends declared in the period by the weighted average number of ordinary shares in issue during the period.

	<u>2016</u>	<u>2015</u>
Total dividends declared in the period (K'000)	<u>148 500</u>	<u>229 500</u>
Weighted average number of Ordinary shares in issue (thousands)	<u>135 000</u>	<u>135 000</u>
Dividend per share (Kwacha)	<u>1.1</u>	<u>1.70</u>

NATIONAL INVESTMENT TRUST LIMITED  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2016

	Notes	12 months ended <u>31.12.16</u> K'000	15 months ended <u>31.12.15</u> K'000
<b>Cash flows from operating activities</b>			
Dividends received		227 983	315 505
Interest received		<u>32 996</u>	<u>36 354</u>
		260 979	351 859
Operating expenditure paid		<u>(91 092)</u>	<u>(101 703)</u>
		169 887	250 156
Tax paid		<u>(38 528)</u>	<u>(32 635)</u>
Net cash generated from operating activities		<u>131 359</u>	<u>217 521</u>
<b>Cash flows from investing activities</b>			
Disposal of shares	6	213 163	10 700
Purchase of shares	6	<u>(148 657)</u>	<u>(9 253)</u>
Net cash generated from investing activities		<u>64 506</u>	<u>1 447</u>
<b>Cash flows from financing activities</b>			
Dividends paid		<u>(148 500)</u>	<u>(229 500)</u>
Net increase/(decrease) in cash and cash equivalents		47 365	(10 532)
Cash and cash equivalents at the beginning of the period		<u>209 861</u>	<u>220 393</u>
Cash and cash equivalents at the end of period	5	<u><u>257 226</u></u>	<u><u>209 861</u></u>

NATIONAL INVESTMENT TRUST LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**1. Reporting entity**

National Investment Trust Limited is a limited liability company domiciled and incorporated in Malawi under the Companies Act.

The address of the company's registered office is Chibisa House, 19 Glyn Jones Road, Post Office Box 910, Blantyre, Malawi.

**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 period, the company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2016.

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

**2.2 Standards and Interpretations in issue, not yet effective**

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

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Annual periods beginning on or after 1 January 2018	<i>IFRS 9 Financial Instruments</i>  IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

**2. Adoption of new and revised International Financial Reporting Standards** (Continued)

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

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Annual periods beginning on or after 1 January 2018	<p>IFRS 15 <i>Revenue from Contracts with Customers</i></p> <p>IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p>
Annual periods beginning on or after 1 January 2019	<p>IFRS 16 <i>Leases</i></p> <p>IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</p>
Annual periods beginning on or after 1 January 2017	<p>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</p> <p>Amends IAS 12 <i>Income Taxes</i> to clarify the following aspects:</p> <ul style="list-style-type: none"> <li>• Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.</li> <li>• The carrying amount of an asset does not limit the estimation of probable future taxable profits.</li> <li>• Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</li> <li>• An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</li> </ul>
Annual periods beginning on or after 1 January 2017	<p>Disclosure Initiative (Amendments to IAS 7)</p> <p>Amends IAS 7 <i>Statement of Cash Flows</i> to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p>

**2. Adoption of new and revised International Financial Reporting Standards** (Continued)

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

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Effective for annual periods beginning on or after 1 January 2018	<p>Transfers of Investment Property (Amendments to IAS 40)</p> <p>The amendments to IAS 40 <i>Investment Property</i>:</p> <ul style="list-style-type: none"> <li>• Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.</li> <li>• The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.</li> </ul>
The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017	<p>Annual Improvements to IFRS Standards 2014–2016 Cycle</p> <p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> <li>• IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose</li> <li>• IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</li> <li>• IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition</li> </ul>



**2. Adoption of new and revised International Financial Reporting Standards** (Continued)

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

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Annual reporting periods beginning on or after 1 January 2018	<p>IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i></p> <p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul>

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The directors anticipate that other than IFRS 9, 15 and 16, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the company. IFRS 9 will impact the measurement of financial instruments while IFRS15 will affect recognition of revenue and IFRS 16 will impact recognition, measurement, presentation and disclosure of leases.

### 3. Significant accounting policies

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

#### Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts of fair values at the end of each reporting period as explained below.

The accounting policies set out below have been consistently applied by the company and are consistent with those used in the previous period.

#### (a) Financial instruments

Financial assets and financial liabilities are recognized in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value less transaction costs and subsequently measured as described below:

##### (i) Fair value measurement

The determination of fair values of financial assets is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. The company uses widely recognized valuation models for determining the fair value of common and simpler financial instruments, and inputs into models are market observable.

The value produced by a technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statement of financial position.

##### (ii) Identification and measurement of impairment

At the end of each reporting period the company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows from the asset that can be estimated reliably.

The company considers evidence of impairment of financial instruments at amortised cost at both specific asset and collective level. All individually significant financial assets and those known to be impaired are assessed for specific impairment. All assets assessed but found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified together with all other assets not individually assessed by grouping together financial assets with similar risk characteristics.

Objective evidence that financial assets are impaired includes default or delinquency by a borrower, restructuring of a loan or advance by the company on terms that the company would otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

**3. Significant accounting policies (Continued)**

**(a) Financial instruments (Continued)**

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the related financial asset. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

**(iii) Derecognition**

Financial assets are derecognized when the company has transferred the right to receive the contractual cash flows in which substantially all the risks and rewards of ownership of the financial assets are transferred or when the contractual rights to cash flows from the assets expire. Financial liabilities are de-recognised when the obligation is extinguished.

**(iv) Cash and cash equivalents**

Cash and cash equivalents comprise demand deposits and other short term highly liquid instruments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**(v) Treasury bills**

Treasury bills (including repos) are classified as held for trading and are initially and at subsequent reporting dates measured at fair value. Gains or losses arising from changes in fair value are included in profit or loss.

**(vi) Other financial assets**

Other financial assets include dividends receivable and income notes which are measured at amortised cost using the effective interest method less impairment.

The amortised cost is the amount at which the financial asset is measured at initial recognition less principal repayments plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount minus any reduction for impairment.

**(vii) Trade and other payables**

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

**(viii) Equity investments**

The company's equity investments are classified as investments held for trading, and are measured at subsequent reporting dates at fair value. Gains or losses arising from changes in fair value are included in profit or loss.

**(ix) Offsetting**

Financial assets and liabilities are setoff and the net amount presented in the statement of financial position when, and only when the company has legal right to set off the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

**3. Significant accounting policies (Continued)**

**(b) Revenue recognition**

Interest income is recognized in profit or loss for all interest bearing instruments on an accrual basis using the effective interest method. Dividend income is recognized when the company has an unconditional right to receive the income (for quoted equity investments, this is usually the date on which trading in the underlying investment becomes “ex-dividend”).

**(c) Expenses**

All expenses, including management fees are recognized in profit or loss on an accrual basis.

**(d) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the company’s financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, 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 for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

**3. Significant accounting policies** (Continued)

**(e) Earnings per share**

The company is listed on the Malawi Stock Exchange and therefore presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by the profit or loss attributable to ordinary shareholders of the company by the weighted average number of shares outstanding during the period. Diluted earnings per share determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

**(f) Segment reporting**

The fund manager reports to the Board on a quarterly basis the income and expenditure and investment portfolio performance of the company as a whole. Based on the nature of the business there is only one segment and there are no separate geographical or operational segments.

**(g) Comparatives**

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current period.

**4. Determination of fair values**

The company's equity investments and disclosures require determination of fair value for both financial assets and liabilities. Fair values have been determined for measurement and or disclosure purposes as described in note 18. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that financial asset or liability.

**Other receivables**

The fair value of other receivables is estimated as the present value of the future cash flows discounted at market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

**Equity investments**

The fair value of equity investments traded on the stock market is determined with the reference to the quoted prices of the securities at the reporting date. Valuation of unquoted equity securities is determined using valuation techniques.

	<u>2016</u> K'000	<u>2015</u> K'000
<b>5. Cash and cash equivalents</b>		
Call deposits	217 742	167 866
Current account deposits	<u>39 484</u>	<u>41 995</u>
Total cash and cash equivalents	<u>257 226</u>	<u>209 861</u>

The deposits with various local banks earned interest at rates ranging from 19.00% to 29.00% (2015: from 15.50% to 27.00%).

**6. Equity investments**

Cost	548 186	406 683
Cumulative adjustment to fair value	<u>5 728 888</u>	<u>7 193 587</u>
Fair value	<u>6 277 074</u>	<u>7 600 270</u>
Net (decrease)/increase in fair value of equity investments	<u>(1 258 690)</u>	<u>265 608</u>

NATIONAL INVESTMENT TRUST LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2016

	2015 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2016 carrying amount K'000	Cost K'000
<b>6. Equity investments (Continued)</b>						
<b>QUOTED SHARE INVESTMENTS</b>						
<u>Illovo Sugar (Malawi) Limited</u> 8 107 611 (2015: 8 107 611) Ordinary shares of 2t each at MSE value of K160.00 (2015: K230.00) per share	1 864 750	-	-	(567 532)	1 297 218	33 828
<u>Press Corporation Limited</u> 1 314 015 (2015: 1 711 515) Ordinary shares of 1t each at MSE value of K540.00 (2015: K535.00) per share	915 661	-	(213 163)	7 071	709 569	18 307
<u>National Bank of Malawi</u> 5 792 373 (2015: 5 700 853) Ordinary shares of K1 each at MSE value of K237.12 (2015: K258.00) per share	1 470 820	23 327	-	(120 659)	1 373 488	65 741
<u>Sunbird Tourism Limited</u> 37 000 (2015: 11 000) Ordinary shares of 5t each at MSE value of K58.51 (2015: 23.00) per share	253	1 302	-	610	2 165	1 555
<u>NICO Holdings Limited</u> 8 413 800 (2015: 8 413 800) Ordinary shares of 20t each at MSE value of K17.00 (2015: K28.00) per share	235 586	-	-	(92 552)	143 034	5 365
<u>First Merchant Bank Limited</u> 1 418 792 (2015: 1 418 792) Ordinary shares of 5t each at MSE value of K17.00 (2015: K14.00) per share	19 863	-	-	4 256	24 119	13 620
<u>MPICO Limited</u> 15 479 954 (2015: 7 739 977) Ordinary shares of 5t each at MSE value of K7.83 (2015: K8.20) per share	63 468	60 604	-	(2 864)	121 208	79 565
<u>Telekom Networks Malawi Limited</u> 12 292 900 (2015: 4 263 500) Ordinary shares of 4t each at MSE value of K6.05 (2015: K6.00) per share	25 581	49 984	-	(1 193)	74 372	64 511
<u>Standard Bank Malawi Limited</u> 3 099 331 (2015: 3 099 331) Ordinary shares at MSE value of K500.00 (2015: K440.00) per share	1 363 705	-	-	185 960	1 549 665	28 334
<u>Old Mutual Limited</u> 9 196 (2015: nil) Ordinary shares at MSE value of K1 612.00 per share	-	13 440	-	1 384	14 824	13 440
<u>NBS Bank Limited</u> 38 006 945 (2015: 38 006 945) Ordinary Shares of 50t each at MSE value of K6.00 (2015: K23.00) per share	874 160	-	-	(646 119)	228 041	41 720
<b>Total quoted share investments</b>	<u>6 833 847</u>	<u>148 657</u>	<u>(213 163)</u>	<u>(1 231 638)</u>	<u>5 537 703</u>	<u>365 986</u>

NATIONAL INVESTMENT TRUST LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2016

	<b>2015 carrying amount K'000</b>	<b>Additions K'000</b>	<b>Disposals K'000</b>	<b>Fair value adjustments K'000</b>	<b>2016 carrying amount K'000</b>	<b>Cost K'000</b>
<b>6. Equity investments (Continued)</b>						
<b>UNQUOTED SHARE INVESTMENTS</b>						
<u>Auction Holdings Limited</u>						
45 716 970 (2015: 45 716 970) Ordinary shares of K1 each at a fair value of K1.30 (2015: K3.55) per share	162 296	-	-	(102 864)	59 432	21 944
<u>Dairibord Malawi Limited</u>						
228 000 (2015: 228 000) Ordinary shares of K1 each at a fair value of K87.45 (2015: K127.75) per share	29 127	-	-	(9 188)	19 939	17 256
<u>Kang'ombe Investment Limited</u>						
500 000 000 (2015: 500 000 000) Ordinary shares of K1 each at a fair value of K1.32 (2015: K1.15) per share	<u>575 000</u>	<u>-</u>	<u>-</u>	<u>85 000</u>	<u>660 000</u>	<u>143 000</u>
<b>Total unquoted share investments</b>	<u>766 423</u>	<u>-</u>	<u>-</u>	<u>(27 052)</u>	<u>739 371</u>	<u>182 200</u>
<b>Total share investments</b>	<u>7 600 270</u>	<u>148 657</u>	<u>(213 163)</u>	<u>(1 258 690)</u>	<u>6 277 074</u>	<u>548 186</u>

Unlisted equity investments were valued by NICO Asset Managers Limited, who are also the Fund managers, on behalf of the Board using various valuation techniques as described under note 18.1.

At the reporting date the equity investment portfolio comprised:

	<b>Percentage shareholding</b>		<b>Number of shares</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Kang'ombe Investment Limited	25.0	25.0	500 000 000	500 000 000
Dairibord Malawi Limited	22.8	22.8	228 000	228 000
NBS Bank Limited	5.2	5.2	38 006 945	38 006 945
Auction Holdings Limited	5.0	5.0	45 716 970	45 716 970
Press Corporation Limited	1.1	1.4	1 314 015	1 711 515
Standard Bank Malawi Limited	1.3	1.3	3 099 331	3 099 331
National Bank of Malawi	1.2	1.2	5 792 373	5 700 853
Illovo Sugar (Malawi) Limited	1.1	1.1	8 107 611	8 107 611
NICO Holdings Limited	0.8	0.8	8 413 800	8 413 800
MPICO Limited	0.7	0.7	15 479 954	7 739 977
Telekom Networks Malawi Limited	<0.1	<0.1	12 292 900	4 263 500
First Merchant Bank Limited	<0.1	<0.1	1 418 792	1 418 792
Sunbird Tourism Limited	<0.1	<0.1	37 000	11 000
Old Mutual Limited	<0.1	-	9 196	-



NATIONAL INVESTMENT TRUST LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2016

**7. Capital and reserves**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the company. All shares rank equally with regard to the company's residual assets.

<b>Share capital</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>K'000</b>	<b>K'000</b>
<i>Authorised share capital</i>		
150 000 000 ordinary shares of 2 tambala each	<u>3 000</u>	<u>3 000</u>
<i>Issued and fully paid</i>		
135 000 000 ordinary shares of 2 tambala each	<u>2 700</u>	<u>2 700</u>

**Share premium**

Share premium of K169.55 million (2015: K169.55 million) relates to the amount in excess of the nominal share price paid for during the initial share offer to the public.

**Retained earnings**

Included in the reported retained earnings of K6 355 million (2015: K7 574 million) are unrealized gains on the changes in fair value of equity investments held at fair value through profit or loss net of related deferred tax, totaling K5 729 million (2015: K7 180 million) which are not distributable in terms of the Companies Act and profits on investment switches totaling K406 million (2015: K200 million) which are not distributable in terms of the company's investment policy.

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>K'000</b>	<b>K'000</b>
<b>8. Trade and other payables</b>		
Accrued expenses	20 170	15 240
Unclaimed dividends payable to shareholders	<u>36 506</u>	<u>33 674</u>
Total trade and other payables	<u>56 676</u>	<u>48 914</u>

Trade and other payables do not attract any interest.

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	<u>2016</u> K'000	<u>2015</u> K'000
<b>9. Taxation</b>		
<u>Payable</u>		
Opening balance	12 490	8 285
Current income tax charge	5 988	7 867
Withholding tax paid	(271)	-
Income tax paid	<u>(15 991)</u>	<u>(3 662)</u>
Closing balance	<u>2 216</u>	<u>12 490</u>
<u>Charge</u>		
Income tax	5 988	7 867
Dividend tax (note 11)	22 266	27 852
Deferred tax (note 10) - current period	(53 461)	(1 647)
- prior period	<u>-</u>	<u>(78 157)</u>
Total taxation credit	<u>(25 207)</u>	<u>(44 085)</u>
	<b>%</b>	<b>%</b>
<u>Reconciliation of effective to standard rates of tax</u>		
Standard rate	30.0	30.0
Permanent differences	<u>(27.7)</u>	<u>(38.7)</u>
Effective rate	<u>2.3</u>	<u>(8.7)</u>

Permanent differences are due to unrealised movements on revaluation of equity investments which are not taxable and dividends which are taxed at a lower rate of 10% compared to the standard rate of 30%.

**10. Deferred tax**

Deferred tax is calculated, in full, on all temporary differences using the enacted tax rate of 30% (2015: 30%). The movement on the deferred tax account is as follows:

	<u>2016</u> K'000	<u>2015</u> K'000
At beginning of the period	4 999	84 803
Income statement (note 9) - current period	(53 461)	(1 647)
- prior period	<u>-</u>	<u>(78 157)</u>
At end of the period	<u>(48 462)</u>	<u>4 999</u>
<u>Analysed as</u>		
Capital (loss)/gains on equity investments	<u>(48 462)</u>	<u>4 999</u>

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For the year ended 31 December 2016

	<b>12 months ended <u>31.12.16</u> K'000</b>	<b>15 months ended <u>31.12.15</u> K'000</b>
<b>11. Dividend income</b>		
Auction Holdings Limited	5 000	20 300
First Merchant Bank Limited	284	1 419
Illovo Sugar (Malawi) Limited	-	60 807
Kang'ombe Investment Limited	72 750	52 000
MPICO Limited	-	310
National Bank of Malawi	76 034	75 365
NBS Bank Limited	-	20 904
NICO Holdings Limited	5 048	7 572
Press Corporation Limited	13 672	22 510
Standard Bank Malawi Limited	52 937	39 702
Telekom Networks Malawi Limited	3 227	746
Sunbird Tourism Limited	9	-
Old Mutual Limited	<u>251</u>	<u>-</u>
Total dividends	229 212	301 635
Dividend tax withheld (note 9)	<u>(22 266)</u>	<u>(27 852)</u>
Net dividend income received	<u><u>206 946</u></u>	<u><u>273 783</u></u>
<b>12. Interest income</b>		
Deposits	32 085	37 294
Other income	<u>19</u>	<u>8</u>
Total interest income	<u><u>32 104</u></u>	<u><u>37 302</u></u>
<b>13. Management fees</b>		
Fee payable	27 566	35 162
Value added tax	<u>4 403</u>	<u>5 802</u>
Total management fees	<u><u>31 969</u></u>	<u><u>40 964</u></u>
<p>Management fees are computed in accordance with the Fund Manager's agreement. The fees are computed as a percentage of the net assets of National Investment Trust Limited and the total dividends declared to its shareholders in each reporting period. The fees to NICO Asset Managers Limited are payable quarterly on account of 80% of the fees based on quarterly management accounts payable within one month of the quarter end, and the balance is payable based on post year end audited accounts upon certification by independent auditors.</p>		
<b>14. Communication costs</b>		
Communication costs - current period	10 401	8 671
- prior period	<u>-</u>	<u>(3 699)</u>
Total communication costs	<u><u>10 401</u></u>	<u><u>4 972</u></u>

**15. Earnings per share**

**Basic earnings per share**

The calculation of basic earnings per share at 31 December 2016 is based on the loss attributable to ordinary shareholders of K1 071 million (2015: profit of K548 million) and the weighted average number of ordinary shares in issue at 31 December 2016 of 135 000 000 (2015: 135 000 000).

	<u>2016</u>	<u>2015</u>
(Loss)/profit attributable to ordinary shareholders (K'000)	(1 071 021)	548 014
Weighted average number of ordinary shares in issue ('000)	135 000	135 000
Earnings per share (tambala)	<u>(793)</u>	<u>406</u>

**Diluted earnings per share**

The diluted earnings per share are equal to the basic earnings per share as there are no dilutive potential ordinary shares.

**16. Financial risk management**

**Categories of financial instruments**

	<b>Fair Value through profit and loss</b>	<b>Loans and receivables</b>	<b>Amortised cost</b>	<b>Total</b>
<b><u>31 December 2016</u></b>				
<b>Financial assets</b>				
Cash and cash equivalents	-	257 226	-	257 226
Dividend receivable	-	1 229	-	1 229
Interest receivable	-	1 670	-	1 670
Equity investments	<u>6 277 074</u>	<u>-</u>	<u>-</u>	<u>6 277 074</u>
	<u>6 277 074</u>	<u>260 125</u>	<u>-</u>	<u>6 537 199</u>
<b>Financial liabilities</b>				
Trade and other payables	<u>-</u>	<u>-</u>	<u>56 676</u>	<u>56 676</u>
<b><u>31 December 2015</u></b>				
<b>Financial assets</b>				
Cash and cash equivalents	-	209 861	-	209 861
Interest receivable	-	2 562	-	2 562
Equity investments	<u>7 600 270</u>	<u>-</u>	<u>-</u>	<u>7 600 270</u>
	<u>7 600 270</u>	<u>260 125</u>	<u>-</u>	<u>7 812 693</u>
<b>Financial liabilities</b>				
Trade and other payables	<u>-</u>	<u>-</u>	<u>48 914</u>	<u>48 914</u>

**16. Financial risk management (Continued)**

**Overview**

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

Credit risk  
Liquidity risk  
Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has developed risk management policies principal among which is the Investment Policy outlined on page 1 of the Annual Report. The Investment Committee and the Fund Manager are expected to adhere at all times to the Investment Policy. The Investment Committee reports regularly to the Board of Directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The company's Finance and Audit Committee oversees how management monitors compliance with the company risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Finance and Audit Committee is assisted in its oversight role by the Fund Managers' internal audit department which undertakes reviews of risk management controls and procedures, the results of which are reported to the Finance and Audit Committee.

**Credit risk**

Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's interest, income notes receivable and cash and cash equivalents. Money market investments are limited to deposits with licensed financial institutions.

**Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another asset. The company's approach to managing liquidity risk is to ensure, as far as possible, that it has sufficient liquidity to meet liabilities, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company maintains sufficient funds in liquid money market investments to meet foreseeable operating expenses.

The company's financial instruments include investments in unlisted equity instruments, which are not traded in an organized public market and which generally may be illiquid. As a result, the company may not be able to liquidate quickly some of its investments in these instruments at an amount close to fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the financial position of any particular issuer. Unlisted investments represent 11.4% (2015: 9.8%) of the year end investment portfolio valuation.

**16. Financial risk management** (Continued)

**Liquidity risk** (Continued)

The company's Investment Policy sets maximum permitted limits for investments.

Compliance position as at period-end	<b>Permitted limit</b>	<b>2016</b>	<b>2015</b>
1. Equities			
% of portfolio invested in equities	100%	96%	97%
% of portfolio in individual listed company	40%	24%	24%
% of portfolio in individual unlisted company	10%	10%	7%
2. Bonds			
% of portfolio invested in bonds	25%	Nil	Nil
% of portfolio in bonds of single private sector issues	10%	Nil	Nil
3. Property			
% of portfolio invested in property companies/equities	25%	12%	8%
% of portfolio in a single property investment	10%	10%	7%
4. Cash equivalents	100%	4%	3%
5. Speculative investments	Nil	Nil	Nil
	<b>Due within 1 month K'000</b>	<b>Total K'000</b>	<b>Fair value K'000</b>
<b>31 December 2016</b>			
<i>Financial liabilities</i>			
Trade and other payables	<u>20 170</u>	<u>20 170</u>	<u>20 170</u>
<b>31 December 2015</b>			
<i>Financial liabilities</i>			
Trade and other payables	<u>15 240</u>	<u>15 240</u>	<u>15 240</u>

**Market risk**

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

The company's market risk is managed on a daily basis by the Fund Manager in accordance with policies and procedures in place. The company's overall market positions are monitored by the Finance and Audit Committee and reported on a quarterly basis to the Board of Directors.

*Currency risk*

As the company has no significant foreign denominated financial assets, and has no foreign denominated financial liabilities, the company's income and operating cash flows are substantially independent of changes in foreign exchange rates.

**16. Financial risk management (Continued)**

**Market risk (Continued)**

*Interest rate risk*

The Fund Manager is not permitted to borrow funds without the sanction of the Board of Directors who, in turn, may not, unless sanctioned by an ordinary resolution of shareholders, borrow in excess of the aggregate of the company's share capital and reserves. However, since incorporation, the Directors have not exercised their borrowing powers and, accordingly, the company is not exposed to interest risk on borrowings.

At the reporting date, the company has only invested in fixed rate financial instruments. The company does not account for any fixed rate financial instruments at fair value as the debt securities market is fairly illiquid. Therefore, a change in interest rates at the reporting date would not affect profit or loss or equity.

*Equity price risk*

Equity price risk arises from the company's held for trading equity investments. The company seeks to manage individual equity price risk through diversification of its investments within its Investment Policy guidelines on individual investments and/or broad classes of investments. The Fund Manager and the Investment Committee manage risk on an ongoing basis. Due to the nature of its business, the company is always exposed to overall market price risk.

**Sensitivity analysis – equity price risk**

The carrying value at 31 December 2016 of shares listed on the Malawi Stock Exchange (MSE) represents 84% (2015: 87%) of the company's total asset value. Although not directly correlated, it could be expected that the overall value of this portfolio would move broadly in line with movements in the MSE Domestic Share Index. The domestic share index at 31 December 2016 was 10 457 (2015: 11 463). An overall increase of 0.5% in share prices would have resulted in a capital gain of K27.7m (2015: K34.2m) recognized in profit or loss. An overall decrease of 0.5% in share prices would have resulted in a capital loss of identical magnitude. The small percentage has been used because the market has been relatively illiquid over the reporting period.

**Capital management**

The Board's policy is to maintain a strong capital base to maintain investor and market confidence. Capital consists of share capital, share premium and retained earnings. The Board also monitors the level of dividends to shareholders.

The Board's policy is to maintain its capital base in real terms by not distributing unrealized fair value gains on revaluation of investments or realised profit on sale of equity investments.

**17. Related parties**

**Fund Manager**

The company entered into a management agreement with NICO Asset Managers, a licensed investment/portfolio manager. Management fees for the year amounted to K31.9 million (2015: K40.9 million). Included in trade and other payables at 31 December 2016, is management fees payable of K11.1 million (2015: K6.2 million).

As required by the Malawi Stock Exchange listing rules, NICO Asset Managers Limited, as the fund manager, is required to hold a minimum of 5% of the issued share capital of the company. NICO Asset Managers Limited does not hold any shares in NITL. The company was granted an exemption by the Malawi Stock Exchange to allow NICO Asset Managers Limited to act as fund managers.

**17. Related parties** (Continued)

At 31 December 2016, various pension funds and entities whose assets are managed by NICO Asset Managers Limited held 17 236 930 (2015: 15 814 245) shares in the company.

*Directors' fees*

Total directors' fees are disclosed in the statement of comprehensive income.

*Directors' interest*

As at 31 December 2016, the total direct and indirect interests of the directors and related parties thereto in the issued share capital of the company were as follows:

	<b>Indirect</b>	<b>Direct</b>	<b>Total</b>
R Mdeza	-	95 200	95 200
G Msisha	-	100 000	100 000
G Chimimba*	1 063 105	440 000	1 503 105
F Changaya	-	-	-
E Gondwe	-	-	-
M Mkandawire	-	-	-
P Nkata	-	-	-

\*Note: The indirect interests for Director G Chimimba represent shareholding in NITL by his close family members.

**18. Critical accounting estimates and judgments**

**18.1 Fair values of financial instruments**

Many of the company's financial instruments are measured at fair value on the statement of financial position and it is usually possible to determine their fair values within a reasonable range of estimates.

For majority of the company's financial instruments, quoted market prices are readily available. However, certain financial instruments for example, unlisted equity investments are fair valued using valuation techniques, including reference to the current fair values of other instruments that are substantially the same (subject to the appropriate adjustments).

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision.

For certain financial instruments, including other receivables and other payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The carrying amounts of all the company's financial assets and financial liabilities at the reporting date approximated their fair values.

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value by valuation. The different levels have been defined as follows:-

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: input other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liabilities that are not based on observable data.



**18. Critical accounting estimates and judgments** (Continued)

**18.1 Fair values of financial instruments** (Continued)

	<u>Level 1</u> K'000	<u>Level 2</u> K'000	<u>Total</u> K'000
<b>31 December 2016</b>			
Listed equity investments	5 537 703	-	5 537 703
Unlisted equity investments	<u>-</u>	<u>739 371</u>	<u>739 371</u>
	<u>5 537 703</u>	<u>739 371</u>	<u>6 277 074</u>
<b>31 December 2015</b>			
Listed equity investments	6 833 848	-	6 833 848
Unlisted equity investments	<u>-</u>	<u>766 422</u>	<u>766 422</u>
	<u>6 833 848</u>	<u>766 422</u>	<u>7 600 270</u>

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include benchmark interest rates, equity prices, foreign currency exchange rates and expected price volatilities and correlations.

**18.2 Impairment of financial assets**

The company follows the guidance of IAS 39 to determine when a financial asset is impaired. This determination requires significant judgment. In making this judgment, the company evaluates, among other factors, the duration and extent to which the fair value of an income note is less than its cost: and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

**18.3 Income taxes**

The company is subject to income taxes. Significant judgment is required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. If 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.

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**19. Details of shareholders**

The number of shareholders in NITL was 1 318 as at 31 December 2016 (31 December 2015: 1 351).

**Analysis by number of shares held:**

<u>Number of shares held</u>	<u>Number of Shareholders</u>		<u>Total holding</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
1 – 5 000	466	473	1 155 847	1 188 000
5 001 – 10 000	237	242	2 146 212	2 187 000
10 001 – 25 000	208	213	3 738 668	3 820 500
25 001 – 50 000	159	166	6 208 327	6 574 500
50 001 – 100 000	120	124	10 465 567	10 881 000
100 001 – 200 000	52	54	7 893 088	8 248 500
200 001 – 500 000	42	42	13 192 644	13 230 000
500 001 – 1 000 000	12	15	8 333 959	10 368 000
1 000 000 – 99 999 999	<u>22</u>	<u>22</u>	<u>81 865 688</u>	<u>78 502 500</u>
Grand total	<u>1 318</u>	<u>1 351</u>	<u>135 000 000</u>	<u>135 000 000</u>

**Analysis by shareholder type:**

	<u>Number of holders</u>	<u>Number of shares held</u>	<u>% of total shares</u>
Insurance/assurance	5	1 633 677	1.20
Non-resident companies/individuals	11	301 731	0.22
Banks/nominees	36	31 357 125	23.23
Investment/trusts	16	8 309 895	6.16
Pension/provident funds	21	26 902 072	19.93
Other resident entities	21	16 767 738	12.42
Resident individual	<u>1 208</u>	<u>49 727 762</u>	<u>36.84</u>
Total	<u>1 318</u>	<u>135 000 000</u>	<u>100</u>

The largest shareholders in the company were:

	<u>Number of shares</u> <u>2016</u>	<u>% of total number of shares</u> <u>2016</u>	<u>Number of shares</u> <u>2015</u>	<u>% of total number of shares</u> <u>2015</u>
First Merchant Bank Limited	25 766 628	19.09	25 766 628	19.09
National Bank of Malawi Pension Fund	9 687 700	7.18	8 310 409	6.16
NICO Life Insurance Company Limited	8 520 815	6.31	7 098 130	5.26
First Merchant Bank Pension Fund	8 310 409	6.16	6 181 465	4.58
Press Trust Limited	4 795 000	3.55	4 795 000	3.55
National Bank of Malawi	4 086 371	3.03	4 086 371	3.03
Livingstone Exports Limited	3 000 000	2.22	3 000 000	2.22
NBM Equity Fund	<u>1 891 888</u>	<u>1.40</u>	<u>2 191 888</u>	<u>1.62</u>

**20. Change in the presentation of the Statement of Comprehensive Income**

The company has changed the presentation of the statement of comprehensive income to provide information that is more relevant to the users of the financial statements. This change has resulted in the disclosure of “Profit before fair value (loss)/gain on equity investments” on the face of the statement of comprehensive income.

**21. Exchange rates and inflation**

The average of the period-end buying and selling rates of the foreign currencies most 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.

	<u>2016</u>	<u>2015</u>
Kwacha/Rand	53.3	42.5
Kwacha/US Dollar	<u>724.0</u>	<u>664.0</u>
Inflation rate (%)	<u>20.0</u>	<u>24.9</u>

As at 30 March 2017, the above noted exchange rates had moved as follows:

Kwacha/Rand	55.74
Kwacha/US Dollar	<u>725.87</u>

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# NITL

The National Investment Trust Limited

