

2019

ANNUAL REPORT



NATIONAL INVESTMENT TRUST PLC

Financial Statements for the year ended
31 December 2019

NATIONAL INVESTMENT TRUST PLC
FINANCIAL STATEMENTS

For the year ended 31 December 2019

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NATIONAL INVESTMENT TRUST PLC

INVESTMENT POLICY

For the year ended 31 December 2019

The principal objective of the company is to provide a vehicle to facilitate broad public participation in a diverse portfolio of investments. The company invests in various instruments including listed equities, bonds, money market, properties, and unlisted equities.

The company's investment portfolio is managed by an independent fund manager, NICO Asset 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 of Malawi Bills or deposits with licensed financial institutions.

Restrictions

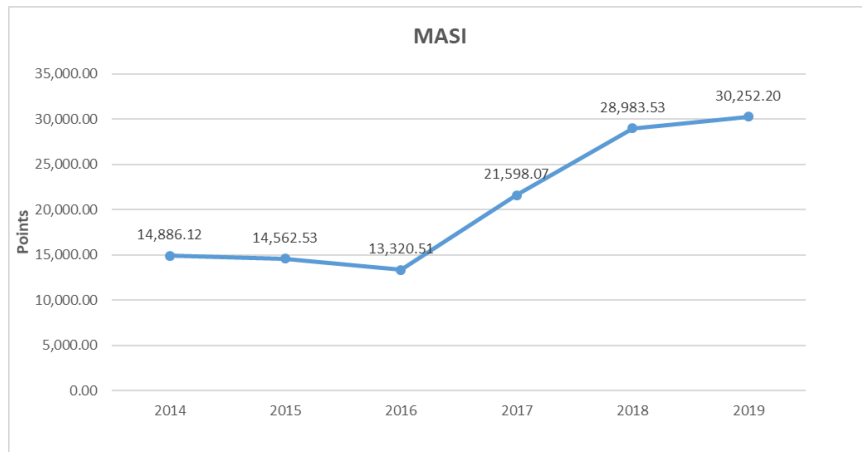
The Fund Manager may not without the consent of the majority of the Board of Directors:

- acquire or dispose of any unlisted equities or bonds;
- 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; and
- pledge any property or assets belonging to the company or create charges or mortgages thereon.

ECONOMIC INDICATORS

During the reporting period, the Malawi Kwacha depreciated against United States Dollar, British Pound and South African Rand. The Kwacha, however, appreciated against the Euro. As at 31 December 2019, the United States Dollar was trading at MK738.87/US\$ (31 December 2018: MK733.69/US\$), representing a 0.71% annual depreciation in comparison to the prior year. As at 31 December 2019, total foreign currency reserves stood at US\$1,170.62 million (5.60 months of import cover), an increase from US\$1,086.06 million (5.19 months of import cover) registered at the end of 31 December 2018.

The stock market yielded modest gains in 2019 as the Malawi All Share Index (MASI) experienced a return of 4.38%, signaling a decrease in return compared to the preceding bull market returns of 2017 and 2018 which stood at 62.14% and 34.19%, respectively. The MASI closed at 30,252.20 points on 31 December 2019 from 28,983.53 points on 31 December 2018. Below is a chart showing the MASI trend over the last 6 years.



The market registered eight gainers: National Bank (58.12% increase), MPICO (47.95% increase), NBS (35.00% increase), PCL (22.81% increase), ICON (20.00% increase), NICO (12.77% increase), Standard Bank (8.96% increase) and NITL (6.67% increase). There were also five losers: FMBCH (25.00% decrease), Illovo (23.50% decrease), Sunbird (18.62% decrease), TNM (7.14% decrease) and BHL (0.38% decrease).

NATIONAL INVESTMENT TRUST PLC

FUND MANAGER'S REPORT

For the year ended 31 December 2019

The table below shows the closing share prices and at 31st December 2019, as compared to 31st December 2018:

COMPANY NAME (COUNTER)	SHARE PRICE 31 DECEMBER 2019	SHARE PRICE 31 DECEMBER 2018	PERCENTAGE CHANGE (%)
BLANTYRE HOTELS PLC	12.95	13.00	-0.38%
FMBCAPITAL HOLDINGS PLC	75.00	100.00	-25.00%
ICON PROPERTIES PLC	10.50	8.75	20.00%
ILLOVO SUGAR MALAWI PLC	153.00	200.00	-23.50%
MPICO PLC	19.53	13.20	47.95%
NATIONAL BANK OF MALAWI PLC	525.00	332.02	58.12%
NBS BANK PLC	13.50	10.00	35.00%
NICO HOLDINGS PLC	50.00	43.00	12.79%
NATIONAL INVESTMENT TRUST PLC	80.00	75.00	6.67%
OLD MUTUAL LIMITED	2,499.00	2,513.25	-0.57%
PRESS CORPORATION PLC	1,400.00	1,140.00	22.81%
STANDARD BANK PLC	730.00	670.00	8.96%
SUNBIRD TOURISM PLC	118.00	145.00	-18.62%
TELEKOM NETWORKS MALAWI PLC	26.00	28.00	-7.14%
MALAWI ALL SHARE INDEX (MASI)	30,242.20	28,983.53	4.34%

Interest rates on the money market were low as the all-type Treasury bill yield for the year 2019 decreased to 9.69% from 14.28% for 2018.

The Minister of Finance, Economic Planning and Development, presented the 2019/2020 financial budget to parliament on 9 September 2019. According to his presentation, total revenue and grants are projected at K1.58 trillion, representing 25.10% of GDP. Total expenditure is projected at K1.73 trillion which is 27.60% of GDP. The expected overall deficit for the 2019/20 fiscal year is estimated at K155.90 billion, which is 2.50% of GDP, also representing a reduction of about 51.30% from the 2018/19 preliminary actual budget deficit outturn of K320.20 billion.

NATIONAL INVESTMENT TRUST PLC

FUND MANAGER'S REPORT

For the year ended 31 December 2019

INVESTMENT PORTFOLIO

As at 31 December 2019, the company's total shareholders' equity grew by 16.55% to K11.58 billion from K9.93 billion recorded in the previous year. The company had revaluation gains on its equity investments amounting to K1.7 billion in 2019 compared to K1.2 billion in the preceding financial year. Overall, the company made a profit after tax of K1.8 billion in 2019, an increase from K1.4 billion made in the previous financial year. The company paid an interim dividend amounting to K67.5 million representing K0.50 per share (2018: K0.50 per share).

Below is a high level review of the counters that the company had invested in on the stock market:

National Bank of Malawi plc (NBM)

National Bank of Malawi plc (NBM) registered a stronger performance in the half year ended 30 June 2019 in comparison to the corresponding period in 2018. The company reported a 7.0% increase in the Group's half year profit to K9.1 billion (June 2018: K8.5 billion) and a 14.1% increase in net interest income to K34.2 billion (June 2018: K20.4 billion). Customer deposits and the loan book grew by 8% and 21%, respectively, driving an increase of 8.7% in total assets to K445 billion (June 2018: K409 billion) as at 30 June 2019. National Bank paid a dividend of K2.5 billion in September 2019 (2018: K2.5 billion) representing K5.35 per share (2018: K5.35 per share).

Standard Bank Malawi plc (Standard),

Standard Bank Malawi plc (Standard Bank), following a challenging 2018, bounced back with a good performance in 2019. For the year ended 31 December 2019, the bank's profit after tax at K15.9 billion (FY2018: K10.6 billion) was 50.1% above the prior corresponding period. The 2019 profit boost was a result of a 12% increase in net interest income; 61% decrease in credit impairment charges; and a 1% decrease in cost to income ratio. Customer deposits grew by 6% while loans and advances grew by 32% year-on-year. An interim dividend of K2.1 billion (2018: K1.7 billion) was paid in September 2019, representing K8.95 per share (2018: K7.24 per share).

FMBcapital Holdings plc (FMBCH),

FMBcapital Holdings plc (FMBCH), for the half-year period ended 30 June 2019, reported a 22.6% decrease in interest income of US\$39.1 million (June 2018: US\$50.5 million). Profit after tax for the Group declined by 74% to K5.1 billion (June 2018: K20.1 billion). FMBCH continues to face economic challenges in Zimbabwe with high inflation and currency fluctuations. As a result, profit attributable to shareholders decreased by 59% year-on-year. The board decided against paying an interim dividend in order to maintain a strong regulatory capital position considering the restructuring process that the company is undergoing.

NBS Bank plc (NBS)

NBS Bank plc (NBS) had a year of strong growth in 2019 following a turn around performance in 2018. Changes in senior management and implementation of a new strategy continue to be a catalyst for growth. NBS registered profit after tax of K4.5 billion (FY2018: 1.7 billion), a 162% year-on-year increase. Growth was driven by a 103% increase in net interest income, 136% increase in loan book, 124% increase in money market investments and 21% increase in customer deposits. The bank reported 13% decline in non-interest income to K9.0 billion (FY2018: K10.4 billion). No dividend was paid in 2019, a decision which the board stated was intended to enable a full turnaround of the business during the year. The board has, however, recommended a dividend of K1.0 billion for the year ended 31 December 2019, representing K0.35 per share.

NICO Holdings plc (NICO),

NICO Holdings plc (NICO), for the half year ended 30 June 2019, the Group registered a 7% increase in revenue to MK76.5 billion (2018: 71.4 billion). The Group also reported a 22% increase in the profit after tax to K7.3 billion (June 2018: K6.0 billion), which can be attributed to the strong performances of their Life Insurance, Banking, and Asset Management segments. Profit after tax was at K7.3 billion, of which K3.7 billion was attributable to shareholders of the parent company (June 2018: K2.9 billion), a 25% increase. The Group paid an interim dividend of K626 million (2018: K626 million), representing K0.60 per share (2018: K0.60 per share).

INVESTMENT PORTFOLIO (Continued)

Telekom Networks Malawi plc

Telekom Networks Malawi plc (TNM), for the half year ended 30 June 2019, registered an 8% increase in service revenue to K44.1 billion (June 2018: K40.7 billion). Despite the increase in service revenue, there was a 3% decline in profit after tax to K6.7 billion (June 2018: K6.9 billion). The decline in profit after tax was attributed to an increase in depreciation expense as a result of investments made in 4G and other technologies over the past two years. Net financing costs increased by 68% to K2.2 billion (June 2018: MK1.3 billion), which includes foreign exchange losses of K79 million (June 2018: K24 million). The increase in net finance costs was due to the effects of IFRS 16 Leases application which resulted in some operating expenses being reported under finance costs. TNM invested MK7.3 billion in capital expenditure during the period (June 2018: K10.6 billion) in network and systems catering for expansion, improvement and future use as data needs grow.

Illovo Sugar (Malawi) plc (Illovo)

Illovo Sugar (Malawi) plc (Illovo) had a challenging year and reported a 9.3% decline in revenue for the year 2019 to K129.7 billion (FY2018: K141.8 billion). Domestic revenue at K99.4 billion, was 14.5% lower than the previous year (FY2018: K116.3 billion). Expense margins remained constant except for distribution expenses, which shot up by 68.6% from K8.1 billion in 2018 to K13.6 billion in 2019. All these factors, among others, resulted in a lower profit after tax of K10.1 billion (FY2018: K16.4 billion), representing a decrease of 39%. Illovo declared a dividend of K366 million (2018: no dividend) - representing K0.50 per share - payable in March 2020. Management continues to endeavour to cut operational costs and implement efficient and modern infrastructure.

Press Corporation plc (PCL),

Press Corporation plc (PCL), for the half year period ended 30 June 2019, recorded a 48% decrease in profit after tax of K11.2 billion (June 2018: K23.1 billion). Group profit before tax was down by 40% for the period, due to a once-off gain of K11.18 billion reported in 2018 emanating from the restructuring initiatives of their telecommunications segments (OCL: K8.5 billion, MTL: K2.7 billion). The underlying comparable profit without the once-off gain in the corresponding period of 2018 is K20.3 billion, representing a 7% decrease in 2019. The financial services segment (National Bank Malawi) was the only one to post earnings growth – registering a 7% increase as at 30 June 2019. Telecommunications and financial services accounted for 81% of total revenue and K14.6 billion in after-tax profits which was offset mostly by losses from the consumer goods segment – People's Trading Centre. PCL paid an interim dividend of K721.2 million (2018: K721.2), representing K6.00 per share (2018: K6.00 per share) in October 2019.

Malawi Property Investment Company plc (MPICO),

Malawi Property Investment Company plc (MPICO), for the half year ended 30 June 2019, reported a 9.4% increase rental income to K3.1 billion (June 2018: K2.9 billion). The Group profit after tax for the half year decreased to MK3.6 billion from MK3.8 billion in the corresponding period, representing a decrease of 5%. Profit after tax decrease was partially a result of no exchange gain attained (June 2018: K434 million), a 73.6% decline in other income to K464 million (June 2018: K1.76 billion). The decrease in other income was due to lower debt interest received, which is a major component of other income. The company declared an interim dividend of K229.8 million (2018: K206.8 million), representing K0.10 per share (2018: K0.9 per share).

Old Mutual plc

Old Mutual plc had a slightly challenging year in 2019, in comparison to 2018, mainly as a result of lacklustre performances in their Zimbabwean operations. Profit after tax attributable to shareholders of the parent company decreased by 74% to 9.4 billion Rands (FY2018: 36.6 billion Rands), resulting in lower earnings per share. This burgeoning drop, however, is not an accurate indicator of performance and mostly due to once-off gains in profit from discontinuing operations in the 2018 comparable period, where accumulative profit from the Quilter plc distribution and Nedbank unbundling totalled 23 billion Rands. When earnings are adjusted to exclude Zimbabwean operations, Old Mutual's adjusted headline earnings were 5% above the prior year with a return on net asset value (RoNAV) of 15.2%, which can be attributed to higher investment shareholder returns in South Africa. The company reported only a 2% decline in operating income, largely due to a decrease in Old Mutual Insurer's underwriting returns and drops in the fair value of properties in the Eastern Africa region. Old Mutual's board declared a dividend of 75 cents per share for the 2019 year (2018: 72 cents per share), payable in May 2020.

INVESTMENT PORTFOLIO (Continued)

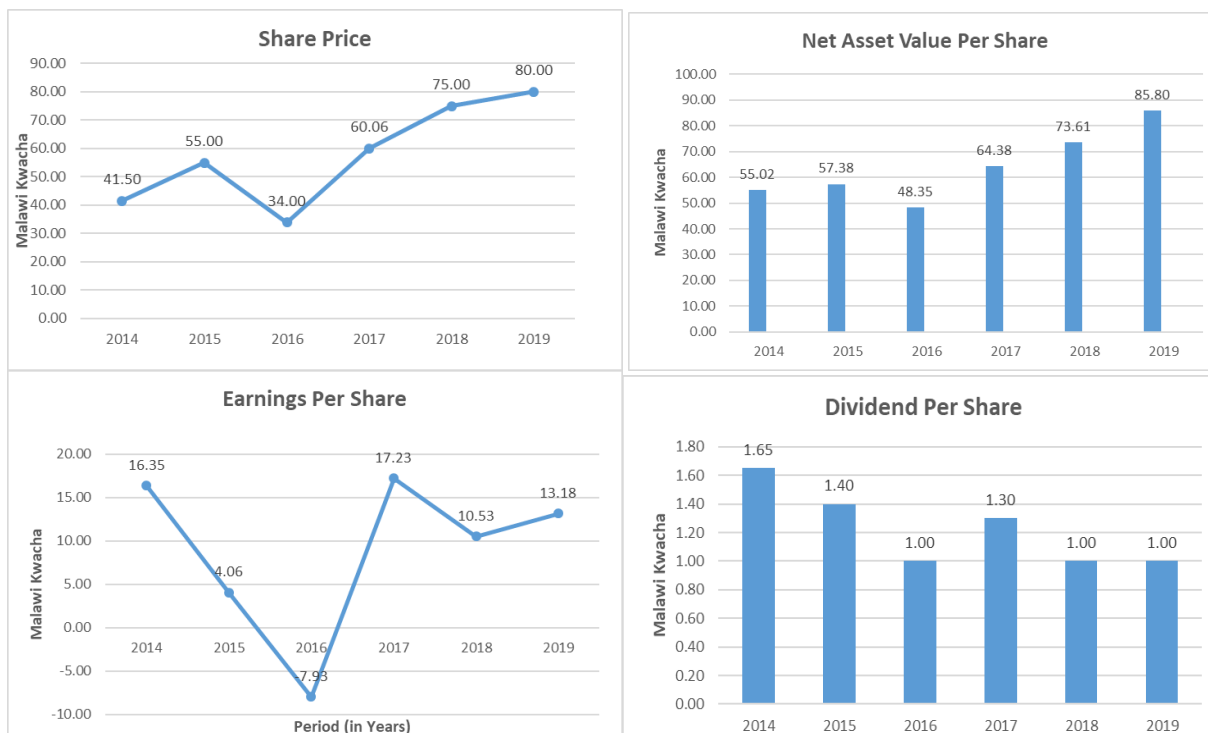
Sunbird Tourism plc (Sunbird)

Sunbird Tourism plc (Sunbird) for the half year ended 30 June 2019 registered a 1.5% decline in revenue to K9.0 billion (30 June 2018: K9.2 billion), while profit after tax was up 2%. Administrative and other expenses totalled K5.6 billion, a 2% increase from the prior period but below inflation trends. The corporate segment, at 66% of total room nights sold, continued to lead the segment, followed by the conference segment at 22%. Management is implementing initiatives in the process of growing other segments such as leisure and international business. Sunbird paid an interim dividend of K131 million (2018: K131 million), representing K0.50 per share (2018: K0.50)

ICON Properties plc

ICON Properties plc for the half year ended 30 June 2019 generated total income of K5.8 billion (June 2018: K3.4 billion), which includes K2.03 billion fair value gain on properties. Rental income for the period was at K2.5 billion, a sharp increase from K378 million the previous year. Profit after tax was at K2.5 billion (2018: K2.2 billion). The average occupancy rate across the ICON’s property portfolio remained above 90% throughout the reporting period. The board resolved to pay an interim dividend of K650 million, representing K0.10 per share.

The net asset value (NAV) per share of National Investment Trust plc as at 31 December 2019 increased to K85.80 from K73.61 recorded in 2018. The NAV was higher than the Malawi Stock Exchange quoted share price of K80, representing a discount of 7.25%. The earnings per share as at close of the year stood at K13.18 compared to K10.53 in 2018. The graphs below show the 6-year historical movements in the above parameters.



INVESTMENT PORTFOLIO (Continued)

Investment Transactions

National Investment Trust plc sold some shares in Standard Bank plc, NBS Bank plc, National Bank of Malawi plc and MPICO plc in 2019 amounting to a total of K246 million. The company further increased exposure in NBS Bank plc and Press Corporation plc totalling to K297 million in order to boost the performance of the portfolio. This was done based on the approved equity strategy of the company. The Fund further transferred K1.16 billion being the value of ICON Properties plc, from unlisted to listed equities after the company was listed on the Malawi Stock Exchange.

OUTLOOK

Various institutions revised their projections for the Malawian economy in 2019 and based on these revised projections the economy is projected to grow by an estimated average of 4.50% in 2019, 5.24% in 2020 and 5.10% in 2021.

The EIU has forecast real economic growth rate of 4.40% in 2020 which is slightly below World Bank's 4.70% projection, increasing from an estimated 4.10% in 2019. The projected growth is due to an increase in support to the agricultural sector to boost cash crop production. The economic growth will also be supported by measures to promote the private sector. Loose monetary conditions will also be a boost to credit growth, and since the government has not reformed the Farm Input Subsidy Programme (FISP) it will result in stability for small farms for now. Risks to the *economic* outlook remain high due to continued internal and external shocks. Malawi has faced various one-off shocks in the last two years which have had adverse impact on growth and fiscal consolidation. Malawi continues to be vulnerable to climate-related weather shocks, which can adversely impact growth. Secondly, the risk of weak fiscal consolidation – due to poor public financial management (PFM) – could contribute to higher debt levels and reduce fiscal sustainability. Materialisation and combination of these risks is most likely to affect the economic growth of the country.

Monetary policy will focus on containing inflation within single digits with a medium-term target of 5%. As such, RBM will focus on interest rate movements to promote price stability. The central bank loosened the monetary policy in 2019 and the loose policy stance is expected to be maintained as long as inflation remains subdued but may be partially frustrated by the loose fiscal stance. As a result, interest rates have declined and are expected to remain low in the short term.

The Kwacha is expected to depreciate slowly against the US Dollar in the short-term due to the availability of foreign exchange reserves as recorded at 31 December 2019. The depreciation can however be expected to worsen due to the significant current account deficits and weak foreign direct investment inflows. Other prominent risks to the stability of the Kwacha include a drastic drop in global commodity prices, a significant drop in the maize production due to the weather shocks and the fall army worms.



NICO
Asset Managers

27 March 2020

NATIONAL INVESTMENT TRUST PLC

DIRECTORS' REPORT

For the year ended 31 December 2019

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.

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 to the financial statements.

Dividends

An interim dividend of **50 tambala** (2018: 50 tambala) **per share** was paid on 25 October 2019 to shareholders registered in the company's share register on 18 October 2019. The directors recommend a final dividend of **25 tambala** (2018: 50 tambala) **per share** 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.

	Attendance	Attendance Record %
Mrs. Esther Gondwe	4/4	100
Mr. Peter Nkata	4/4	100
Mr. Godfrey Msisha	4/4	100
Mr. Davis Manyenje	4/4	100
Mr. Mjedo Mkandawire	4/4	100
Mr. Michael Kadumbo	3/4	75
Mr. Terence Nsamala	4/4	100

All directors are non-executive.

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

Name	Qualifications
Mrs. Esther Gondwe	MBA, ACCA Certified Dip. Accounting and Finance, B. Soc. Sc. (Public Admin and Psychology)
Mr. Peter Nkata	B. Sc. Honours (Mechanical Engineering), Chartered Engineer
Mr. Godfrey Msisha	LLB, M.A (Econs), BA (Econs)
Mr. Davis Manyenje	MBA, BBA
Mr. Mjedo Mkandawire	BA Honours (Econ), B. Soc. Sc. (Econ and Sociology)
Mr. Terence Nsamala	FCCA, B.Acc
Mr. Michael Kadumbo	FCCA, B.Acc, CA (Mw)

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 PLC

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2019

In terms of the company's articles of association Mrs. E. Gondwe, Mr. P. Nkata and Mr. M. Msisha retire at the forthcoming annual general meeting. All the retiring directors are eligible for re-election. Mr. M. Mkandawire has exceeded the age of 70 and he will seek re-election at the forthcoming annual general meeting as required by the Companies Act 2013. Mr. M. Mkandawire's re-election is conditional upon the approval of the Reserve Bank of Malawi under the authority vested in it by the *Establishment and Operations of Collective Investment Scheme Directive* issued under the auspices of the Financial Services Act.

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 end of the reporting period.

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; and
- 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.

	Attendance	Attendance Record %
Mr. Godfrey Msisha	4/4	100
Mr. Mjedo Mkandawire	4/4	100
Mr. Michael Kadumbo	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 K100 million. Transactions with a value of up to K300 million require approval from the investment committee. Transactions in excess of K300 million require approval from the Board of Directors.

During the period under review, four Investment Committee meetings were held.

	Attendance	Attendance Record %
Mr. Terence Nsamala	4/4	100
Mr. Davis Manyenje	2/4	50
Mr. Peter Nkata	4/4	100

c) Appointments and Remuneration Committee

This Committee comprised 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:

	Attendance	Attendance Record %
Mr. Peter Nkata	2/2	100
Mr. Godfrey Msisha	2/2	100
Mr. Mjedo Mkandawire	2/2	100

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 chairperson receives an annual fee of K2 848 965 and directors receive an annual fee of K2 494 571 each, together with sitting allowances at the rate of K134 706 for the chairperson and K109 761 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 Appointments and Remuneration Committee of the Board.

Management

The company has a 3 year agreement with NICO Asset Managers Limited which commenced on 3 August 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 PLC

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2019

Management (Continued)

Specific duties of Fund Manager include:

- To ensure adequate administrative, secretarial, accounting, financial and internal control systems are maintained; and
- 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.

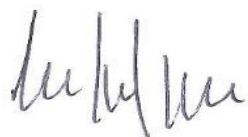
Custodian

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

Independent auditors

Remuneration for the auditors, Deloitte, for the audit of the year ended 31 December 2019 was K10.0 million (2018: K9.0 million).

The auditors 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 2020, is to be proposed at the forthcoming annual general meeting.



Esther Gondwe (Chairperson)



Godfrey Msisha (Director)

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2019

The Malawi Companies Act, 2013 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, 2013.

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.

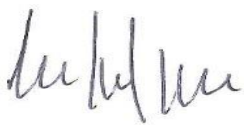
The directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results.

Approval of the financial statements

The financial statements of the company as indicated above, were approved by the board of directors on 27 March 2020 and were signed on its behalf by:



Esther Gondwe (Chairperson)



Godfrey Msisha (Director)

INDEPENDENT AUDITOR'S REPORT **To the Shareholders of National Investment Trust plc**

Opinion

We have audited the financial statements of National Investment Trust plc (the company) set out on pages 16 to 41, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Malawi Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for professional Standards, (including International Independence Standards) (Revised July 2018) and other independence requirements applicable when performing audits of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements. 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 are supposed to be 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. We determined that there are no key audit matters to communicate.

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 Malawi Companies Act, 2013; the Investment Policy and the Fund Manager's Report all of which we obtained prior to the date of this auditor's report. 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.

Other Information (Continued)

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 Malawi Companies Act, 2013 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional 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; and

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

- 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.

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.

The logo for Deloitte, featuring the word "Deloitte" in a stylized, cursive script font.

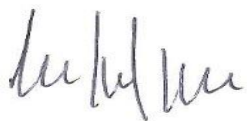
Chartered Accountants
Christopher Kapenda
Partner

30 March 2020

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF FINANCIAL POSITION
 At 31 December 2019

	<u>Notes</u>	<u>2019</u> K'000	<u>2018</u> K'000
ASSETS			
Cash and cash equivalents	5	81 944	124 047
Prepaid expenses		138	140
Dividends receivable	11	8 641	8 641
Interest receivable		106	349
Equity investments	6	11 614 188	9 873 138
Deferred tax	10	<u>-</u>	<u>33 808</u>
Total assets		<u>11 705 017</u>	<u>10 040 123</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	2 700	2 700
Share premium	7	169 550	169 550
Retained earnings	7	<u>11 410 315</u>	<u>9 765 622</u>
Total shareholders' equity		<u>11 582 565</u>	<u>9 937 872</u>
LIABILITIES			
Trade and other payables	8	111 662	100 627
Income tax payable	9	740	1 624
Deferred tax	10	<u>10 050</u>	<u>-</u>
Total liabilities		<u>122 452</u>	<u>102 251</u>
Total equity and liabilities		<u>11 705 017</u>	<u>10 040 123</u>

The financial statements of the company were approved and authorized for issue by the Board of Directors on 27 March 2020 and were signed on its behalf by:



Esther Gondwe (Chairperson)



Godfrey Msisha (Director)

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<u>Notes</u>	<u>2019</u> K'000	<u>2018</u> K'000
Revenue			
Dividend income	11	259 100	269 468
Interest income	12	6 731	20 992
Other income	6	<u>40 010</u>	<u>-</u>
Total revenue		<u>305 841</u>	<u>290 460</u>
Expenditure			
Auditor's remuneration		(12 842)	(10 766)
Directors' remuneration - fees		(17 817)	(15 886)
Directors' remuneration - allowances		(7 724)	(6 566)
Directors' travel and accommodation		(4 766)	(3 989)
Management fees	13	(55 696)	(47 723)
Listing expenses		(22 919)	(20 700)
Transfer secretarial fees		(6 291)	(6 291)
Communication costs		(15 378)	(15 735)
Consultancy fees		-	(2 221)
Other expenses	14	<u>(7 927)</u>	<u>(32 656)</u>
Total expenditure		<u>(151 360)</u>	<u>(162 533)</u>
Profit before fair value gain on equity investments		154 481	127 927
Fair value gain on equity investments	6	<u>1 690 891</u>	<u>1 204 856</u>
Profit before tax		1 845 372	1 332 783
Income tax (charge)/credit	9	<u>(65 679)</u>	<u>89 330</u>
Profit for the year		<u>1 779 693</u>	<u>1 422 113</u>
Earnings per share (tambala)			
Basic and diluted	15	<u>1 318</u>	<u>1 053</u>

There were no items of other comprehensive income.

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	<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 January 2018	2 700	169 550	8 519 009	8 691 259
Dividends declared	-	-	(175 500)	(175 500)
Profit for the year	<u>-</u>	<u>-</u>	<u>1 422 113</u>	<u>1 422 113</u>
At 31 December 2018	<u>2 700</u>	<u>169 550</u>	<u>9 765 622</u>	<u>9 937 872</u>
At 1 January 2019	2 700	169 550	9 765 622	9 937 872
Dividends declared	-	-	(135 000)	(135 000)
Profit for the year	<u>-</u>	<u>-</u>	<u>1 779 693</u>	<u>1 779 693</u>
At 31 December 2019	<u>2 700</u>	<u>169 550</u>	<u>11 410 315</u>	<u>11 582 565</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>2019</u>	<u>2018</u>
Total dividends declared in the period (K'000)	<u>135 000</u>	<u>175 500</u>
Weighted average number of Ordinary shares in issue (thousands)	<u>135 000</u>	<u>135 000</u>
Dividend per share (Kwacha)	<u>1.0</u>	<u>1.3</u>

NATIONAL INVESTMENT TRUST PLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	<u>Notes</u>	<u>2019</u> <u>K'000</u>	<u>2018</u> <u>K'000</u>
Cash flows from operating activities			
Dividends received		259 100	265 957
Interest received		6 974	22 436
Other income		<u>40 010</u>	<u>-</u>
		306 084	288 393
Operating expenditure paid		<u>(140 325)</u>	<u>(140 438)</u>
		165 759	147 955
Tax paid		<u>(22 705)</u>	<u>(26 197)</u>
Net cash generated from operating activities		<u>143 054</u>	<u>121 758</u>
Cash flows from investing activities			
Disposal of shares	6	1 429 990	2 383 418
Purchase of shares	6	<u>(1 480 147)</u>	<u>(2 449 859)</u>
Net cash used in investing activities		<u>(50 157)</u>	<u>(66 441)</u>
Cash flows from financing activities			
Dividends paid		<u>(135 000)</u>	<u>(175 500)</u>
Net decrease in cash and cash equivalents		(42 103)	(120 183)
Cash and cash equivalents at the beginning of the period		<u>124 047</u>	<u>244 230</u>
Cash and cash equivalents at the end of period	5	<u><u>81 944</u></u>	<u><u>124 047</u></u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

1. Reporting entity

National Investment Trust plc is a limited liability company domiciled and incorporated in Malawi under the Malawi Companies Act, 2013.

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 year, the company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2019.

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

A number of new standards, amendments to standards and interpretations are in issue but not yet effective for the year ended 31 December 2019, and have not been applied in preparing these financial statements. Those which may be relevant to the company are set out below. The company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or interpretation
Annual periods beginning on or after 1 January 2020	Amendments to References to the Conceptual Framework in IFRS Standards
	The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

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 2020	<p>Definition of a Business (Amendments to IFRS 3)</p> <p>The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:</p> <ul style="list-style-type: none"> • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
Annual reporting periods beginning on or after 1 January 2020	<p>Definition of Material (Amendments to IAS 1 and IAS 8)</p> <p>The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.</p>
Annual reporting periods beginning on or after 1 January 2022	<p>IFRS 17 <i>Insurance Contracts</i></p> <p>IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2022.</p>

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no significant impact on the financial statements of the company.

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

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

Financial liabilities have been classified and measured under IFRS 9 at amortised cost using effective interest rate method. There has been no change in the classification and measurement of financial liabilities on the adoption of IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

3. Significant accounting policies (Continued)

Impairment of financial assets (Continued)

The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 requires the company to measure the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial asset has increased significantly since initial recognition, or if the financial asset is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial asset at an amount equal to 12-months ECL.

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The directors have reviewed the credit risk of financial assets held as at 31 December 2019 and concluded that there is no significant impact on the carrying amounts of the financial assets as regards impairment of financial assets.

Financial instruments

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.

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.

Treasury bills

Treasury bills (including repos) are classified as measured at amortised cost and are initially measured at fair value.

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.

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

3. Significant accounting policies (Continued)

(a) Financial instruments (Continued)

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.

Equity investments

The company's equity investments are classified as at fair value through profit or loss. Gains or losses arising from changes in fair value are included in profit or loss.

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.

(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 recognised 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.

3. Significant accounting policies (Continued)

(d) Taxation (Continued)

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.

(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 is 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 to the financial statements. 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

All equity investments are held at fair value through profit or loss. 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.

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
 For the year ended 31 December 2019

	<u>2019</u> K'000	<u>2018</u> K'000
5. Cash and cash equivalents		
Call deposits	20 000	65 150
Current account balances	<u>61 944</u>	<u>58 897</u>
Total cash and cash equivalents	<u>81 944</u>	<u>124 047</u>

The call deposits with various local banks earned interest at rates ranging from 5% to 12% (2018 from 13.5% to 14%). Current account balances earned interest at an average rate of 0.35% (2018: 0.4%) and are held at First Capital Bank plc and National Bank of Malawi plc.

	<u>2019</u> K'000	<u>2018</u> K'000
6. Equity investments		
Cost	3 305 202	3 064 460
Cumulative adjustment to fair value	<u>8 308 986</u>	<u>6 808 678</u>
Fair value	<u>11 614 188</u>	<u>9 873 138</u>
Net increase in fair value of equity investments	<u>1 690 891</u>	<u>1 204 856</u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

6. Equity investments (Continued)

Year ended 31 December 2019	<u>2018</u> <u>carrying</u> <u>amount</u> <u>K'000</u>	<u>Additions</u> <u>K'000</u>	<u>Disposals</u> <u>K'000</u>	<u>Fair</u> <u>value</u> <u>adjustments</u> <u>K'000</u>	<u>2019</u> <u>carrying</u> <u>amount</u> <u>K'000</u>	<u>Cost</u> <u>K'000</u>
QUOTED SHARE INVESTMENTS						
<u>Illovo Sugar (Malawi) plc</u>						
2 027 862 (2018: 2 027 862) Ordinary shares of 2t each at MSE value of K153.00 (2018: K200.00) per share	405 573	-	-	(95 310)	310 263	8 461
<u>Press Corporation plc</u>						
1 234 015 (2018: 1 114 015) Ordinary shares of 1t each at MSE value of K1 400.00 (2018: K1 140.00) per share	1 269 978	164 500	-	293 143	1 727 621	179 207
<u>National Bank of Malawi plc</u>						
5 489 950 (2018: 5 792 882) Ordinary shares of K1 each at MSE value of K525.00 (2018: K 332.02) per share	1 923 353	-	112 085	1 070 956	2 882 224	63 750
<u>Sunbird Tourism plc</u>						
37 000 (2018: 37 000) Ordinary shares of 5t each at MSE value of K118 (2018: K145.00) per share	5 365	-	-	(999)	4 366	1 555
<u>NICO Holdings plc</u>						
8 533 800 (2018: 8 413 800) Ordinary shares of 20t each at MSE value of K48.49 (2018: K43.00) per share	366 953	-	-	46 850	413 803	11 124
<u>FMBcapital Holdings plc</u>						
10 429 187 (2018: 10 429 187) Ordinary shares of 5t each at MSE value of K75.00 (2018: K100.00) per share	1 042 918	-	-	(260 729)	782 189	986 682
<u>MPICO plc</u>						
15 000 000 (2018: 20 713 184) Ordinary shares of 5t each at MSE value of K19.53 (2018: K13.20) per share	273 414	-	110 694	130 230	292 950	158 992
<u>Telekom Networks Malawi plc</u>						
34 565 081 (2018: 34 565 081) Ordinary shares of 4t each at MSE value of K26.00 (2018: K28.00) per share	967 822	-	-	(69 130)	898 692	383 410
<u>Standard Bank Malawi Plc</u>						
2 779 332 (2018: 2 799 331) Ordinary shares at MSE value of K730 (2018: K670.00) per share	1 875 551	-	12 030	165 391	2 028 912	26 525
<u>Old Mutual Limited</u>						
74 304 (2018: 74 304) Ordinary shares at MSE value of K2 499.99 (2018: K 2 513.25) per share	186 744	-	19 754	18 770	185 760	148 309
<u>NBS Bank plc</u>						
48 316 945 (2018: 37 520 403) Ordinary Shares of 50t each at MSE value of K13.50 (2018: K10.00) per share	375 205	132 000	11 533	156 607	652 279	173 294
<u>Quilter plc</u>						
14 768 (2018: 14 768) Ordinary Shares of 7p each at JSE value of K1 528.06 (2018: K 1 108.40) per share	16 369	-	-	6 197	22 566	-

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

6. Equity investments (Continued)

Year ended 31 December 2019 (Continued)	2018 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2019 carrying amount K'000	Cost K'000
QUOTED SHARE INVESTMENTS (Continued)						
<u>Nedbank plc</u>						
1 422 (2018: Nil) Ordinary Shares of 100p each at JSE value of K 11 176.25 per share	-	19 754	-	(3 862)	15 892	-
<u>ICON plc</u>						
133 016 222 Ordinary shares of K1 each at MSE value of K 10.50 per share	-	1 163 893	1	232 777	1 396 671	1 163 893
Total quoted share investments	<u>8 709 245</u>	<u>1 480 147</u>	<u>266 097</u>	<u>1 690 891</u>	<u>11 614 188</u>	<u>3 305 202</u>
UNQUOTED SHARE INVESTMENTS						
<u>Auction Holdings Limited</u>						
45 716 970 (2017: 45 716 970) Ordinary shares of K1 each at a fair value of K0.00 (2018: K0.00) per share	-	-	-	-	-	-
<u>Dairibord Malawi Limited</u>						
228 000 (2017: 228 000) Ordinary shares of K1 each at a fair value of K0 (2018: K0) per share	-	-	-	-	-	-
<u>Kang'ombe Investment Limited</u>						
0 (2018: 500 000 000) Ordinary shares of K1 each at a fair value of K0.00 (2018: K2.24) per share	-	-	-	-	-	-
<u>ICON Properties plc</u>						
0(2018: 133 016 364) Ordinary shares of K1 each at a fair value of K0.00 (2018: K8.75) per share	<u>1 163 893</u>	-	<u>1 163 893</u>	-	-	-
Total unquoted share investments	<u>1 163 893</u>	-	<u>1 163 893</u>	-	-	-
Total share investments 2019	<u>9 873 138</u>	<u>1 480 147</u>	<u>1 429 990</u>	<u>1 690 891</u>	<u>11 614 188</u>	<u>3 305 202</u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

6. Equity investments (Continued)

Year ended 31 December 2018	2017 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2018 carrying amount K'000	Cost K'000
QUOTED SHARE INVESTMENTS						
<u>Illovo Sugar (Malawi) plc</u>						
2,027,862 (2017: 7 663 105) Ordinary shares of 2t each at MSE value of K 200.00 (2017: K240.00) per share	1 839 146	-	(1 192 458)	(241 115)	405 573	8 461
<u>Press Corporation plc</u>						
1 114 015 (2017: 1 114 015) Ordinary shares of 1t each at MSE value of K 1 140.00 (2017: K600.00) per share	668 409	-	-	601 569	1 269 978	14 707
<u>National Bank of Malawi plc</u>						
5 792 882 (2017: 5 792 373) Ordinary shares of K1 each at MSE value of K 332.02 (2017: K270.08) per share	1 564 405	153	-	358 795	1 923 353	65 894
<u>Sunbird Tourism plc</u>						
37 000 (2017: 37 000) Ordinary shares of 5t each at MSE value of K145.00 (2017: 96.00) per share	3 552	-	-	1 813	5 365	1 555
<u>NICO Holdings plc</u>						
8 533 800 (2017: 8 413 800) Ordinary shares of 20t each at MSE value of K43.00 (2017: K34.00) per share	286 069	5 759	-	75 125	366 953	11 124
<u>FMBcapital Holdings plc</u>						
10 429 187 (2017: 3 305 368) Ordinary shares of 5t each at MSE value of K100.00 (2017: K67.00) per share	221 459	899 362	-	(77 903)	1 042 918	986 682
<u>MPICO plc</u>						
20 713 184 (2017: 17 013 184) Ordinary shares of 5t each at MSE value of K 13.20 (2017: K15.61) per share	265 575	69 560	-	(61 721)	273 414	172 990
<u>Telekom Networks Malawi plc</u>						
34 565 081(2017: 25 651 019) Ordinary shares of 4t each at MSE value of K 28.00 (2017: K14.50) per share	371 939	181 411	-	414 472	967 822	383 410
<u>Standard Bank Malawi Plc</u>						
2 799 331(2017: 3 099 331) Ordinary shares at MSE value of K670.00 (2017: K610.00) per share	1 890 591	-	(201 002)	185 962	1 875 551	26 638
<u>Old Mutual Limited</u>						
74 304 (2017: 24 304) Ordinary shares at MSE value of K 2 513.25 (2017: 1 960) per share	47 636	108 040	(21 681)	52 749	186 744	148 309
<u>NBS Bank plc</u>						
37 520 403 (2017: 38 006 945) Ordinary Shares of 50t each at MSE value of K10.00 (2017: K8.50) per share	323 060	-	(4 384)	56 529	375 205	41 597
<u>Quilter plc</u>						
14 768 (2017: Nil) Ordinary Shares of 7p each at JSE value of K 1 108.40 per share	-	21 681	-	(5 312)	16 369	-
Total quoted share investments	<u>7 481 841</u>	<u>1 285 966</u>	<u>(1 419 525)</u>	<u>1 360 963</u>	<u>8 709 245</u>	<u>1 861 367</u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

6. Equity investments (Continued)

Year ended 31 December 2018	2017 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2018 carrying amount K'000	Cost K'000
UNQUOTED SHARE INVESTMENTS						
<u>Auction Holdings Limited</u>						
45 716 970 (2017: 45 716 970) Ordinary shares of K1 each at a fair value of K0.00 (2017: K0.00) per share	-	-	-	-	-	21 944
<u>Dairibord Malawi Limited</u>						
228 000 (2017: 228 000) Ordinary shares of K1 each at a fair value of K0 (2017: K0) per share	-	-	-	-	-	17 256
<u>Kang'ombe Investment Limited</u>						
0 (2017: 500 000 000) Ordinary shares of K1 each at a fair value of K0.0 (2017: K2.24) per share	1 120 000	-	(963 893)	(156 107)	-	-
<u>ICON Properties plc</u>						
133 016 364 (2017: Nil) Ordinary shares of K1 each at a fair value of K8.75 (2017: K0.00) per share	-	1 163 893	-	-	1 163 893	1 163 893
Total unquoted share investments	<u>1 120 000</u>	<u>1 163 893</u>	<u>(963 893)</u>	<u>(156 107)</u>	<u>1 163 893</u>	<u>1 203 093</u>
Total share investments 2018	<u>8 601 841</u>	<u>2 449 859</u>	<u>(2 383 418)</u>	<u>1 204 856</u>	<u>9 873 138</u>	<u>3 064 460</u>

UNQUOTED SHARE INVESTMENTS

On 21 January 2019, ICON Properties plc was listed on the Malawi Stock Exchange and transferred from the unquoted to quoted equity investments. The unlisted equity investments in Auction Holdings Limited and Dairibord Malawi Limited were disposed of during the year at a consideration of K40 million. Since the investments were impaired in full in prior years, the proceeds of the disposal have been recognized in the statement of comprehensive income. At the end of the reporting period there was no unquoted equity in the investment portfolio.

At the end of the reporting period, the equity investment portfolio comprised:

	Percentage shareholding		Number of shares	
	2019	2018	2019	2018
Dairibord Malawi Limited	-	22.8	-	228 000
Auction Holdings Limited	-	5.0	-	45 716 970
ICON Properties plc	2.0	2.0	133 016 364	133 016 364
NBS Bank plc	1.7	1.3	48 316 945	37 520 403
Standard Bank Malawi plc	1.2	1.2	2 779 332	2 799 331
National Bank of Malawi plc	1.2	1.2	5 489 950	5 792 882
Illovo Sugar (Malawi) plc	0.3	0.3	2 027 862	2 027 862
Press Corporation plc	1.0	0.9	1 234 015	1 114 015
NICO Holdings plc	0.8	0.8	8 533 800	8 533 800
MPICO plc	0.7	0.9	15 000 000	20 713 184
Telekom Networks Malawi plc	0.3	0.3	34 565 081	34 565 081
First Capital Bank plc	0.4	0.4	10 429 187	10 429 187
Sunbird Tourism plc	<0.1	<0.1	37 000	37 000
Old Mutual plc	<0.1	<0.1	74 304	74 304
Quilter plc	<0.1	<0.1	14 768	14 768
Nedbank plc	<0.1	-	1 422	-

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

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.

Share capital	<u>2019</u>	<u>2018</u>
	K'000	K'000
<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 (2018: 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 K11 410 million (2018: K9 766 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 for shares that were acquired during the year totaling K8 225 million (2018: K6 809 million) which are not distributable in terms of the Companies Act and profits on investment switches totaling K3 044 million (2018: K2 814 million) which are not distributable in terms of the company's investment policy.

	<u>2019</u>	<u>2018</u>
	K'000	K'000
8. Trade and other payables		
Accrued expenses	36 584	51 684
Unclaimed dividends payable to shareholders	<u>75 078</u>	<u>48 943</u>
Total trade and other payables	<u>111 662</u>	<u>100 627</u>

The directors consider that the carrying amount of payables and accruals approximates to their fair value. These amounts do not attract any interest.

9. Taxation

<u>Payable</u>		
Opening balance	1 624	2 713
Current income tax charge	870	2 774
Withholding tax paid	(137)	(150)
Income tax paid	<u>(1 617)</u>	<u>(3 713)</u>
Closing balance	<u>740</u>	<u>1 624</u>
<u>Charge</u>		
Income tax	870	2 774
Dividend tax (note 11)	20 951	22 334
Deferred tax (note 10)	<u>43 858</u>	<u>(114 438)</u>
Total taxation charge / (credit)	<u>65 679</u>	<u>(89 330)</u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

9. Taxation (Continued)

	%	%
<u>Reconciliation of effective to standard rates of tax</u>		
Standard rate	30.00	30.00
Permanent differences	<u>(26.71)</u>	<u>(36.7)</u>
Effective rate	<u>3.29</u>	<u>(6.7)</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% (2018: 30%). The movement on the deferred tax account is as follows:

	<u>2019</u> K'000	<u>2018</u> K'000
At beginning of the period	(33 808)	80 630
Income statement (note 9)	<u>43 858</u>	<u>(114 438)</u>
At end of the period	<u>10 050</u>	<u>(33 808)</u>
<u>Analysed as</u>		
Capital gains/(loss) on equity investments	<u>10 050</u>	<u>(33 808)</u>

11. Dividend income

Kang'ombe Investment Limited	-	56 908
MPICO plc	4 200	3 936
National Bank of Malawi plc	89 142	101 659
NICO Holdings plc	14 507	13 654
Press Corporation Plc	32 084	28 964
Standard Bank Malawi plc	72 262	34 492
Telekom Networks Malawi plc	25 924	25 924
Sunbird Tourism plc	37	42
Old Mutual plc	4 280	3 889
Quilter plc	2 314	-
Nedbank plc	1 048	-
ICON plc	<u>13 302</u>	<u>-</u>
Total dividends	<u>259 100</u>	<u>269 468</u>
Dividend tax withheld (note 9)	<u>(20 951)</u>	<u>(22 334)</u>
Net dividend income received	<u>238 149</u>	<u>247 134</u>

Dividends receivable relate to dividends from TNM at 25 tambala per share

12. Interest income

Deposits	<u>6 731</u>	<u>20 992</u>
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NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

	<u>2019</u> K'000	<u>2018</u> K'000
13. Management fees		
Fee payable	47 839	40 964
Value added tax	<u>7 857</u>	<u>6 759</u>
Total management fees	<u>55 696</u>	<u>47 723</u>

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 plc 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 post year end based on audited accounts upon certification by independent auditors.

	<u>2019</u> K'000	<u>2018</u> K'000
14. Other expenses		
Bank charges	453	357
Custodial fees	1 137	1 081
Brokerage	<u>6 337</u>	<u>31 218</u>
	<u>7 927</u>	<u>32 656</u>

15. Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2019 is based on the profit attributable to ordinary shareholders of K1 780 million (2018: K1 422 million) and the weighted average number of ordinary shares in issue for the year ended 31 December 2019 of 135 000 000 (2018: 135 000 000).

	<u>2019</u>	<u>2018</u>
Profit attributable to ordinary shareholders (K'000)	1 779 693	1 422 113
Weighted average number of ordinary shares in issue ('000)	135 000	135 000
Earnings per share (tambala)	<u>1 318</u>	<u>1 053</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

	Fair Value through profit and loss	Amortised cost	Total
<u>31 December 2019</u>			
Financial assets			
Cash and cash equivalents	-	81 944	81 944
Dividend receivable	-	8 641	8 641
Interest receivable	-	106	106
Equity investments	<u>11 614 188</u>	<u>-</u>	<u>11 614 188</u>
	<u>11 614 188</u>	<u>90 691</u>	<u>11 704 879</u>
Financial liabilities			
Trade and other payables	<u>-</u>	<u>111 662</u>	<u>111 662</u>
<u>31 December 2018</u>			
Financial assets			
Cash and cash equivalents	-	124 047	124 047
Dividend receivable	-	8 641	8 641
Interest receivable	-	349	349
Equity investments	<u>9 873 138</u>	<u>-</u>	<u>9 873 138</u>
	<u>9 873 138</u>	<u>133 037</u>	<u>10 006 175</u>
Financial liabilities			
Trade and other payables	<u>-</u>	<u>100 627</u>	<u>100 627</u>

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.

16. Financial risk management (Continued)

Overview (Continued)

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.

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

Compliance position as at period-end	Permitted limit	2019	2018
1. Equities			
% of portfolio invested in equities	100%	99%	99%
% of portfolio in individual listed company	40%	25%	19%
% of portfolio in individual unlisted company	10%	0%	12%
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%	14%	14%
% of portfolio in a single property investment	10%	0%	0%
4. Cash equivalents	100%	1%	1%
5. Speculative investments	Nil	Nil	Nil

16. Financial risk management (Continued)

Liquidity risk (Continued)

The investment in ICON Properties plc, an unlisted equity investment stood at 12% of the total portfolio as at 31 December 2018. The value of ICON Properties plc therefore breached the 10% restriction in the prior year. This was due to the transfer of NITL's stake in Kang'ombe to ICON and the acquisition of extra shares valued at K200m during the Initial Public Offer. The Board took advantage of the opportunity to acquire more stake in ICON knowing that ICON would eventually be listed on the Malawi Stock Exchange. The position was regularised on 21 January 2019 on listing of ICON Properties plc on the Malawi Stock Exchange.

The overall liquidity gap as at 31 December 2019 was K11 593 million (2018: K9 905 million) based on the entity's financial instruments as detailed on page 34.

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.

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.

16. Financial risk management (Continued)

Market risk (Continued)

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 2019 of shares listed on the Malawi Stock Exchange (MSE) represents 99% (2018: 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 2019 was 23,600 (2018: 21 318). An overall increase of 0.5% in share prices would have resulted in a capital gain of K58.1m (2018: K43.5m) recognised 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 K55.7 million (2018: K47.7 million). Included in trade and other payables at 31 December 2019, is management fees payable of K20.3 million (2018: K17.2 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.

At 31 December 2019, various pension funds and entities whose assets are managed by NICO Asset Managers Limited held 23 730 532 (2018: 23 383 461) shares in the company.

Directors' fees

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
 For the year ended 31 December 2019

17. Related parties (Continued)

Directors' interest

As at 31 December 2019, the total direct and indirect interests of the directors and related parties thereto in the issued share capital of the company were as follows:

	Indirect	Direct	Total
G Msisha	-	100 000	100 000
T Nsamala	-	-	-
M Kadumbo	-	-	-
E Gondwe	-	-	-
M Mkandawire	-	-	-
P Nkata	-	-	-
D Manyenje	-	-	-

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 in 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); and
- 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>Level 3</u>	<u>Total</u> K'000
31 December 2019				
Listed equity investments	<u>11 614 188</u>	-	-	<u>11 614 188</u>
	<u>11 614 188</u>	<u>-</u>	<u>-</u>	<u>11 614 188</u>
31 December 2018				
Listed equity investments	8 709 245	-	-	8 709 245
Unlisted equity investments	-	-	<u>1 163 893</u>	<u>1 163 893</u>
	<u>8 709 245</u>	<u>-</u>	<u>1 163 893</u>	<u>9 873 138</u>

Listed equity investments were valued using stock market prices as at the end of the reporting period

In prior year, the fair value of the unlisted equity investment in ICON Properties plc was arrived at on the basis of Initial Public Offer (IPO) determined during the offer of the ICON Properties plc Shares to the Public. The price was determined by Standard Bank plc who were the Lead Transaction Advisor to the ICON listing transaction and are not related to the company. Standard Bank plc is a bank and a financial advisor licensed by the Reserve Bank of Malawi, under the Financial Securities Act, 2010. The fair value was determined based on the Net Asset Value Method which estimated ICON's residual value of its total assets after removing liabilities. The valuation method used significant unobservable inputs in the form of forecast net assets of the company. The Shares for ICON were subsequently listed on the Malawi Stock Exchange on 21 January 2019 and transferred to quoted equities in the company's portfolio.

18.2 Impairment of financial assets

The company follows the guidance of IFRS 9 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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NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2019

19. Details of shareholders

The number of shareholders in the company was 1 297 as at 31 December 2019 (31 December 2018: 1 306).

Analysis by number of shares held:

<u>Number of shares held</u>	<u>Number of Shareholders</u>		<u>Total holding</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
1 – 5 000	469	463	1 117 764	1 123 350
5 001 – 10 000	227	235	2 040 784	2 118 883
10 001 – 25 000	201	198	3 540 952	3 504 859
25 001 – 50 000	153	154	5 990 582	6 009 873
50 001 – 100 000	114	121	9 897 069	10 478 957
100 001 – 200 000	56	56	8 405 854	8 539 691
200 001 – 500 000	45	45	14 215 619	13 605 417
500 001 – 1 000 000	12	15	8 442 775	11 009 991
1 000 000 – 99 999 999	<u>20</u>	<u>19</u>	<u>81 348 601</u>	<u>78 608 979</u>
Grand total	<u>1 297</u>	<u>1 306</u>	<u>135 000 000</u>	<u>135 000 000</u>

Analysis by shareholder type (2019):

	<u>Number of holders</u>	<u>Number of shares held</u>	<u>% of total shares</u>
Insurance/assurance	4	1 530 677	1.13%
Non-resident companies/individuals	7	240 908	0.18%
Banks/nominees	89	28 880 305	21.39%
Investment/trusts	14	8 518 020	6.31%
Pension/provident funds	26	36 031 573	26.69%
Other resident entities	20	13 941 533	10.33%
Resident individual	<u>1 137</u>	<u>45 856 984</u>	<u>33.97%</u>
Total	<u>1 297</u>	<u>135 000 000</u>	<u>100%</u>

Analysis by shareholder type (2018):

	<u>Number of holders</u>	<u>Number of shares held</u>	<u>% of total shares</u>
Insurance/assurance	4	1 530 677	1.13%
Non-resident companies/individuals	8	320 908	0.24%
Banks/nominees	70	34 529 600	25.58%
Investment/trusts	16	8 570 020	6.35%
Pension/provident funds	24	30 431 573	22.54%
Other resident entities	24	11 551 636	8.56%
Resident individual	<u>1 160</u>	<u>48 065 586</u>	<u>35.60%</u>
Total	<u>1 306</u>	<u>135 000 000</u>	<u>100%</u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
 For the year ended 31 December 2019

19. Details of shareholders (Continued)

The largest shareholders in the company were:

	Number of shares <u>2019</u>	% of total number of shares <u>2019</u>	Number of shares <u>2018</u>	% of total number of shares <u>2018</u>
First Capital Bank plc	20 889 343	15.47	25 766 628	19.09
National Bank of Malawi Pension Fund	10 471 400	7.76	10 471 400	7.76
NICO Life Insurance Company Limited	8 420 815	6.24	8 420 815	6.24
First Merchant Bank Pension Fund	7 846 509	5.81	7 846 509	5.81
NBM Equity Fund	6 423 759	4.76	2 291 888	1.70
Madzi pension Fund	5 520 000	4.09	-	0.00
Press Trust Limited	4 795 000	3.55	4 795 000	3.55
AHL Pension Fund	4 165 403	3.09	4 165 403	3.09
NBM Umbrella Fund	3 986 133	2.95	2 607 501	1.93

20. Subsequent events

There are no significant events that have occurred from 31 December 2019 to the date of signing the financial statements that require adjustments to the financial statements or that need to be disclosed in the financial statements.

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>2019</u>	<u>2018</u>
Kwacha/Rand	52.8	51.5
Kwacha/US Dollar	745.0	737.3
Inflation rate %	<u>11.5</u>	<u>9.2</u>

As at 30 March 2020, the above rates had moved as follows:

Kwacha/Rand	41.5
Kwacha/US Dollar	736.7
Inflation rate % (February 2020)	<u>11</u>

NOTES

