



ANNUAL REPORT 2020

NATIONAL INVESTMENT TRUST PLC

Financial Statements for the year ended
31 December 2020

NATIONAL INVESTMENT TRUST PLC
FINANCIAL STATEMENTS
For the year ended 31 December 2020

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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.

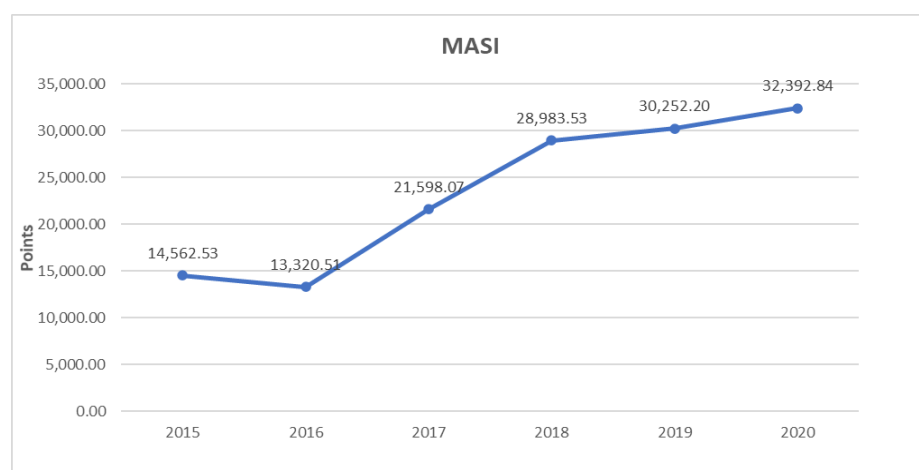
NATIONAL INVESTMENT TRUST PLC
FUND MANAGER'S REPORT
For the year ended 31 December 2020

ECONOMIC INDICATORS

During the reporting period, the Malawi Kwacha depreciated against all major currencies which include the United States Dollar, British Pound and South African Rand and the Euro. As at 31 December 2020, the United States Dollar was trading at MK770.84/US\$ (31 December 2019: MK738.87/US\$), representing a 4.33% annual depreciation in comparison to the prior year. As at 31 December 2020, total foreign currency reserves stood at US\$952 million (4.56 months of import cover), a decrease from US\$1,171 million (5.60 months of import cover) registered at the end of 31 December 2019.

The stock market yielded modest gains in 2020 as the Malawi All Share Index (MASI) registered a return of 7.11%, signaling an increase in return compared to 2019 which stood at 4.38%. The MASI closed at 32,392.84 points on 31 December 2020 from 30,252.20 points on 31 December 2019.

Below is a chart showing the MASI trend over the last 6 years.



The market registered nine gainers: Airtel (120.49% increase), NBS (60.00% increase), FDHB (44.50% increase), Standard Bank (43.34% increase), NBM (23.81% increase), NITL (18.69% increase), ICON (16.86% increase), and MPICO (7.53% increase) and NICO (7.24% increase). There were also seven losers: FMBCH (70.61% decrease), Illovo (47.40% decrease), TNM (22.81% decrease), OMU (12.00% decrease), Sunbird (11.02% decrease), PCL (6.47% decrease) and BHL (0.08% decrease).

NATIONAL INVESTMENT TRUST PLC
FUND MANAGER'S REPORT (Continued)
For the year ended 31 December 2020

The table below shows the closing share prices as at 31 December 2020, as compared to 31 December 2019:

COMPANY NAME (COUNTER)	SHARE PRICE (K) 31 DECEMBER 2020	SHARE PRICE (K) 31 DECEMBER 2019	PERCENTAGE CHANGE (%)
AIRTEL PLC	27.98	N/A	N/A
BLANTYRE HOTELS PLC	12.94	12.95	(0.08%)
FMBCAPITAL HOLDINGS PLC	22.04	75.00	(70.61%)
FIRST DISCOUNT HOUSE BANK PLC	14.45	N/A	N/A
ICON PROPERTIES PLC	12.27	10.50	16.86%
ILLOVO SUGAR MALAWI PLC	80.48	153.00	(47.40%)
MPICO PLC	21.00	19.53	7.53%
NATIONAL BANK OF MALAWI PLC	650.00	525.00	23.81%
NBS BANK PLC	21.60	13.50	60.00%
NICO HOLDINGS PLC	52.00	48.49	7.24%
NATIONAL INVESTMENT TRUST PLC	94.95	80.00	18.69%
OLD MUTUAL PLC	2 199.98	2,499.00	(12.00%)
PRESS CORPORATION PLC	1 309.47	1,400.00	-6.47%
STANDARD BANK PLC	1 046.39	730.00	43.34%
SUNBIRD TOURISM PLC	105.00	118.00	(11.02%)
TELEKOM NETWORKS MALAWI PLC	20.07	26.00	(22.81%)
MALAWI ALL SHARE INDEX (MASI)	32 392.84	30 242.20	7.11%

The Malawi All Share Index (MASI) picked up in the fourth quarter of 2020 to deliver a return of 7.11% for the year (2019: 4.38%). The Malawi Stock Exchange (MSE) did not experience major impacts from the Covid-19 pandemic as experienced in other capital markets around the world.

Interest rates on the money market were modest as the all-type Treasury bill yield for the year 2020 increased to 10.63% from 9.66% in 2019. Meanwhile, returns for 2 years, 3 years, 5 years, 7 years and 10 years notes averaged 15.35%, 15.73%, 19.14%, 17.56% and 22.21% respectively. Fixed deposit rates increased to an average of 12.00% in 2020 from 11.50% recorded in 2019.

The Monetary Policy Committee maintained the monetary policy rate at 13.50% since the start of the year 2020. However, in November 2020, a decision was made to reduce the policy rate to 12.00% in a bid to spur economic growth.

NATIONAL INVESTMENT TRUST PLC
FUND MANAGER'S REPORT (Continued)
For the year ended 31 December 2020

INVESTMENT PORTFOLIO

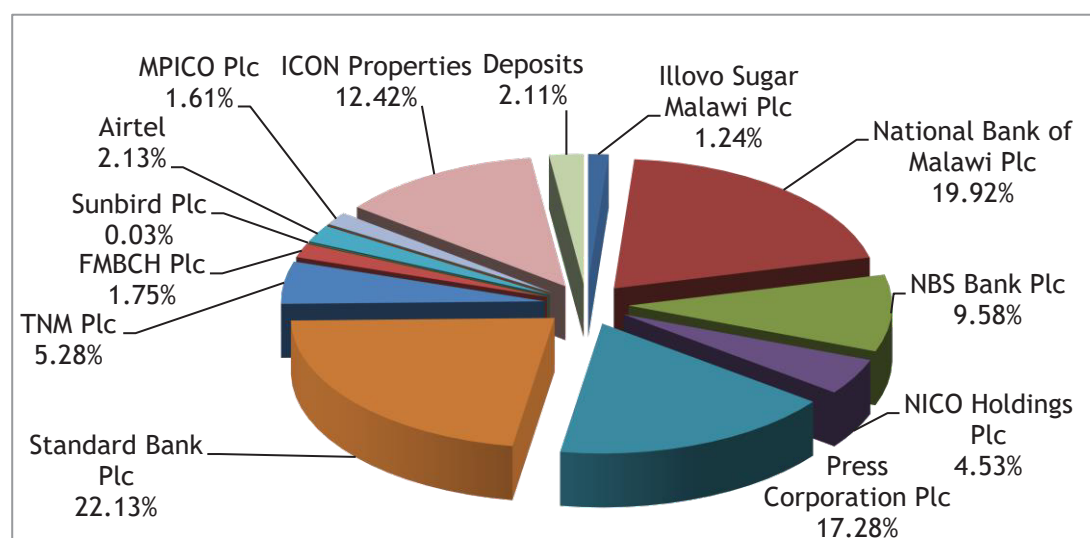
As at 31 December 2020, the fund's assets stood at **K13.14 billion** (2019: K11.68 billion) representing 12.53% growth year on year. The annualised return for the fund was 14.07% against a MASI return of 7.11%. The portfolio performance is better than the MASI performance benchmark.

The portfolio had a total investment income of **K1.85 billion** (2019: K1.94 billion). Profit after tax ("PAT") stood at K1.48 billion (2019: K1.78 billion). PAT was 17% lower than the previous corresponding period.

The company approved an interim dividend of K67.5 million, representing K0.50 per share (2019 interim: K0.50 per share).

Below is a table showing how the fund was invested as at 31 December 2020:

NITL Investments				
Counter	Number of shares	Share Price	Valuation (MK)	Fund %
Illovo Sugar Malawi Plc	2,027,862	80.48	163,202,334	1.24%
National Bank of Malawi Plc	4,026,513	650.00	2,617,233,450	19.92%
NBS Bank Plc	58,316,945	21.60	1,259,646,012	9.58%
NICO Plc	11,451,682	52.00	595,487,464	4.53%
Press Corp. Plc	1,734,015	1309.47	2,270,640,622	17.28%
Standard Bank Plc	2,779,332	1046.39	2,908,265,211	22.13%
TNM Plc	34,565,081	20.07	693,721,176	5.28%
FMBCH Plc	10,429,187	22.04	229,859,281	1.75%
Sunbird Plc	37,000	105.00	3,885,000	0.03%
Airtel	10,000,000	27.98	279,800,000	2.13%
MPICO Plc	10,045,297	21.00	210,951,237	1.61%
ICON	133,016,222	12.27	1,632,109,044	12.42%
Fixed deposits			277,089,811	2.11%
Total			13,141,890,642	100.0%



The Directors believe that the fund remains well diversified across listed entities on the Malawi Stock Exchange and in line with the Investments Policy

NATIONAL INVESTMENT TRUST PLC
FUND MANAGER'S REPORT (Continued)
For the year ended 31 December 2020

INVESTMENT PORTFOLIO (Continued)

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

National Bank of Malawi plc

National Bank of Malawi plc (NBM) released a trading statement which indicated that the company's profit after tax for the year ended 31 December 2020 will increase by 20% from K17.2 billion recorded the previous corresponding period. Despite the contraction of the economy due COVID-19, the Bank is expected to register a good performance in 2020 owing to satisfactory results attained in the second half of the year. The Board of Directors of National Bank resolved a second interim dividend of K2.5 billion payable in March 2021 (March 2020: K2.5 billion) representing K5.35 per share (2019: K5.35 per share). A first interim dividend of MK2.5 billion was paid in September 2020. The Bank finalised the acquisition of a controlling stake in Akiba Commercial Bank of Tanzania in 2021.

Standard Bank Malawi plc

Standard Bank Malawi plc (Standard Bank) registered a good performance in 2020 despite a challenging operating environment characterised by the impact of COVID-19 on the macro-economy and company operations. The bank's profit after tax for the year ended 31 December 2020 was recorded at K23.7 billion (31 December 2019: K15.9 billion), representing a 50% increase from the prior corresponding period. The 2020 profit boost was attributed to a modest 6% increase in net interest income; 30% increase in non-interest revenue; 13% decrease in credit impairment charges; and a 11% decrease in cost to income ratio. In addition, the growth of financial investments by 42% also contributed to the higher net interest income. Customer deposits grew by 30% while loans and advances grew by 11% year-on-year. An interim dividend of K2.5 billion (2019: K2.1 billion) was paid in September 2020, representing K10.65 per share (2019: K8.95 per share).

FMB Capital Holdings plc

FMBcapital Holdings plc (FMBCH) projected that profit after tax will increase by 200% for the year ended 31 December 2020 from US\$10.9 million recorded the previous corresponding period. The Bank's 2020 performance is projected to normalise with the Zimbabwe operations forecasting a profit, compared to the significant loss of \$29.5 million suffered in 2019 because of hyperinflation and devaluation of the local currency. The Bank experienced a solid start to the second half of 2020, however, its medium term and 2020 full year outlook remained unpredictable given the uncertainties arising from the impacts of COVID-19 and macroeconomic instability in Zimbabwe. Despite the challenges, the Bank gained opportunity to selectively grow its balance sheet through comfortably meeting the prescribed prudential minimum ratios of capital adequacy and liquidity in the company's respective territories.

NBS Bank plc

NBS Bank plc (NBS) had a very impressive performance in the first half of 2020 compared to the same period of the previous year, despite the COVID-19 pandemic challenges. This performance trend is a confirmation that the Bank's transformation journey continues to be on track and is on a sustainable path. NBS registered profit after tax of K2.8 billion as at 30 June 2020 (June 2019: K1.4 billion), a 102% year-on-year increase. Growth was driven by a 55% increase in net interest income, 4% increase in non-interest income, 22% increase in loan book, 49% increase in money market investments and 22% increase in customer deposits. The bank paid a dividend of K1.3 billion, representing K0.45 per share (June 2019: Nil).

NATIONAL INVESTMENT TRUST PLC
FUND MANAGER'S REPORT (Continued)
For the year ended 31 December 2020

INVESTMENT PORTFOLIO (Continued)

NICO Holdings plc

NICO Holdings plc (NICO) released a trading statement which indicated that profit after tax for the year ended 31 December 2020 will increase by more than 20% from K14.98 billion recorded in the previous corresponding year despite economic challenges raised by the COVID-19 pandemic. NICO will continue to remain in position of managing the risks caused by uncertainties of the performance of the economy and strive for profitability. The company paid an interim dividend of K699 million (2019: K626 million), representing K0.67 per share (2019: K0.60 per share) in October 2020.

Telekom Networks Malawi plc

Telekom Networks Malawi plc (TNM) registered a 7% reduction in service revenue to K41.2 billion for the half year ended 30 June 2020 (June 2019: K44.1 billion) due to under performance in voice revenues. Despite the decrease in service revenue, the company registered growth in revenue from data (27%) and Mpamba (27%) over 2019. Profit after tax decreased by 29% to K4.8 billion (June 2019: K6.7 billion). The decline in profit after tax was attributed to a decrease in revenue, increase in transmission and depreciation expenses because of investments made in 4G and other technologies over the past three years. TNM invested MK11.7 billion in capital expenditure during the period (June 2019: K7.4 billion) in network and systems catering for expansion, improvement, and future use as data needs grow.

Airtel plc

Airtel plc (Airtel) released a trading statement that indicated that the company's profit after tax for the year ended 31 December 2020 is expected to increase by 40% from K15.9 billion recorded in the previous year. Despite slow economic activity and decreasing consumer demand due to reduced disposable incomes, the company is still expected to grow as population and the need for connectivity increases. Airtel continues to execute strategies focused on increasing mobile penetration in Malawi as well as digitising the economy.

Illovo Sugar (Malawi) plc

Illovo Sugar (Malawi) plc (Illovo) projected that profit after tax for half year ended 28 February 2021 will increase by 200% from K10.1 billion recorded in the previous period, despite having a challenging operating environment. The company's increase in profit after tax reflects a more favourable sales environment and stable profitable markets than previously anticipated. Illovo has declared a final dividend of K1.427 billion, representing K2.00 per share payable in March 2021.

Press Corporation plc

Press Corporation plc (PCL) recorded a 14% increase in profit after tax of K12.7 billion for the half year period ended 30 June 2020 (June 2019: K11.2 billion). The financial services segment (National Bank Malawi) delivered satisfactory results driven by a 16% increase in non-interest income and a 7% and 11% growth in customer deposits and the loan book respectively. Telecommunications accounted for a 24% decline in after-tax profits which was attributed mostly by losses, albeit, lower than same period in 2019. PCL paid an interim dividend of K721.2 million (2019: K721.2 million), representing K6.00 per share (2019: K6.00 per share) in October 2020.

MPICO plc

MPICO plc projected that profit after tax will decrease by 40% for the year ended 31 December 2020 from K7.6 billion recorded in previous period ended 31 December 2019. The major reason for the projected drop is the income statement adjustments caused by a historical issue and the negative impact of Covid-19 on the real estate industry. The company decided against paying an interim dividend (2019: K229.8 million, representing K0.10 per share).

NATIONAL INVESTMENT TRUST PLC
FUND MANAGER'S REPORT (Continued)
For the year ended 31 December 2020

INVESTMENT PORTFOLIO (Continued)

Old Mutual plc

Old Mutual plc (Old Mutual) released a trading statement which indicated that profit after tax for the year ended 31 December 2020 will be 166% lower than the previous corresponding year. During the year under review, the company registered negative earnings due to the significant impact of COVID-19 on customers' disposable income and claims. However, strong gross revenue flows throughout the year 2020 also drove a significant increase in Net Client Cash Flows (NCCF) demonstrating the resilience of the business. Furthermore, the company noted good recovery in sales and productivity levels during the second half of 2020. In South Africa, business operations experienced added pressures due to the onset of the second wave of the pandemic in the fourth quarter of 2020. This resulted in further negative mark to market losses at the end of the 2020. The uncertainty around the pace of economic recovery and low interest rate environment continues to depress earnings forecasts for some of the company's unlisted equity portfolios and has resulted in downward revaluations of certain assets.

Sunbird Tourism plc

Sunbird Tourism plc (Sunbird) registered a 32% decline in revenue to K6.1 billion for the half year ended 30 June 2020 (30 June 2019: K9.0 billion), while loss after tax registered a 12% increase to K1.3 billion (30 June 2019: K1.2 billion). Administrative and other expenses totalled K5.8 billion, a 3.4% increase from the prior period but below inflation trends. The corporate segment, at 68% of total room nights sold, continued to lead the segment, followed by the conference segment at 16%. Management is implementing initiatives in the process of growing other segments such as leisure. Sunbird decided against paying an interim dividend considering the loss position and the depressed business environment (June 2019: MK131 million or 50 tambala per share).

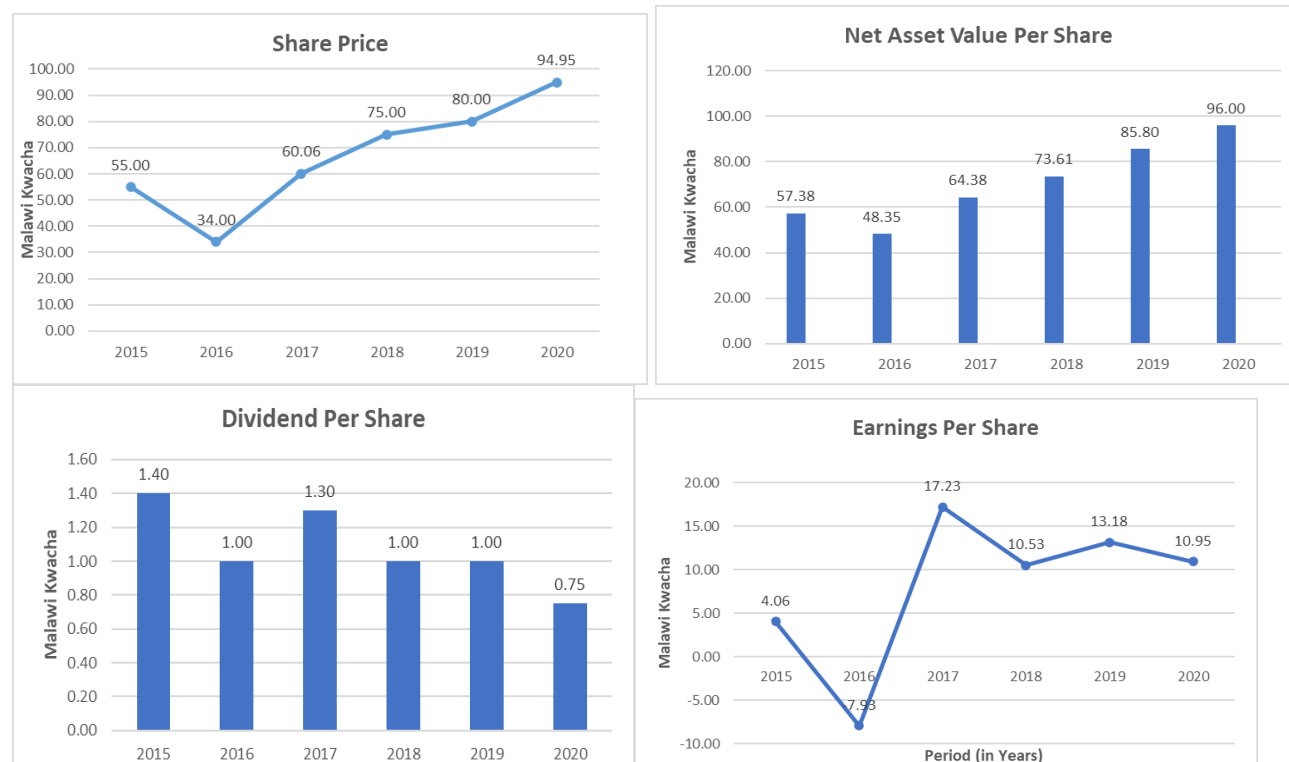
ICON Properties plc

ICON Properties plc (ICON) is expecting profit after tax to increase by 20% for the year ended 31 December 2020 from K7.4 billion recorded in the previous corresponding year. However, the COVID-19 pandemic continues to affect the property industry as the company has seen stagnation in growth amidst uncertainty. The property portfolio has experienced the most notable impact on capital gains which has had a significant reduction compared to the previous period. ICON projected demand for rental space in the country to continue to stagnate throughout the year 2020, hence minimal property value gains. Despite the foregoing challenges, the company began to refurbish Kapeni House in Blantyre and intended to conclude the installation of parking management systems at its shopping centres. The directors recommended an interim dividend of K734.8 million (2019: K668 million) representing 11 tambala per share.

NATIONAL INVESTMENT TRUST PLC
FUND MANAGER'S REPORT (Continued)
For the year ended 31 December 2020

INVESTMENT PORTFOLIO (Continued)

The net asset value (NAV) per share of National Investment Trust plc as at 31 December 2020 increased to K96.00 from K85.80 recorded in 2019. The NAV was higher than the Malawi Stock Exchange quoted share price of K94.95, representing a discount of 1.11%. The earnings per share as at close of the year stood at K10.95 compared to K13.18 in 2019. The graphs below show the 6-year historical movements in the above parameters.



NATIONAL INVESTMENT TRUST PLC
FUND MANAGER'S REPORT (Continued)
For the year ended 31 December 2020

INVESTMENT PORTFOLIO (Continued)

Investment Transactions

National Investment Trust plc sold some shares in National Bank plc, MPICO plc, Old Mutual plc, Quilter plc and Nedbank plc in 2020 amounting to a total of K1 billion. The company further increased exposure in Press Corporation plc, NBS Bank plc and NICO Holdings plc in 2020 totalling to K788 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 participated in the Airtel Initial Public Offer by acquiring shares worth K126 million in 2020.

OUTLOOK

Various institutions revised their projections for the Malawian economy in 2020 and based on these revised projections the economy is projected to grow by an estimated average of 4.40% in 2019, 0.38% in 2020 and 2.38% in 2021.

The Government of Malawi has revised downwards its forecasts for the country's economic growth from 1.20% to 0.9% in 2020 and 4.50% to 3.50% in 2021. These are slightly higher than the projections made by the other institutions on economic growth rate of 2020 and 2021. The Government's revision is supported by the account of normal to above normal rains that the country has received so far, despite dry spells in some regions. In 2021, growth is expected to be significantly bolstered by the expected increase in agriculture output due to the impact of AIP. Looking further ahead, Economist Intelligence Unit (EIU) expects real GDP growth to average 4.6% in 2022-25, which is fast by regional standards. Private consumption will be bolstered by an increase in household incomes from robust agricultural growth. Investments will grow on the back of the government's investment plans and as private investment benefits from improvements to the business climate. The external sector will also contribute positively to growth as global demand for Malawi's commodities strengthens. The economy will remain dominated by the services and agricultural sectors, with major productivity gains coming from these. The government has withdrawn the Farm Input Subsidy Programme (FISP) and replaced it with the AIP. Over the medium term, the government is likely to introduce land reforms aimed at consolidation of small farms into larger holdings under the Malawi Growth and Development Strategy, which will help to increase economies of scale and aid the expansion of other cash crops. This will provide a fillip to the sector and help to transform it from subsistence to export-driven, driving sectoral growth in the latter part of the forecast period. Mining will continue to face constraints related to external competition, fluctuations in global demand and limited power supply. Services growth will be aided by advances in retail, banking finance and transport.

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 2020 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 2020. The depreciation can however be expected to moderate due to foreign direct investment inflows and earnings from the agricultural sector. Other prominent risks to the stability of the Kwacha include the impact of the COVID-19 pandemic on the operations of foreign investors, international organisations and the tobacco selling season; a rise in imports owing to AIP inputs; and a significant drop in the tobacco exports due price fluctuations and increased cost of production.

NATIONAL INVESTMENT TRUST PLC

DIRECTORS' REPORT

For the year ended 31 December 2020

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** (2019: 50 tambala) **per share** was paid on 30 October 2020 to shareholders registered in the company's share register on 23 October 2020. The directors recommend a final dividend of **80 tambala** (2019: 25 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	4/4	100
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 2020

In terms of the company's articles of association Messrs. D. Manyenje, Mr. M. Kadumbo and Mr. T. Nsamala retire at the forthcoming annual general meeting. All the retiring directors are eligible for re-election. Mr. M. Mkandawire ceased to be a Director of the company on 31 December 2020.

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

NATIONAL INVESTMENT TRUST PLC
DIRECTORS' REPORT (Continued)
For the year ended 31 December 2020

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	3/3	100
Mr. Davis Manyenje	3/3	100
Mr. Peter Nkata	3/3	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 K3 133 565 and directors receive an annual fee of K2 744 029 each, together with sitting allowances at the rate of K148 177 for the chairperson and K120 738 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 2020

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.

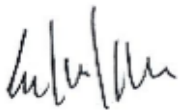
Custodian

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 2020 was K10.5 million (2019: K10.0 million).

A resolution to appoint auditors in respect of the year ending 31 December 2021 will be tabled 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 2020

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.

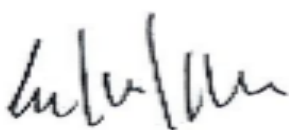
The directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

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 29 March 2021 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 18 to 43, which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters 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.

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
- 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.



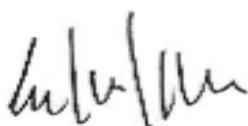
Chartered Accountants
Christopher Kapenda
Partner

30 March 2021

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	<u>Notes</u>	<u>2020</u> <u>K'000</u>	<u>2019</u> <u>K'000</u>
ASSETS			
Cash and cash equivalents	6	277 090	81 944
Prepaid expenses		60 166	138
Dividends receivable	12	4 148	8 641
Interest receivable		337	106
Equity investments	7	<u>12 864 799</u>	<u>11 614 188</u>
Total assets		<u>13 206 540</u>	<u>11 705 017</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	2 700	2 700
Share premium	8	169 550	169 550
Retained earnings	8	<u>12 787 587</u>	<u>11 410 315</u>
Total shareholders' equity		<u>12 959 837</u>	<u>11 582 565</u>
LIABILITIES			
Non – current liabilities			
Deferred tax	11	<u>116 276</u>	<u>10 050</u>
Current liabilities			
Trade and other payables	9	127 166	111 662
Income tax payable	10	<u>3 261</u>	<u>740</u>
Total current liabilities		<u>130 427</u>	<u>112 402</u>
Total liabilities		<u>246 703</u>	<u>122 452</u>
Total equity and liabilities		<u>13 206 540</u>	<u>11 705 017</u>

The financial statements of the company were approved and authorised for issue by the Board of Directors on 30 March 2021 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 2020

	<u>Notes</u>	<u>2020</u> <u>K'000</u>	<u>2019</u> <u>K'000</u>
Revenue			
Dividend income	12	341 626	259 100
Interest income	13	20 860	6 731
Other income	7	<u>-</u>	<u>40 010</u>
Total revenue		<u>362 486</u>	<u>305 841</u>
Expenditure			
Auditor's remuneration		(12 478)	(12 842)
Directors' remuneration - fees		(19 598)	(17 817)
Directors' remuneration - allowances		(7 503)	(7 724)
Directors' travel and accommodation		(696)	(4 766)
Management fees	14	(58 509)	(55 696)
Listing expenses		(25 100)	(22 919)
Transfer secretarial fees		(9 251)	(6 291)
Communication costs		(14 789)	(15 378)
Other expenses	15	<u>(24 751)</u>	<u>(7 927)</u>
Total expenditure		<u>(172 675)</u>	<u>(151 360)</u>
Profit before fair value gain on equity investments		189 811	154 481
Fair value gain on equity investments	7	<u>1 426 766</u>	<u>1 690 891</u>
Profit before tax		1 616 577	1 845 372
Income tax charge	10	<u>(138 055)</u>	<u>(65 679)</u>
Profit for the year		<u>1 478 522</u>	<u>1 779 693</u>
Earnings per share (tambala)			
Basic and diluted	16	<u>1 095</u>	<u>1 318</u>

There were no items of other comprehensive income.

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	<u>Share capital K'000</u>	<u>Share premium K'000</u>	<u>Retained earnings K'000</u>	<u>Total K'000</u>
<u>2020</u>				
At 1 January 2020	2 700	169 550	11 410 315	11 582 565
Dividends declared	-	-	(101 250)	(101 250)
Profit for the year	<u>-</u>	<u>-</u>	<u>1 478 522</u>	<u>1 478 522</u>
At 31 December 2020	<u>2 700</u>	<u>169 550</u>	<u>12 787 587</u>	<u>12 959 837</u>
<u>2019</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>2020</u>	<u>2019</u>
Total dividends declared in the period (K'000)	<u>101 250</u>	<u>135 000</u>
Weighted average number of Ordinary shares in issue (thousands)	<u>135 000</u>	<u>135 000</u>
Dividend per share (Kwacha)	<u>0.75</u>	<u>1.0</u>

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	<u>Notes</u>	<u>2020</u> <u>K'000</u>	<u>2019</u> <u>K'000</u>
Cash flows from operating activities			
Dividends received		346 119	259 100
Interest received		20 629	6 974
Other income		<u>-</u>	<u>40 010</u>
		366 748	306 084
Operating expenditure paid		<u>(217 199)</u>	<u>(140 325)</u>
		149 549	165 759
Tax paid		<u>(29 308)</u>	<u>(22 705)</u>
Net cash generated from operating activities		<u>120 241</u>	<u>143 054</u>
Cash flows from investing activities			
Disposal of shares	7	1 090 835	1 429 990
Purchase of shares	7	<u>(914 680)</u>	<u>(1 480 147)</u>
Net cash generated from (used) in investing activities		<u>176 155</u>	<u>(50 157)</u>
Cash flows from financing activities			
Dividends paid		<u>(101 250)</u>	<u>(135 000)</u>
Net increase/ (decrease) in cash and cash equivalents		195 146	(42 103)
Cash and cash equivalents at the beginning of the period		<u>81 944</u>	<u>124 047</u>
Cash and cash equivalents at the end of period	6	<u>277 090</u>	<u>81 944</u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

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 2020.

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 effective for annual periods beginning on or after 1 January 2021 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.

Effective date	Standard, Amendment or interpretation
Annual reporting periods beginning on or after 1 January 2023	<p>Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)</p> <p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

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

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

Effective date	Standard, Amendment or interpretation
Annual reporting periods beginning on or after 1 January 2022	<p>Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)</p> <p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.</p>
Annual reporting periods beginning on or after 1 January 2022	<p>Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)</p> <p>The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p>
Annual reporting periods beginning on or after 1 January 2022	<p>Annual Improvements to IFRS Standards 2018–2020</p> <p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> • IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs. • IFRS 9 – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. • IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. • IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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 2020 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 derecognised 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 2020

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.

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

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. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 3, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying the company's accounting policies

There were no critical judgments in applying the company's accounting policies.

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

5. 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.

	<u>2020</u> K'000	<u>2019</u> K'000
6. Cash and cash equivalents		
Call deposits	254 000	20 000
Current account balances	<u>23 090</u>	<u>61 944</u>
Total cash and cash equivalents	<u>277 090</u>	<u>81 944</u>

The call deposits with various local banks earned interest at rates ranging from 5.50% to 13.2% (2019: from 5% to 12%). Current account balances do not earn any interest (2019: 0.35%) and are held at First Capital Bank plc and National Bank of Malawi plc.

	<u>2020</u> K'000	<u>2019</u> K'000
7. Equity investments		
Cost	4 049 072	3 305 202
Cumulative adjustment to fair value	<u>8 815 727</u>	<u>8 308 986</u>
Fair value	<u>12 864 799</u>	<u>11 614 188</u>
Net increase in fair value of equity investments	<u>1 426 766</u>	<u>1 690 891</u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

7. Equity investments (Continued)

Year ended 31 December 2020	2019 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2020 carrying amount K'000	Cost K'000
QUOTED SHARE INVESTMENTS						
<u>Illovo Sugar (Malawi) plc</u> 2 027 862 (2019: 2 027 862) Ordinary shares of 2t each at MSE value of K80.48 (2019: K153.00) per share	310 263	-	-	(147 061)	163 202	8 461
<u>Press Corporation plc</u> 1 734 015 (2019: 1 234 015) Ordinary shares of 1t each at MSE value of K1 309.47 (2019: K1 400.00) per share	1 727 621	448 000	-	95 020	2 270 641	627 207
<u>National Bank of Malawi plc</u> 4 026 513 (2019: 5 489 950) Ordinary shares of K1 each at MSE value of K650 (2019: K525.00) per share	2 882 224	-	845 522	580 531	2 617 233	53 389
<u>Sunbird Tourism plc</u> 37 000 (2019: 37 000) Ordinary shares of 5t each at MSE value of K105 (2019: K118) per share	4 366	-	-	(481)	3 885	1 555
<u>NICO Holdings plc</u> 11 451 682 (2019: 8 533 800) Ordinary shares of 20t each at MSE value of K52.00 (2019: K48.49) per share	413 803	145 380	-	36 304	595 487	156 504
<u>FMBcapital Holdings plc</u> 10 429 187 (2019: 10 429 187) Ordinary shares of 5t each at MSE value of K22.04 (2019: K75.00) per share	782 189	-	-	(552 330)	229 859	986 682
<u>MPICO plc</u> 10 045 297 (2019: 15 000 000) Ordinary shares of 5t each at MSE value of K21.00 (2019: K19.53) per share	292 950	-	96 766	14 767	210 951	146 852
<u>Telekom Networks Malawi plc</u> 34 565 081 (2019: 34 565 081) Ordinary shares of 4t each at MSE value of K20.07 (2019: K26.00) per share	898 692	-	-	(204 971)	693 721	383 410
<u>Standard Bank Malawi Plc</u> 2 779 332 (2019: 2 779 332) Ordinary shares at MSE value of K1 046.39 (2019: K730.00) per share	2 028 912	-	-	879 353	2 908 265	26 525
<u>Old Mutual Limited</u> 0 (2019: 74 304) Ordinary shares at MSE value of K0.0 (2019: K2 499.99) per share	185 760	-	112 156	(73 604)	-	-
<u>NBS Bank plc</u> 58 316 945 (2019: 48 316 945) Ordinary Shares of 50t each at MSE value of K21.60 (2019: K13.50) per share	652 279	194 400	-	412 967	1 259 646	367 694
<u>Quilter plc</u> 0 (2019: 14 768) Ordinary Shares of 7p each at JSE value of K0.0 (2019: K1 528.06) per share	22 566	-	23 355	789	-	-

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

7. Equity investments (Continued)

Year ended 31 December 2020 (Continued)	2019 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2020 carrying amount K'000	Cost K'000
QUOTED SHARE INVESTMENTS (Continued)						
<u>Nedbank plc</u>						
0 (2019: 1 422) Ordinary Shares of 100p each at JSE value of K0.0 (2019: K11 176.25) per share	15 892	-	13 036	(2 856)	-	-
<u>AIRTEL</u>						
10 000 000 ordinary shares K27.98 of MSE Value per share	-	126 900	-	152 900	279 800	126 900
<u>ICON plc</u>						
133 016 222 (2019: 133 016 222) ordinary shares of K12.27 at MSE value (2019: K10.50) per share	<u>1 396 671</u>	<u>-</u>	<u>-</u>	<u>235 438</u>	<u>1 632 109</u>	<u>1 163 893</u>
Total quoted share investments	<u><u>11 614 188</u></u>	<u><u>914 680</u></u>	<u><u>1 090 835</u></u>	<u><u>1 426 766</u></u>	<u><u>12 864 799</u></u>	<u><u>4 049 072</u></u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

7. Equity investments (Continued)

Year ended 31 December 2019	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						
<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 2020

7. Equity investments (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
Year ended 31 December 2019 (Continued)						
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>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	1 163 893	-	1 163 893	-	-	-
Total unquoted share investments	<u>1 163 893</u>	<u>-</u>	<u>1 163 893</u>	<u>-</u>	<u>-</u>	<u>-</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>

On 21 January 2019, ICON Properties plc was listed on the Malawi Stock Exchange and transferred from the unquoted to quoted equity investments. In prior year, the company disposed of the unlisted investments it previously held in Auction Holdings Limited and Dairybord Malawi Limited. K40 million was realized on the disposal and since these unlisted investments had been fully impaired, the entire proceeds amount was recognized in the statement of comprehensive income.

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

7. Equity investments (Continued)

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

	Percentage shareholding		Number of shares	
	2020	2019	2020	2019
ICON Properties plc	2.0	2.0	133 016 222	133 016 222
NBS Bank plc	1.7	1.7	58 316 945	48 316 945
Standard Bank Malawi plc	1.2	1.2	2 779 332	2 779 332
National Bank of Malawi plc	1.2	1.2	4 026 513	5 489 950
Illovo Sugar (Malawi) plc	0.3	0.3	2 027 862	2 027 862
Press Corporation plc	1.0	1.0	1 734 015	1 234 015
NICO Holdings plc	0.8	0.8	11 451 682	8 533 800
MPICO plc	0.7	0.7	10 045 297	15 000 000
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	-	74 304
Quilter plc	-	<0.1	-	14 768
Nedbank plc	-	<0.1	-	1 422
Airtel	0.1	-	10 000 000	-

8. 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	2020 K'000	2019 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 (2019: 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 K12 788 million (2019: K11 410 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 709 million (2019: K8 225million) which are not distributable in terms of the Companies Act and profits on investment switches totaling K3 964 million (2019: K3 044million) which are not distributable in terms of the company's investment policy.

	2020 K'000	2019 K'000
9. Trade and other payables		
Accrued expenses	52 136	36 584
Unclaimed dividends payable to shareholders	<u>75 030</u>	<u>75 078</u>
Total trade and other payables	<u>127 166</u>	<u>111 662</u>

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

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

	<u>2020</u> K'000	<u>2019</u> K'000
10. Taxation		
<u>Payable</u>		
Opening balance	740	1 624
Current income tax charge	3 277	870
Withholding tax paid	(167)	(137)
Income tax paid	<u>(589)</u>	<u>(1 617)</u>
Closing balance	<u>3 261</u>	<u>740</u>
<u>Charge</u>		
Income tax	3 277	870
Dividend tax (note 11)	28 552	20 951
Deferred tax (note 10)	<u>106 226</u>	<u>43 858</u>
Income tax charge	<u>138 055</u>	<u>65 679</u>
	%	%
<u>Reconciliation of effective to standard rates of tax</u>		
Standard rate	30.00	30.00
Permanent differences	<u>(21.46)</u>	<u>(26.44)</u>
Effective rate	<u>8.54</u>	<u>3.56</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%.

11. Deferred tax

Deferred tax is calculated, in full, on all temporary differences using the enacted tax rate of 30% (2019: 30%). The movement on the deferred tax account is as follows:

	<u>2020</u> K'000	<u>2019</u> K'000
At beginning of the period	10 050	(33 808)
Income statement (note 9)	<u>106 226</u>	<u>43 858</u>
At end of the period	<u>116 276</u>	<u>10 050</u>
<u>Analysed as</u>		
Capital gains/(loss) on equity investments	<u>116 276</u>	<u>10 050</u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

	<u>2020</u> K'000	<u>2019</u> K'000
12. Dividend income		
MPICO plc	1 507	4 200
National Bank of Malawi plc	87 100	89 142
NICO Holdings plc	16 812	14 507
Press Corporation Plc	39 884	32 084
Standard Bank Malawi plc	88 827	72 262
Telekom Networks Malawi plc	19 011	25 924
Sunbird Tourism plc	19	37
Old Mutual plc	2 403	4 280
Quilter plc	-	2 314
Nedbank plc	-	1 048
ICON plc	29 396	13 302
NBS Bank	43 154	-
Illovo Sugar (Malawi) Limited	1 013	-
Airtel	<u>12 500</u>	<u>-</u>
Total dividends	<u>341 626</u>	<u>259 100</u>
Dividend tax withheld (note 9)	<u>(28 552)</u>	<u>(20 951)</u>
Net dividend income received	<u>313 074</u>	<u>238 149</u>

Dividends receivable relate to dividends from TNM at 12 tambala per share (2019: 25 tambala per share).

13. Interest income		
Deposits	<u>20 860</u>	<u>6 731</u>
14. Management fees		
Fee payable	50 184	47 839
Value added tax	<u>8 325</u>	<u>7 857</u>
Total management fees	<u>58 509</u>	<u>55 696</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>2020</u> K'000	<u>2019</u> K'000
15. Other expenses		
Bank charges	761	453
Custodial fees	1 398	1 137
Brokerage	21 492	6 337
Malawi Accountants Board	<u>1 100</u>	<u>-</u>
	<u>24 751</u>	<u>7 927</u>

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

16. Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2020 is based on the profit attributable to ordinary shareholders of K1 479 million (2019: K1 780 million) and the weighted average number of ordinary shares in issue for the year ended 31 December 2020 of 135 000 000 (2019: 135 000 000).

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shareholders (K'000)	1 478 522	1 779 693
Weighted average number of ordinary shares in issue ('000)	135 000	135 000
Earnings per share (tambala)	<u>1 095</u>	<u>1 318</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.

17. Financial risk management

Categories of financial instruments

	<u>Fair value through profit and loss K'000</u>	<u>Amortised cost K'000</u>	<u>Total K'000</u>
<u>31 December 2020</u>			
Financial assets			
Cash and cash equivalents	-	277 090	277 090
Dividend receivable	-	4 148	4 148
Interest receivable	-	337	337
Equity investments	<u>12 864 799</u>	<u>-</u>	<u>12 864 799</u>
	<u>12 864 799</u>	<u>281 575</u>	<u>13 146 374</u>
Financial liabilities			
Trade and other payables	<u>-</u>	<u>127 166</u>	<u>127 166</u>
<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>

17. Financial risk management (Continued)

Overview (Continued)

Overview

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

Credit risk
Liquidity risk
Market risk

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

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

The company's 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.

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

17. Financial risk management (Continued)

Liquidity risk (Continued)

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

Compliance position as at period-end	Permitted limit	2020	2019
1. Equities			
% of portfolio invested in equities	100%	98%	99%
% of portfolio in individual listed company	40%	20%	25%
% of portfolio in individual unlisted company	10%	0%	0%
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%	2%	1%
5. Speculative investments	Nil	Nil	Nil

The overall liquidity gap as at 31 December 2020 was K13 019 million (2019: K11 593 million) based on the entity's financial instruments as detailed on page 36.

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.

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

17. Financial risk management (Continued)

Market risk (Continued)

Interest rate risk

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

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

Equity price risk

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

Sensitivity analysis – equity price risk

The carrying value at 31 December 2020 of shares listed on the Malawi Stock Exchange (MSE) represents 97% (2019: 99%) 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 all Share Index. The all share index at 31 December 2020 was 32,393 (2019: 30 252). An overall increase of 0.5% in share prices would have resulted in a capital gain of K64.3m (2019: K58.1m) 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.

18. 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 K58.5 million (2019: K55.7 million). Included in trade and other payables at 31 December 2020, is management fees payable of K33.9 million (2019: K20.3 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 2020, various pension funds and entities whose assets are managed by NICO Asset Managers Limited held 23 883 744 (2019: 23 730 532) shares in the company.

Directors' fees

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

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

18. Related parties (Continued)

Directors' interest

As at 31 December 2020, the total direct and indirect interests of the directors and related parties thereto in the issued share capital of the company were as follows:

	<u>2020</u>	<u>2019</u>
G Msisha	100 000	100 000
T Nsamala	-	-
M Kadumbo	-	-
E Gondwe	-	-
M Mkandawire	-	-
P Nkata	-	-
D Manyenje	-	-

19. Critical accounting estimates and judgments

19.1 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.

NATIONAL INVESTMENT TRUST PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

19. Critical accounting estimates and judgments (Continued)

19.1 Fair values of financial instruments (Continued)

	<u>Level 1</u> <u>K'000</u>	<u>Level 2</u> <u>K'000</u>	<u>Level 3</u>	<u>Total</u> <u>K'000</u>
31 December 2020				
Listed equity investments	<u>12 864 799</u>	<u>-</u>	<u>-</u>	<u>12 864 799</u>
	<u>12 864 799</u>	<u>-</u>	<u>-</u>	<u>12 864 799</u>
31 December 2019				
Listed equity investments	<u>11 614 188</u>	<u>-</u>	<u>-</u>	<u>11 614 188</u>
	<u>11 614 188</u>	<u>-</u>	<u>-</u>	<u>11 614 188</u>

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

19.2 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.

19.3 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)
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20. Details of shareholders

The number of shareholders in the company was 1 298 as at 31 December 2020 (31 December 2019: 1 297)

Analysis by number of shares held:

<u>Number of shares held</u>	<u>Number of Shareholders</u>		<u>Total holding</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
1 – 5 000	476	469	1 137 520	1 117 764
5 001 – 10 000	227	227	2 042 600	2 040 784
10 001 – 25 000	198	201	3 469 659	3 540 952
25 001 – 50 000	151	153	5 881 543	5 990 582
50 001 – 100 000	119	114	10 295 245	9 897 069
100 001 – 200 000	55	56	8 179 733	8 405 854
200 001 – 500 000	42	45	13 348 360	14 215 619
500 001 – 1 000 000	10	12	7 470 640	8 442 775
1 000 000 – 99 999 999	<u>20</u>	<u>20</u>	<u>83 174 700</u>	<u>81 348 601</u>
Grand total	<u>1 298</u>	<u>1 297</u>	<u>135 000 000</u>	<u>135 000 000</u>

Analysis by shareholder type (2020):

	<u>Number of holders</u>	<u>Number of shares held</u>	<u>% of total shares</u>
Insurance/assurance	3	725 677	0.54%
Non-resident companies/individuals	7	240 908	0.18%
Banks/nominees	117	31 803 516	23.56%
Investment/trusts	15	8 519 122	6.31%
Pension/provident funds	25	40 626 036	30.09%
Other resident entities	19	13 691 533	10.14%
Resident individual	<u>1 112</u>	<u>39 393 208</u>	<u>29.18%</u>
Total	<u>1 298</u>	<u>135 000 000</u>	<u>100%</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>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

20. Details of shareholders (Continued)

The largest shareholders in the company were:

	Number of shares <u>2020</u>	% of total number of shares <u>2020</u>	Number of shares <u>2019</u>	% of total number of shares <u>2019</u>
First Capital Bank plc	20 889 343	15.47	20 889 343	15.47
National Bank of Malawi Pension Fund	10 471 400	7.76	10 471 400	7.76
NBM PAL Unrestricted Pension Fund	9 739 399	7.21	2 315 470	1.72
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	6 423 759	4.76
Madzi Pension Fund	5 520 000	4.09	5 520 000	4.09
Press Trust	4 795 000	3.55	4 795 000	3.55
Remaining shares	<u>60 893 775</u>	<u>45.11</u>	<u>68 317 704</u>	<u>50.60</u>
	<u>135 000 000</u>	<u>100.00</u>	<u>135 000 000</u>	<u>100.00</u>

21. Subsequent events

The Board continues to monitor the ongoing developments regarding the COVID 19 outbreak. In relation to the economic volatility, the Board expects the COVID 19 outbreak to have only modest impact on the company's performance and expect this impact to be largely contained to the second half of 2021. Other than the COVID 19 outbreak, there have been no material events occurring after the statement of financial statement position date that require adjustment to or disclosure in the financial statements.

22. 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>2020</u>	<u>2019</u>
Kwacha/Rand	56.41	52.8
Kwacha/US Dollar	772.35	745.0
Inflation rate %	<u>7.6</u>	<u>11.5</u>

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

Kwacha/Rand	56.16
Kwacha/US Dollar	783.62
Inflation rate % (February 2021)	<u>8.3</u>

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