2017 ANNUAL REPORT

The National Investment Trust Limited

NATIONAL INVESTMENT TRUST PLC
FINANCIAL STATEMENTS
For the year ended 31 December 2017

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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 equity investments, bonds, property and equity of property companies and money market investments in Malawi.

The company's investment portfolio is managed by an independent fund manager, NICO 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 or enter into a contract on behalf of the company to acquire or dispose of any unlisted equities or bonds, borrow money in the name of the company, or pledge any property or assets belonging to the company or create charges or mortgages thereon.

ECONOMIC INDICATORS

The World Bank estimated a real GDP growth rate of 4.5% in 2017 from 2.5% which was recorded in 2016 due to increased rainfall which was expected to result in increased agricultural output. According to the World Bank, performance in the first two quarters of 2017 was encouraging, with the impact of weather shocks that affected economic performance over the preceding two years finally subsidising. This registered a positive impact on agriculture, which was estimated to grow by 5.0% in 2017 from 2.3% in 2016, with maize production increasing by 46.2%. However, despite this increase, the proportion of poor households living under the poverty line was estimated to decline marginally.

Inflation declined in 2017 and has been recorded in single digits since August 2017 and averaged 11.5% in 2017 from an average of 21.8% in 2016 driven by above-average agricultural output in the 2016/17 farming season. The exchange rate has been relatively stable against the US Dollar since August 2016, trading at an average rate of K730.93:US$1 in 2017 on the back of continued inflow of foreign currency which boosted reserves. Total foreign currency reserves stood at US$1,176.00 million (5.63 months of import cover) as at end December 2017 increasing from US$943.57 million (4.51 months of import cover) as at December 2016. The foreign exchange reserves exceeded the floor of 3 months of prospective imports in 2017. Risks to economic growth in 2018 are adverse weather shocks, electricity challenges, rising global oil prices, high population growth rates, lower global commodity prices, increase in government borrowing, high lending rates which reduce private sector activity, among others.

The stock market performance was impressive in 2017, with the Malawi All Share Index (MASI) increasing by 62.14%. The largest five gainers were FMB (182.35% increase), TNM (133.12% increase), NICO (100.12% increase), MPICO (99.36% increase) and NITL (76.65% increase). Interest rates on the money market have been volatile as a result of the unstable liquidity levels averaging 19.52% in 2017. Treasury bill rates decreased to an average of 19.73% in the year ended 31 December 2017 from 27.87% in 2016. The Reserve Bank of Malawi has been easing monetary policy in 2017, reducing the policy rate three times to the current 16%. Commercial banks followed suit by reducing base lending rates, even though they remain high.

INVESTMENT PORTFOLIO

As at year ended 31 December 2017, the company's total shareholders' equity grew by 31.6% to K8.60 billion from K6.53 billion recorded in the previous year. The company had revaluation gains on its equity investments amounting to K2.13 billion in 2017 from a revaluation loss of K1.26 billion in the preceding financial year. Overall, the company made a profit after tax of K2.22 billion, an improvement from K1.07 billion loss made in the previous financial year. The company approved an interim dividend amounting to K67.5 million (K0.50 per share) and a final dividend of K108 million (K0.80 per share) has been proposed to be tabled at the next AGM, which will bring the total dividend distributed to K175.5 million (K1.30 per share) compared to total dividend of K135 million (K1.00 per share) paid in 2016.

National Bank of Malawi plc (NBM) continues to record good performance. After tax profits in the half year ended 30 June 2017 increased by 17% to K9.53 billion compared to K8.16 billion the same period in the previous year. The company's total assets grew by 10% to K343.17 billion in the half year ended 30 June 2017 from K313.02 billion the same period in the previous year. The company paid interim dividend in September 2017 amounting to K3.32 billion (2016: K3.0 billion) representing K7.10 per share (2016: K6.44).

INVESTMENT PORTFOLIO (Continued)

Standard Bank (Malawi) plc recorded a 37% drop in earnings in the year ending 31 December 2017 to K12.2 billion. Despite the drop-in earnings, total assets grew by 36% to K427 billion from K313 billion in 2016. The growth in the balance sheet was mainly attributable to growth in loans, advances to banks and deposits from customers. Operating income grew by 6% due to an equivalent growth in net interest income driven by growth in loans and advances to banks, and non-interest income also grew by 6% due to an increase in transactions volume. Credit impairments were significantly above prior year due to growth of non-performing loans especially in the agriculture sector. Operating costs were 32% above the prior year. An interim dividend of K1.5 billion (2016: K1 billion) was paid in September 2017 representing K6.39 (2016: K4.26) per ordinary share. The directors recommended a final dividend of K1 billion (2016: K5 billion) representing K4.26 (2016: K21.31) per ordinary share to be tabled at the forthcoming Annual General Meeting.

First Merchant Bank plc (FMB) half year profit after tax for June 2017 was recorded at K5.03 billion, representing a year on year growth of 79% from June 2016. Deposits grew by 21% with the group continuing to focus of reducing cost of funding by growing its current and savings accounts. Assets for the group grew to K365 billion year on year with a significant growth registered in money market investments. The loan book grew by 21% with excess liquidity invested in low risk money market instruments. The 22% growth in group's interest income was largely driven by growth in earnings from money market investments. Non-interest income grew by 35% year on year against the backdrop of increased transactional banking income and a rebound in the group's investments in the listed equities. Costs for the period grew by 9% and cost to income ratio for the group decreased to 58% from 70%. The Directors decided not to pay a first interim dividend to maintain a strong regulatory capital position considering the restructuring process that the company was undergoing. First Merchant Bank plc (FMB) announced its withdrawal from the official list of the Malawi Stock Exchange (MSE) following the 100% acquisition of its issued share capital by FMB Capital Holdings plc effective 19 December 2017. NITL transferred its shareholding from FMB to FMBCH during offer in September 2017.

NBS Bank plc (NBS) and its subsidiary, NBS Forex Bureau Limited, reported a loss before tax of K1.9 billion for the six months ended 30 June 2017 (June 2016: loss of K1.34 billion) and net loss after tax of K1.14 billion (June 2016: Net loss after tax of K 1.38 billion). The Bank operated with significantly lower than required capital levels in the first half of 2017 which adversely impacted on the Bank's ability to grow loans and overdrafts. Consequently, net interest income decreased by 28% compared to the same period of the prior year while non-interest income decreased by 17% compared to the same period of 2016. Operating expenditure decreased by 13% as a result of continued cost optimisation measures. Net credit impairments improved by 35% as a result of better credit management as well as significant recoveries of previously impaired loans. The Bank registered a 6% growth of customer deposits during the six months under review. The Bank's share capital and share premium increased significantly following a rights issue concluded during the six months under review which enabled it to raise K11.8 billion. In its trading statement for the year ended 31 December 2017, the bank expects a loss of at least 70% lower than the previous period.

NICO Holdings plc (NICO), recorded an increase in gross revenue of 24% to K59.8 billion (2016: K48.1 billion) for the half year ended 30 June 2017. Profit before tax doubled to K6.2 billion (2016: K3.0 billion) and profit after tax increased to K4.3 billion (2016: K1.1 billion). The growth was driven by growth in profitability in asset management, general and life insurance business. Despite a decline in interest rates on the money market, the group registered income growth from its fixed income investments. The company paid interim dividend of K521.5 million in October 2017 (2016: K417 million), representing 50 tambala per share (2016: 40 tambala per share). In its trading statement for the year ended 31 December 2017, expects profit after tax to be higher than the previous corresponding period by more than 300%.

INVESTMENT PORTFOLIO (Continued)

Telekom Networks Malawi plc (TNM) achieved high levels of service revenue and moderate subscriber growth during the first six months of 2017 which enabled it to increase EBITDA and maintain margins and profitability levels. The company maintained its EBITDA margin at 33%. Net financing costs decreased to K1.50 billion (June 2016: K2.20 billion) which includes foreign exchange losses of K0.25 billion (June 2016: K0.43 billion). Profit after tax increased by 72% to K4.75 billion (June 2016: K2.77 billion). TNM invested in capital expenditure of K12.33 billion in the first half of 2017 (June 2016: K3.81 billion). The Directors declared a first interim dividend for the financial year ended 31 December 2017 of K1.51 billion, equivalent to 15 tambala per share which was paid in September 2017. In its trading statement for the year ended 31 December 2017, the company expects profit after tax to be more than 60% higher than the previous corresponding period.

Illovo Sugar Malawi plc (Illovo) changed its financial period to 31 August from 31 March. Consequently, the company released financial statements for the five-month period ended 31 August 2017. Sugar production for the five-month April to August 2017 period totalled 147 000 tons. Total sugar and molasses revenues for the five-month period totalled K49.1 billion, with operating profit at K12.7 billion and headline earnings at K7.7 billion, increasing by 9.3% from K7.1 billion recorded as at year ended 31 March 2017. Due to the ongoing cash flow constraints of the group, the Directors proposed at a general meeting held on 23 November 2017, that no final dividend be payable for the five-month period ended 31 August 2017.

Press Corporation plc (PCL) recorded a 12.8% drop in after tax profits for the half year ended 30 June 2017 which were recorded at K7.06 billion from K8.10 billion recorded in the same period in 2016. Group profit before tax at K14.23 billion (2016: K13.89 billion) was 3% higher than the previous similar period of 2016. This performance was against a background of Corporate Office re-organisation costs and subdued demand following years of a less than satisfactory operating environment. During the period, PCL's share of profit from equity accounted investments declined by 23% mainly due to a loss incurred in the brewing and beverage company as a result of lower sales volumes and increased production costs following two fire incidents at the plant. Directors resolved to pay an interim dividend amounting to K600.78 million (2016: nil) representing K5.00 per share in October 2017. The company expects profit after tax for the year ended 31 December 2017 to be more than 90% higher than the previous corresponding period.

Malawi Property Investment Company plc (MPICO) recorded total income for the half year ended 31 June 2017 of K6.4 billion from K4.4 billion in June 2016 representing a growth of 46%. Total expenditure decreased by 20% from K3.6 billion in June 2016 to K2.9 billion in June 2017 due to reduced finance charges resulting from the successful capital restructuring of MPICO plc towards the end of 2016 and MPICO Malls Ltd in March 2017. The Group profit after tax for the half year increased to K2.8 billion from K0.7 billion in the corresponding period in 2016, representing an increase of 300%. The company paid an interim dividend of K183.8 million representing 8 tambala per share (2016: nil) in October 2017. In its trading statement for the year ended 31 December 2017, the company expects profit after tax to be over 100% above the previous corresponding period.

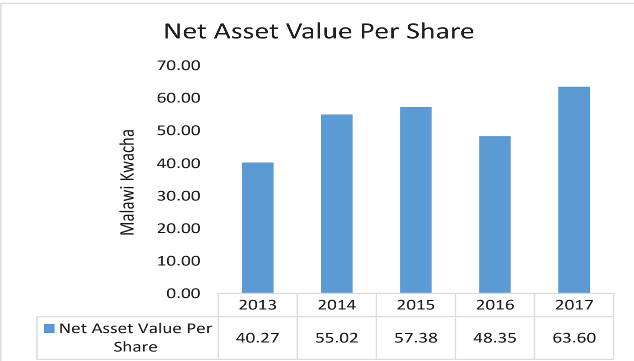
Kang'ombe Investments Limited has recorded a reduction in revenue of 4% in year ending 31 December 2017 to K576.64 million from K599.88 million recorded in 2016. The 2017 actual revenue is also lower by 23% compared to the budgeted K747.34 million revenues. The company recorded a decrease of 19% in profit before tax to K360.94 million in 2017, Total assets increased by 24% in 2017 to K4.89 billion from K3.94 billion mainly due to increase in other receivables and investment property which went up by 30% and 25% respectively from the previous corresponding period. Total equity increased by 19.7% to K4.50 billion in 2017 from K3.75 billion recorded in 2017. An interim dividend of K152.79 million was paid out in 2017 compared to K219.23 million that was paid in 2016.

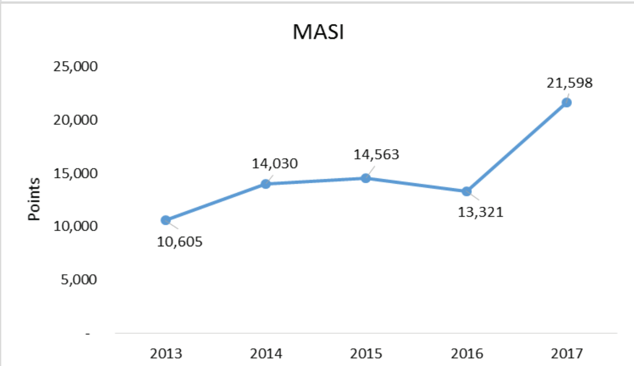
INVESTMENT PORTFOLIO (Continued)

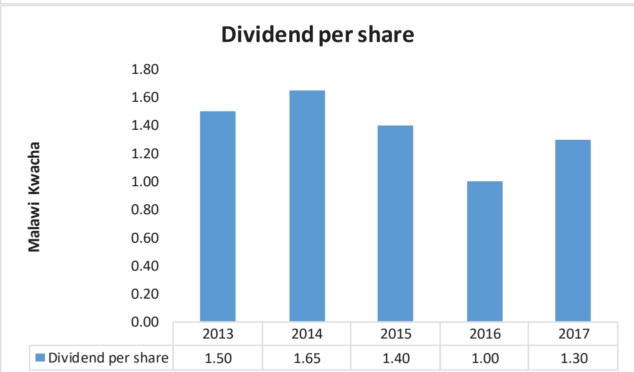
Auction Holdings Limited (AHL) recorded an after tax loss of K44.44 billion in 2017 from a net loss of K7.82 billion recorded in the previous year. Its net profit margin stood at negative 146.31% in 2017. Revenues increased by 11% in 2017 to K30.96 billion from K27.7 billion the previous year. Administration costs increased by 83% in 2017 to K63.2 billion from K34.01 billion the previous year due to large impairments of bad debts amounting to K20.1 billon. Total assets for the year ended 31 December2017 decreased by 45% compared to a growth of 54% the previous year and total equity significantly declined by 1876% as a result of significant losses made during the year. The value of NITL's shareholding in AHL has been fully impaired result of the poor performance.

Dairibord Malawi Limited continued to experience poor performance in the ten months to October 2017 as evidenced by a net loss of K211 million recorded over this period from a net loss of K128 million the previous year. The company is expected to make a net loss of K227 million in 2017. Revenues decreased by 5% to K1.91 billion from K2.03 billion over the ten months period to October 2017. Cost of sales increased by 3% to K1.48 billion over the same period due to power shortages that led to the use of generators to reduce milk losses. The value of NITL's shareholding in Dairibord was written off due to this continued poor performance.

The net asset value per share of National Investment Trust plc as at 31 December 2017 increased to K63.60 from K48.35 recorded in 2016 and it is also higher than the Malawi Stock Exchange quoted share price of K60.06, representing a discount of 6%. The earnings per share as at close of the year stood at K16.45 compared to negative K7.93 in 2016. Refer to the graphs below for 5 year historical movements in the above parameters.







Investment Transactions

NITL sold some shares in PCL and Illovo in 2017 amounting to a total of K220 million. The company further increased exposure in TNM, FMBCH, MPICO and Old Mutual totalling K262 million in order to boost the performance of the portfolio. This was done based on the approved equity strategy of the company.

OUTLOOK

The EIU has forecast growth rate of 4.1% in 2018 (down from 4.4% estimated growth in 2017), which is below World Bank's 4.5% projection, on the back of expected low agricultural and industrial sector performance. Maize production for the 2017/18 growing season has been estimated to reduce by 283,941 metric tons, and 1.9 million families are estimated to face food shortage due to the dry spell and infestation of crops by fall army worms. This development is expected to lead to production that is 10% below last season's production or 5% less than the five-year average and national cereal requirements. This is expected to lead to food inflationary pressures in the medium term as households try to hoard some stocks for future consumption rather than selling. Non-food inflation may increase due to a rise in global oil prices, the rise in electricity tariffs, the demand for wage increases, housing cost increases and strengthening of South African Rand, among others.

Monetary policy will focus on restoring price stability. As such, RBM will focus on interest rate movements to promote price stability. The central bank has been gradually loosening monetary conditions in 2017 to protect gains made in combating inflation. Commercial banks also reduced base lending rates to the current average of 25.41% from an average of 33.73% recorded as at end of year 2016. The scope for another cut in the short term is less likely due to the expected build up in both food and non-food inflationary pressures. As a result, in the short to medium term, interest rates are expected to remain steady.

The Kwacha is expected to remain stable against the US Dollar in the short-term due to continued availability of foreign exchange reserves. The opening of the tobacco marketing season in April 2018 is expected to strengthen the Kwacha in the short term. The Kwacha is expected to depreciate in the medium to long term on account of significant current account deficits, weak foreign direct investment inflows and strengthening of the South African Rand. The South African Rand has been strengthening recently and if sustained, this would entail high importation costs as South Africa dominates the country's import basket at 27.74% of total imports.

The stock market performance has been impressive in 2017. A majority of the companies listed on the stock exchange published favourable trading statements for the year ended 31 December 2017, and many have reported good performance as at half year ended 30 June 2017. Coupled with improved macroeconomic conditions such as lower inflation rates, reduced lending rates and a stable currency, companies listed on the stock market are expected to have a good performance in 2018. As such, the stock market is expected to be bullish in the short term due to an improved performance in most of the counters.

NICO
Asset Managers

22 March 2018

NATIONAL INVESTMENT TRUST PLC
DIRECTORS' REPORT
For the year ended 31 December 2017

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

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

Dividends
An interim dividend of **50 tambala** (2016: 30 tambala) **per share** was paid on 20 October 2017 to shareholders registered in the company's share register on 13 October 2017. The directors recommend a final dividend of **80 tambala** (2016: 70 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 %**
Served all period		
Mr. G. Chimimba	1/2	50 (Up to 9 June 2017)
Mrs. E. Gondwe	4/4	100
Mr. P. Nkata	4/4	100
Mr. G. Msisha	3/4	75
Mr. R. E. Mdeza	4/4	100
Mr. F. Changaya	2/2	100 (Up to 9 June 2017)
Mr. M. Mkandawire	4/4	100
Mr. M. Kadumbo	2/2	100 (From 27 October 2017)
Mr. T. Nsamala	2/2	100 (From 27 October 2017)

All directors are non-executive.

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

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

In terms of the company's articles of association Mrs. E. Gondwe, Mr. P. Nkata and Mr. G. Msisha retire at the forthcoming annual general meeting. All the retiring directors are eligible for re-election. Mr. T. Nsamala and M M. Kadumbo were co-opted within the year to fill casual vacancies and will seek re-election at the forthcoming annual general meeting in terms of the company's articles of association. Mr. M. Mkandawire has exceeded the age of 70 and he will seek re-election at the forthcoming annual general meeting as required by the Companies Act 2013. Mr. M. Mkandawire's re-election is conditional upon the approval of the Reserve Bank of Malawi under the authority vested in it by the *Establishment and Operations of Collective Investment Scheme Directive* issued under the auspices of the Financial Services Act.

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

Statement on corporate governance
The company has a unitary board of directors comprising seven non-executive directors. There are no executiv directors.

The Board complies with the major principles of modern corporate governance as contained in the Code of Bes 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 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, an 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 anc does the following:

- monitors the integrity of the financial statements of the company and any formal announcements relati 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 cont 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. R. E. Mdeza	2/3	67 (Up to 27 October 2017)
Mr. M. Kadumbo	1/1	100 (From 27 October 2017)
Mr. G. Msisha	4/4	100
Mr. M. Mkandawire	4/4	100

Board Committees (Continued)

b) Investment Committee

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

	Attendance	Attendance Record %
Mrs E Gondwe	4/4	100
Mr. T. Nsamala	1/1	100 (From 27 October 2017)
Mr. F Changaya	1/2	50 (Up to 9 June 2017)
Mr. P Nkata	4/4	100

c) Appointments and Remuneration Committee

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

	Attendance	Attendance Record %
Mr. F. Changaya	1/1	100
Mr. P. Nkata	3/3	100
Mr. G. Msisha	3/3	100
Mr. M. Mkandawire	1/1	100 (from 27 October 2017)

Ethical Standards

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

Directors' fees

Currently, the chairman receives an annual fee of K2 062 500 and directors receive an annual fee of K1 875 000 each, together with sitting allowances at the rate of K101 250 for the chairman and K82 500 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 an agreement with NICO Asset Managers Limited for a period of 3 years and four months commencing from 1 January 2015 to 30 April 2018, under the terms of which NICO Asset Managers Limited is contracted as sole managers of the company.

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

Board Committees (Continued)

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 2017 was K8.2 million (2016: K7.2 million).

The auditors have signified their willingness to continue in office and a resolution to confirm their re-appointment as auditors in respect of the year ending 31 December 2018, is to be proposed at the forthcoming annual general meeting.

Robert Mdeza

R.E. Mdeza (Chairman) **G Msisha** (Director)

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2017

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 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 22 March 2018 and were signed on its behalf by:

Robert Mdeza

R. E. Mdeza (Chairman) **G Msisha** (Director)

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

Opinion

We have audited the financial statements of National Investment Trust plc (the company) set out on pages 16 to 41, which comprise the statement of financial position as at 31 December 2017, 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 2017, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Valuation of unlisted equity investments	
As disclosed in note 6 to the financial statements, the company has an unlisted equity investment in Kang'ombe Investment Limited valued at K970 million as at 31 December 2017 (2016: K660 million). The investment was valued by NBM Capital Markets Limited using the valuation technique as disclosed in note 18.1 to the financial statements. We identified the valuation of this unlisted share investment as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the fair value.	Our audit procedures included: • assessing the competence and capabilities of the valuers; • reviewing the reasonableness of information and inputs used by the valuers; • reviewing the appropriateness of the Net asset valuation method used in the determination of the company's most significant unquoted investment; • confirming that the valuation methodologies utilised by the valuers are consistent with IFRS and industry norms; and We found that the judgements applied in determining the fair values were appropriate and that the fair values are reasonable. We checked that the fair values reported in the financial statements correspond with the values determined from the valuation exercise.

Other Information

The directors are responsible for the other information. The other information comprises: the Directors' Report, as required by the Malawi Companies Act, 2013; the Investment Policy; Fund Manager's Report and the Statement of Directors' Responsibilities 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.

Deloitte.

Chartered Accountants

Christopher Kapenda
Partner

29 March 2018

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	2017 K'000	2016 K'000
ASSETS			
Cash and cash equivalents	5	244 230	257 226
Prepaid expenses		140	140
Dividends receivable		5 130	1 229
Interest receivable		1 793	1 670
Equity investments	6	8 451 841	6 277 074
Deferred tax	10	-	48 462
Total assets		8 703 134	6 585 801
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	2 700	2 700
Share premium	7	169 550	169 550
Retained earnings	7	8 414 009	6 354 659
Total shareholders' equity		8 586 259	6 526 909
LIABILITIES			
Current liabilities			
Trade and other payables	8	78 532	56 676
Income tax payable	9	2 713	2 216
Total current liabilities		81 245	58 892
Non-current liabilities			
Deferred tax	10	35 630	-
Total liabilities		116 875	58 892
Total equity and liabilities		8 703 134	6 585 801

The financial statements of the company were approved and authorized for issue by the Board of Directors on 22 March 2018 and were signed on its behalf by:

R.E Mdeza (Chairman) **G Msiska** (Director)

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	2017 K'000	2016 K'000
Revenue			
Dividend income	11	288 878	229 212
Interest income	12	37 848	32 104
Total revenue		326 726	261 316
Expenditure			
Auditor's remuneration		(9 834)	(8 811)
Directors' remuneration - fees		(12 329)	(11 094)
- allowances		(4 808)	(4 374)
Directors' travel and accommodation		(2 761)	(3 302)
Management fees	13	(41 675)	(31 969)
Listing expenses		(17 243)	(17 045)
Transfer secretarial fees		(6 291)	(6 451)
Communication costs	14	(13 336)	(10 401)
Consultancy fees		(3 730)	(559)
Other expenses		(7 026)	(4 848)
Total expenditure		(119 033)	(98 854)
Profit before fair value gain/(loss) on equity investments		207 693	162 462
Fair value gain/(loss) on equity investments	6	2 132 568	(1 258 690)
Profit/(loss) before tax		2 340 261	(1 096 228)
Income tax (charge)/credit	9	(118 911)	25 207
Profit/(loss) for the year		2 221 350	(1 071 021)
Earnings per share (tambala)			
Basic and diluted	15	1 645	(793)

There were no items of other comprehensive income.

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Share capital K'000	Share premium K'000	Retained earnings K'000	Total K'000
At 1 January 2016	2 700	169 550	7 574 180	7 746 430
Dividends declared	-	-	(148 500)	(148 500)
Loss for the year	-	-	(1 071 021)	(1 071 021)
At 31 December 2016	2 700	169 550	6 354 659	6 526 909
At 1 January 2017	2 700	169 550	6 354 659	6 526 909
Dividends declared	-	-	(162 000)	(162 000)
Profit for the year	-	-	2 221 350	2 221 350
At 31 December 2017	2 700	169 550	8 414 009	8 586 259

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.

	2017	2016
Total dividends declared in the period (K'000)	162 000	148 500
Weighted average number of Ordinary shares in issue (thousands)	135 000	135 000
Dividend per share (Kwacha)	1.2	1.1

NATIONAL INVESTMENT TRUST PLC
STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017 K'000	2016 K'000
Cash flows from operating activities			
Dividends received		284 977	227 983
Interest received		37 725	32 996
		322 702	260 979
Operating expenditure paid		(97 177)	(91 092)
		225 525	169 887
Tax paid		(34 322)	(38 528)
Net cash generated from operating activities		191 203	131 359
Cash flows from investing activities			
Disposal of shares	6	219 682	213 163
Purchase of shares	6	(261 881)	(148 657)
Net cash (used in)/ generated by investing activities		(42 199)	64 506
Cash flows from financing activities			
Dividends paid		(162 000)	(148 500)
Net (decrease)/ increase in cash and cash equivalents		(12 996)	47 365
Cash and cash equivalents at the beginning of the period		257 226	209 861
Cash and cash equivalents at the end of period	5	244 230	257 226

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 2017.

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 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the company are set out below. The company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

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

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

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

Effective date	**Standard, Amendment or Interpretation**
	Key requirements of IFRS 9: • All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss; • With regard to the measurement of measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes In other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss; • In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit losses and changes in those expected credit losses each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and • The new general hedge accounting requirements retain the three types of hedge accounting mechanics currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

Effective date	**Standard, Amendment or Interpretation**
Annual periods beginning on or after 1 January 2018	IFRS 15 *Revenue from Contracts with Customers* IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer; • Step 2: Identify the performance obligations in the contract; • Step 3: Determine the transaction price; • Step 4: Allocate the transaction price to the performance obligations in the contract; and • Step 5: Recognise Revenue when (or as) the entity satisfies a performance obligation. Under IFRS15, an entity recognises Revenue when (or as) a performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Classifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.
Annual periods beginning on or after 1 January 2019	IFRS 16 Leases IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are aid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively.

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
	In contracts to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.
Annual reporting periods beginning on or after 1 January 2018	IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: • The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
Annual reporting periods beginning on or after 1 January 2019	IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.
Annual periods beginning on or after 1 January 2019	Prepayment Features with Negative Compensation (Amendments to IFRS 9) Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The directors anticipate that other than IFRS 9 and IFRS 15, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the company. IFRS 9 will impact the measurement of financial instruments and IFRS 15 will affect recognition of revenue. The directors are unable to quantify the impact that adoption of these Standards and Interpretations in future periods will have on the financial statements.

3. Significant accounting policies

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

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

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

(a) Financial instruments

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

(i) Fair value measurement

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

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

(ii) Identification and measurement of impairment

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

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

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

3. Significant accounting policies (Continued)

(a) Financial instruments (Continued)

(ii) Identification and measurement of impairment

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

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

(iii) Derecognition

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

(iv) Cash and cash equivalents

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

(v) Treasury bills

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

(vi) Other financial assets

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

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

(vii) Trade and other payables

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

(viii) Equity investments

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

(ix) Offsetting

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

3. Significant accounting policies (Continued)

(b) Revenue recognition

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

(c) Expenses

All expenses, including management fees are 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.

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 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.

3. Significant accounting policies (Continued)

(f) Segment reporting

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

(g) Comparatives

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

4. Determination of fair values

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

Other receivables

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

Equity investments

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

	2017 **K'000**	**2016** **K'000**
5. Cash and cash equivalents		
Call deposits	197 585	217 742
Current account deposits	46 645	39 484
Total cash and cash equivalents	244 230	257 226

The call deposits with various local banks earned interest at rates ranging from 19.00% to 25.60% (2016: from 19.00% to 29.00%).

	2017 **K'000**	**2016** **K'000**
6. Equity investments		
Cost	804 613	548 186
Cumulative adjustment to fair value	7 647 228	5 728 888
Fair value	8 451 841	6 277 074
Net increase/ (decrease) in fair value of equity investments	2 132 568	(1 258 690)

6. Equity investments (Continued)

Year ended 31 December 2016	2015 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2016 carrying amount K'000	Cost K'000
QUOTED SHARE INVESTMENTS						
Illovo Sugar (Malawi) Limited 8 107 611 (2015: 8 107 611) Ordinary shares of 2t each at MSE value of K160.00 (2015: K230.00) per share	1 864 750	-	-	(567 532)	1 297 218	33 828
Press Corporation Limited 1 314 015 (2015: 1 711 515) Ordinary shares of 1t each at MSE value of K540.00 (2015: K535.00) per share	915 661	-	(213 163)	7 071	709 569	18 307
National Bank of Malawi 5 792 373 (2015: 5 700 853) Ordinary shares of K1 each at MSE value of K237.12 (2015: K258.00) per share	1 470 820	23 327	-	(120 659)	1 373 488	65 741
Sunbird Tourism Limited 37 000 (2015: 11 000) Ordinary shares of 5t each at MSE value of K58.51 (2015: 23.00) per share	253	1 302	-	610	2 165	1 555
NICO Holdings Limited 8 413 800 (2015: 8 413 800) Ordinary shares of 20t each at MSE value of K17.00 (2015: K28.00) per share	235 586	-	-	(92 552)	143 034	5 365
First Merchant Bank Limited 1 418 792 (2015: 1 418 792) Ordinary shares of 5t each at MSE value of K17.00 (2015: K14.00) per share	19 863	-	-	4 256	24 119	13 620
MPICO Limited 15 479 954 (2015: 7 739 977) Ordinary shares of 5t each at MSE value of K7.83 (2015: K8.20) per share	63 468	60 604	-	(2 864)	121 208	79 565
Telekom Networks Malawi Limited 12 292 900 (2015: 4 263 500) Ordinary shares of 4t each at MSE value of K6.05 (2015: K6.00) per share	25 581	49 984	-	(1 193)	74 372	64 511
Standard Bank Malawi Limited 3 099 331 (2015: 3 099 331) Ordinary shares at MSE value of K500.00 (2015: K440.00) per share	1 363 705	-	-	185 960	1 549 665	28 334
Old Mutual Limited 9 196 (2015: nil) Ordinary shares at MSE value of K1 612.00 per share	-	13 440	-	1 384	14 824	13 440
NBS Bank Limited 38 006 945 (2015: 38 006 945) Ordinary Shares of 50t each at MSE value of K6.00 (2015: K23.00) per share	874 160	-	-	(646 119)	228 041	41 720
Total quoted share investments	6 833 847	148 657	(213 163)	(1 231 638)	5 537 703	365 986

6. Equity investments (Continued)

Year ended 31 December 2016	2015 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2016 carrying amount K'000	Cost K'000
UNQUOTED SHARE INVESTMENTS						
Auction Holdings Limited 45 716 970 (2015: 45 716 970) Ordinary shares of K1 each at a fair value of K1.30 (2015: K3.55) per share	162 296	-	-	(102 864)	59 432	21 944
Dairibord Malawi Limited 228 000 (2015: 228 000) Ordinary shares of K1 each at a fair value of K87.45 (2015: K127.75) per share	29 127	-	-	(9 188)	19 939	17 256
Kang'ombe Investment Limited 500 000 000 (2015: 500 000 000) Ordinary shares of K1 each at a fair value of K1.32 (2015: K1.15) per share	575 000	-	-	85 000	660 000	143 000
Total unquoted share investments	766 423	-	-	(27 052)	739 371	182 200
Total share investments	7 600 270	148 657	(213 163)	(1 258 690)	6 277 074	548 186

Year ended 31 December 2017	2016 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2017 carrying amount K'000	Cost K'000
QUOTED SHARE INVESTMENTS						
Illovo Sugar (Malawi) Plc 7 663 105 (2016: 8 107 611) Ordinary shares of 2t each at MSE value of K240.00 (2016: K160.00) per share	1 297 218	-	(102 682)	644 610	1 839 146	31 974
Press Corporation Plc 1 114 015 (2016: 1 314 015) Ordinary shares of 1t each at MSE value of K600.00 (2016: K540.00) per share	709 569	-	(117 000)	75 840	668 409	14 707
National Bank of Malawi Plc 5 792 373 (2016: 5 792 373) Ordinary shares of K1 each at MSE value of K270.08 (2016: K237.12) per share	1 373 488	-	-	190 917	1 564 405	65 741
Sunbird Tourism Plc 37 000 (2016: 37 000) Ordinary shares of 5t each at MSE value of K96.00 (2016: 58.51) per share	2 165	-	-	1 387	3 552	1 555
NICO Holdings Plc 8 413 800 (2016: 8 413 800) Ordinary shares of 20t each at MSE value of K34.00 (2016: K17.00) per share	143 034	-	-	143 035	286 069	5 365

6. Equity investments (Continued)

Year ended 31 December 2017	2016 carrying amount K'000	Additions K'000	Disposals K'000	Fair value adjustments K'000	2017 carrying amount K'000	Cost K'000
QUOTED SHARE INVESTMENTS						
First Merchant Bank Plc 3 305 368 (2016: 1 418 792) Ordinary shares of 5t each at MSE value of K67.00 (2016: K17.00) per share	24 119	73 700	-	123 640	221 459	87 320
MPICO Plc 17 013 184 (2016: 15 479 954) Ordinary shares of 5t each at MSE value of K15.61 (2016: K7.83) per share	121 208	23 865	-	120 502	265 575	103 430
Telekom Networks Malawi Plc 25 651 019 (2016: 12 292 900) Ordinary shares of 4t each at MSE value of K14.50 (2016: K6.06) per share	74 372	137 488	-	160 079	371 939	201 999
Standard Bank Malawi Plc 3 099 331 (2016: 3 099 331) Ordinary shares at MSE value of K610.00 (2016: K500.00) per share	1 549 665	-	-	340 926	1 890 591	28 334
Old Mutual Plc 24 304 (2016: 9 196) Ordinary shares at MSE value of K1 960.00 (2016: K1 612) per share	14 824	26 828	-	5 984	47 636	40 268
NBS Bank Plc 38 006 945 (2016: 38 006 945) Ordinary Shares of 50t each at MSE value of K8.50 (2016: K6.00) per share	228 041	-	-	95 019	323 060	41 720
Total quoted share investments	5 537 703	261 881	(219 682)	1 901 939	7 481 841	622 413
UNQUOTED SHARE INVESTMENTS						
Auction Holdings Limited 45 716 970 (2016: 45 716 970) Ordinary shares of K1 each at a fair value of K0.00 (2016: K1.30) per share	59 432	-	-	(59 432)	-	21 944
Dairibord Malawi Limited 228 000 (2016: 228 000) Ordinary shares of K1 each at a fair value of K0.00 (2016:K87.50) per share	19 939	-		(19 939)	-	17 256
Kang'ombe Investment Limited 500 000 000 (2016: 500 000 000) Ordinary shares of K1 each at a fair value of K1.94 (2016: K1.32) per share	660 000	-	-	310 000	970 000	143 000
Total unquoted share investments	739 371	-	-	230 629	970 000	182 200
Total share investments	6 277 074	261 881	(219 682)	2 132 568	8 451 841	804 613

6. Equity investments (Continued)

UNQUOTED SHARE INVESTMENTS

The unlisted equity investment in Kang'ombe Investment Limited was valued by NBM Capital Markets Limited. Details of the valuation technique used have been disclosed in note 18.1. The unlisted equity investments in Auction Holding Limited and Dairibord Malawi Limited were assessed for impairment and written down by NICO Asset Managers Limited, who are also the Fund managers.

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

	Percentage shareholding		Number of shares	
	2017	2016	2017	2016
Kang'ombe Investment Limited	25.0	25.0	500 000 000	500 000 000
Dairibord Malawi Limited	22.8	22.8	228 000	228 000
Auction Holdings Limited	5.0	5.0	45 716 970	45 716 970
NBS Bank Plc	1.3	5.2	38 006 945	38 006 945
Standard Bank Malawi Plc	1.3	1.3	3 099 331	3 099 331
National Bank of Malawi Plc	1.2	1.2	5 792 373	5 792 373
Illovo Sugar (Malawi) Plc	1.1	1.1	7 663 105	8 107 611
Press Corporation Plc	0.9	1.1	1 114 015	1 314 015
NICO Holdings Plc	0.8	0.8	8 413 800	8 413 800
MPICO Plc	0.7	0.7	17 013 184	15 479 954
Telekom Networks Malawi Plc	0.3	0.1	25 651 019	12 292 900
First Merchant Bank Plc	0.1	<0.1	3 305 368	1 418 792
Sunbird Tourism Plc	<0.1	<0.1	37 000	37 000
Old Mutual Plc	<0.1	<0.1	24 304	9 196

7. Capital and reserves

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

Share capital	**2017**	**2016**
	K'000	**K'000**
Authorised share capital		
150 000 000 ordinary shares of 2 tambala each	3 000	3 000
Issued and fully paid		
135 000 000 ordinary shares of 2 tambala each	2 700	2 700

Share premium

Share premium of K169.55 million (2016: 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 K8 414 million (2016: K6 355 million) are unrealized gains on the changes in fair value of equity investments held at fair value through profit or loss net of related deferred tax, totaling K7 647 million (2016: K5 729 million) which are not distributable in terms of the Companies Act and profits on investment switches totaling K620 million (2016: K406 million) which are not distributable in terms of the company's investment policy.

8. Trade and other payables

	2017 K'000	2016 K'000
Accrued expenses	36 284	20 170
Unclaimed dividends payable to shareholders	42 248	36 506
Total trade and other payables	78 532	56 676

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

9. Taxation

	2017 K'000	2016 K'000
Payable		
Opening balance	2 216	12 490
Current income tax charge	7 218	5 988
Withholding tax paid	(6)	(271)
Income tax paid	(6 715)	(15 991)
Closing balance	2 713	2 216
Charge		
Income tax	7 218	5 988
Dividend tax (note 11)	27 601	22 266
Deferred tax (note 10)	84 092	(53 461)
Total taxation charge/ (credit)	118 911	(25 207)

	%	%
Reconciliation of effective to standard rates of tax		
Standard rate	30.00	30.0
Permanent differences	(25.16)	(27.7)
Effective rate	4.84	2.3

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

10. Deferred tax

Deferred tax is calculated, in full, on all temporary differences using the enacted tax rate of 30% (2016: 30%). The movement on the deferred tax account is as follows:

	2017 K'000	2016 K'000
At beginning of the period	(48 462)	4 999
Income statement (note 9)	84 092	(53 461)
At end of the period	35 630	(48 462)
Analysed as		
Capital gains/(loss) on equity investments	35 630	(48 462)

11. Dividend income

	2017 K'000	2016 K'000
Auction Holdings Limited	-	5 000
First Merchant Bank Plc	903	284
Kang'ombe Investment Limited	53 338	72 750
MPICO Plc	1 361	-
National Bank of Malawi Plc	107 391	76 034
NICO Holdings Plc	7 572	5 048
Press Corporation Plc	21 245	13 672
Standard Bank Malawi Plc	85 851	52 937
Telekom Networks Malawi Plc	10 072	3 227
Sunbird Tourism Plc	18	9
Old Mutual Plc	1 127	251
Total dividends	288 878	229 212
Dividend tax withheld (note 9)	(27 601)	(22 266)
Net dividend income received	261 277	206 946

12. Interest income

	2017 K'000	2016 K'000
Deposits	37 848	32 085
Other income	-	19
Total interest income	37 848	32 104

13. Management fees

	2017 K'000	2016 K'000
Fee payable	35 772	27 566
Value added tax	5 903	4 403
Total management fees	41 675	31 969

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.

	2017 K'000	2016 K'000

14. Communication costs

	2017 K'000	2016 K'000
Communication costs	13 336	10 401

15. Earnings per share

Basic earnings per share
The calculation of basic earnings per share as at 31 December 2017 is based on the profit attributable to ordinary shareholders of K2 221 million (2016: loss of K1 071 million) and the weighted average number of ordinary shares in issue at 31 December 2017 of 135 000 000 (2016: 135 000 000).

	2017	2016
Profit/(loss) attributable to ordinary shareholders (K'000)	2 221 350	(1 071 021)
Weighted average number of ordinary shares in issue ('000)	135 000	135 000
Earnings per share (tambala)	1 645	(793)

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

16. Financial risk management

Categories of financial instruments

	Fair Value through profit and loss	Loans and receivables	Amortised cost	Total
31 December 2017				
Financial assets				
Cash and cash equivalents	-	244 230	-	244 230
Dividend receivable	-	5 130	-	5 130
Interest receivable	-	1 793	-	1 793
Equity investments	8 451 841	-	-	8 451 841
	8 451 841	251 153	-	8 702 994
Financial liabilities				
Trade and other payables	-	-	78 532	78 532
31 December 2016				
Financial assets				
Cash and cash equivalents	-	257 226	-	257 226
Dividend receivable	-	1 229	-	1 229
Interest receivable	-	1 670	-	1 670
Equity investments	6 277 074	-	-	6 277 074
	6 277 074	260 125	-	6 537 199
Financial liabilities				
Trade and other payables	-	-	56 676	56 676

16. Financial risk management (Continued)

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

Credit risk
Liquidity risk
Market risk

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

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

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

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

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

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

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

The company's financial instruments include investments in unlisted equity instruments, which are not traded in an organized public market and which generally may be illiquid. As a result, the company may not be able to liquidate quickly some of its investments in these instruments at an amount close to fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the financial position of any particular issuer. Unlisted investments represent 11.34% (2016: 11.4%) of the year end investment portfolio valuation.

16. Financial risk management (Continued)

Liquidity risk (Continued)

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

Compliance position as at period-end	Permitted limit	2017	2016
1. Equities			
% of portfolio invested in equities	100%	98%	96%
% of portfolio in individual listed company	40%	22%	24%
% of portfolio in individual unlisted company	10%	11%	10%
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%	12%
% of portfolio in a single property investment	10%	11%	10%
4. Cash equivalents	100%	3%	4%
5. Speculative investments	Nil	Nil	Nil

Investment in Kang'ombe Investment Limited, a property and an unlisted equity investment stood at 11% of the total portfolio as at 31 December 2017. This is due to higher revaluation gains earned on the investee company and also due to significant impairment of unlisted investments in Dairibord and Auction Holdings Limited. The value of the Kang'ombe Investment Limited therefore breached the 10% restriction.

We expect the position to regularise itself with fund growth and improved performance of the listed equity portfolio.

	Due within 1 month K'000	Total K'000	Fair value K'000
31 December 2017			
Financial liabilities			
Trade and other payables	36 284	36 284	36 284
31 December 2016			
Financial liabilities			
Trade and other payables	20 170	20 170	20 170

16. Financial risk management (Continued)

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

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

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

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

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

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 2017 of shares listed on the Malawi Stock Exchange (MSE) represents 86% (2016: 84%) of the company's total asset value. Although not directly correlated, it could be expected that the overall value of this portfolio would move broadly in line with movements in the MSE Domestic Share Index. The domestic share index at 31 December 2017 was 16 273 (2016: 10 457). An overall increase of 0.5% in share prices would have resulted in a capital gain of K37.4m (2016: K27.7m) recognized in profit or loss. An overall decrease of 0.5% in share prices would have resulted in a capital loss of identical magnitude. The small percentage has been used because the market has been relatively illiquid over the reporting period.

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

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

17. Related parties

Fund Manager
The company entered into a management agreement with NICO Asset Managers, a licensed investment/portfolio manager. Management fees for the year amounted to K41.6 million (2016: K31.9 million). Included in trade and other payables at 31 December 2017, is management fees payable of K19.3 million (2016: K11.1 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 2017, various pension funds and entities whose assets are managed by NICO Asset Managers Limited held 23 773 754 (2016: 17 236 930) shares in the company.

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

Directors' interest
As at 31 December 2017, the total direct and indirect interests of the directors and related parties thereto in the issued share capital of the company were as follows:

	Indirect	**Direct**	**Total**
R.E. Mdeza	-	95 200	95 200
G Msisha	-	100 000	100 000
T Nsamala	-	-	-
M Kadumbo	-	-	-
E Gondwe	-	-	-
M Mkandawire	-	-	-
P Nkata	-	-	-

18. Critical accounting estimates and judgments

18.1 Fair values of financial instruments

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

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

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

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

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

18. Critical accounting estimates and judgments (continued)

18.1 Fair values of financial instruments(continued)

Fair value hierarchy

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

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

	Level 1 K'000	Level 2 K'000	Level 3	Total K'000
31 December 2017				
Listed equity investments	7 481 841	-	-	7 481 841
Unlisted equity investments	-	-	970 000	970 000
	7 481 841	-	970 000	8 451 841
31 December 2016				
Listed equity investments	5 537 703	-	-	5 537 703
Unlisted equity investments	-	739 371	-	739 371
	5 537 703	739 371	-	6 277 074

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

The fair value of the unlisted equity investment in Kang'ombe Investment Limited has been arrived at on the basis of a valuation carried out by NBM Capital Markets Limited, not related to the company. NBM Capital Markets Limited, is an Investment /Portfolio Manager licensed by the Reserve Bank of Malawi, under the Financial Securities Act, 2010. The fair value was determined based on the Net Asset Value Method which estimates Kang'ombe Investment Limited's residual value of its total assets after removing liabilities. The valuation method used significant unobservable inputs in the form of forecasted net assets of the company.

18.2 Impairment of financial assets

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

18.3 Income taxes

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

19. Details of shareholders

The number of shareholders in NITL was 1 312 as at 31 December 2017 (31 December 2016: 1 318).

Analysis by number of shares held:

Number of shares held	**Number of Shareholders 2017**	**Number of Shareholders 2016**	**Total holding 2017**	**Total holding 2016**
1 – 5 000	463	466	1 144 432	1 155 847
5 001 – 10 000	240	237	2 170 872	2 146 212
10 001 – 25 000	201	208	3 579 852	3 738 668
25 001 – 50 000	156	159	6 123 713	6 208 327
50 001 – 100 000	118	120	10 291 864	10 465 567
100 001 – 200 000	55	52	8 307 214	7 893 088
200 001 – 500 000	46	42	14 219 792	13 192 644
500 001 – 1 000 000	13	12	9 267 459	8 333 959
1 000 000 – 99 999 999	20	22	79 894 802	81 865 688
Grand total	1 312	1 318	135 000 000	135 000 000

Analysis by shareholder type:

	Number of holders	**Number of shares held**	**% of total shares**
Insurance/assurance	4	1 530 677	1.13%
Non-resident companies/individuals	9	259 408	0.19%
Banks/nominees	55	33 541 682	24.85%
Investment/trusts	16	8 489 895	6.29%
Pension/provident funds	24	30 303 740	22.45%
Other resident entities	21	12 571 227	9.31%
Resident individual	1 183	48 303 371	35.78%
Total	1 312	135 000 000	100%

The largest shareholders in the company were:

	Number of shares 2017	**% of total number of shares 2017**	**Number of shares 2016**	**% of total number of shares 2016**
First Merchant Bank Plc	25 766 628	19.09	25 766 628	19.09
National Bank of Malawi Pension Fund	10 471 400	7.76	9 687 700	7.18
NICO Life Insurance Company Limited	8 420 815	6.24	8 520 815	6.31
First Merchant Bank Pension Fund	7 846 509	5.81	8 310 409	6.16
Press Trust Limited	4 795 000	3.55	4 795 000	3.55
AHL Pension Fund	4 165 403	3.09	1 891 888	1.40
National Bank of Malawi Plc	4 086 371	3.03	4 086 371	3.03
Livingstone Exports Limited	2 492 400	1.85	3 000 000	2.22

20. 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.

	2017	**2016**
Kwacha/Rand	58.4	53.3
Kwacha/US Dollar	724.0	724.0
Inflation rate (%)	7.1	20.0

As at 22 March 2018, the above noted exchange rates had moved as follows:

Kwacha/Rand	61.2
Kwacha/US Dollar	725.7
Inflation rate (%) (February 2018)	7.8

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The National Investment Trust Limited