SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

We have included summaries for the countries listed below, please click on the country name should you wish to navigate to it directly:

- Botswana
- Egypt
- Ghana
- Kenya
- Malawi
- Mauritius
- Nigeria
- Tanzania
- Zambia
- Zimbabwe

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	27-Jun-14	4-Jul-14	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	9133.50	9180.65	0.52%	-2.00%	1.41%	0.32%
Egypt	CASE 30	8070.76	8258.40	2.32%	0.34%	21.75%	18.01%
Ghana	GSE Comp Index	2352.45	2392.68	1.71%	-2.23%	11.54%	-19.15%
Ivory Coast	BRVM Composite	235.38	235.71	0.14%	-1.58%	1.59%	0.78%
Kenya	NSE 20	4834.02	4885.71	1.07%	-1.10%	-0.84%	-2.26%
Malawi	Malawi All Share	13417.47	13417.47	0.00%	-1.74%	7.07%	14.20%
Mauritius	SEMDEX	2079.24	2087.96	0.42%	-1.50%	-0.37%	-0.75%
	SEM 7	401.33	403.74	0.60%	-1.32%	0.02%	-0.36%
Namibia	Overall Index	1095.15	1132.60	3.42%	0.01%	13.60%	10.73%
Nigeria	Nigeria All Share	42187.62	43031.81	2.00%	-0.08%	4.12%	2.93%
Swaziland	All Share	284.32	284.32	0.00%	-3.29%	-0.47%	-2.99%
Tanzania	TSI	3564.00	3597.85	0.95%	-0.46%	26.53%	21.36%
Tunisia	TunIndex	4599.33	4600.13	0.02%	-2.11%	4.99%	2.21%
Zambia	LUSE All Share	6012.44	6109.72	1.62%	-2.74%	14.23%	1.29%
Zimbabwe	Industrial Index	187.08	187.44	0.19%	0.19%	-7.26%	-7.26%
	Mining Index	61.71	54.56	-11.59%	-11.59%	19.15%	19.15%

CURRENCIES

Cur-rency	27-Jun-14 Close	4-Jul-14 Close	WTD % Change	YTD % Change
BWP	8.52	8.74	2.57	1.08
EGP	6.99	7.13	1.98	3.17
GHS	1.87	3.25	4.02	37.95
CFA	472.26	480.49	1.74	0.81
KES	84.47	86.32	2.19	1.45
MWK	380.09	386.83	1.77 -	6.24
MUR	28.57	29.13	1.95	0.38
NAD	10.41	10.76	3.41	2.59
NGN	158.09	161.39	2.08	1.16
SZL	10.41	161.39	3.41	2.59
TZS	1,600.39	1,623.03	1.41	4.26
TND	1.65	1.68	2.17	2.72
ZMW	5.93	6.20	4.48	12.77

Securities Africa

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

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Egypt

Corporate News

Egypt expects a delay in the delivery of an import terminal for liquefied natural gas (LNG), a plant that is expected to help it combat the worst energy crisis in years, a source at Egyptian Natural Gas Holding Company (EGAS) said on Sunday. Egypt can export LNG but cannot import it without installing the terminal. Meanwhile, its worsening gas shortage has caused power cuts that are becoming more acute as people switch on air conditioning units against the sweltering summer heat. Egypt's oil ministry and Norway's Hoegh LNG said in May they had agreed for Egypt to use one of Hoegh's Floating Storage and Regasification Units (FSRU) for five years and that the terminal would be in place by September. "We haven't yet reached a final agreement with Hoegh. The terminal will not arrive in September as had been announced before. It will arrive in October or November," the source, who has direct knowledge of the matter, told Reuters by telephone. "It is expected that we will overcome the obstacles during a visit from a delegation of the Norwegian company next week and that we reach a final agreement," said the source, who asked to remain anonymous. He declined to explain what obstacles remained to the final agreement. Hoegh declined to comment on the schedule and referred Reuters inquiries on the issue to EGAS. Oil Minister Sherif Ismail has hinted in the past that more work needed to be done before the terminal could start operating. "The contract is not finished with the Norwegian company for the renting of the FSRU... what happened (in May) was a preliminary agreement," Ismail told Reuters this month. Gas is in short supply due to declining domestic production, forcing the government to divert gas earmarked for export to the domestic market. Egypt relies heavily on gas to generate power.

Algeria will deliver to Egypt five liquefied natural gas cargoes of 145,000 cubic metres each this year, which should go some way to alleviating the shortages. Egypt has also said in the past that it was considering gas imports from Russia's Gazprom and Gaz de France Though paying for imported natural gas is less desirable for Egypt than contracting with foreign firms to exploit domestic reserves, violent unrest since the 2011 uprising that ousted autocratic President Hosni Mubarak has hurt investor confidence. Companies have been wary of developing reserves, and the government's promises to offer more appealing terms to reassure them have not yet resulted in new contracts. *(Reuters)*

Economic News

Egypt's President Abdel Fattah al-Sisi approved a revised and tightened budget for the 2014/15 fiscal year, the Finance Ministry said on Sunday, as the first step towards a period of painful economic austerity. The budget deficit of 240 billion Egyptian pounds ($33.57 billion) will be 10 percent of gross domestic product (GDP), compared to an expected 12 percent shortfall for the 2013/14 fiscal year ending on Monday, it said in a statement. An initial budget proposal foresaw a 292 billion pound deficit for the next fiscal year, a ministry spokesman said, but Sisi rejected that last week and announced he would give up half his salary and property for the sake of the country. His comments appeared aimed at preparing public opinion for serious austerity measures, such as subsidy reductions, to allow for deeper reforms of the ailing economy. Last month, the Finance Ministry forecast growth of around 3.2 percent for the coming fiscal year, too low to create enough jobs for the rapidly growing population in this country of 86 million. Boosted by billions of dollars in aid from Gulf Arab countries after Sisi deposed Islamist president Mohamed Mursi last July, Egypt's 2013/14 budget deficit was set to shrink from some 14 percent the year before. "All non-productive expenses have been trimmed down," Finance Ministry spokesman Ayman Alkaffas said. Asked about possible cuts in Egypt's energy and food subsidies programme, which traditionally eats up around a quarter of state spending, he said he could not yet give a timeframe or a list of products that could be affected. The ministry said it would hold a news conference on the budget on Monday.

Sisi, who was inaugurated as president this month, said in his speech last week that Egypt's deficit was too large and continued borrowing would not leave "anything good" for future generations. The turmoil of the past three years, with two presidents overthrown and hundreds

of people killed in the streets, has battered the tourist industry and investment, worsening a huge unemployment problem and pushing up the budget deficit. A simple spreadsheet model of Egypt's public debt, created by Reuters in March, suggests it will be several years before the rising ratio of debt to GDP, which was 89.2 percent in the fiscal year to June 2013, levels off and starts to fall. Sisi's firm line on the deficit, combined with his pledge to give up half his salary and property, appeared designed to set him apart from Hosni Mubarak, another former military man who was overthrown in 2011 after 30 years in power. Mubarak's rule was characterised by crony capitalism, stoking public discontent that helped to fuel the uprising. But Sisi's call for Egyptians to tighten their belts may ring hollow to the millions who already struggle with multiple low-paid jobs to make ends meet. His statements to that effect seem to have alienated poorer Egyptians during the election campaign and deterred some on the poverty line from voting. *(Reuters)*

Egypt, the world's top wheat importer, has extended the period in which it purchases domestic wheat from its local harvest by 10 days to June 30 and expects to buy 4 million tonnes in total, an Agriculture Ministry source told state news agency MENA. The Supplies Ministry said last week that Egypt had bought 3.7 million tonnes of domestic wheat this year. But MENA said the Agriculture Ministry had agreed with the Supplies Ministry to extend the deadline and buy more locally. The amount of domestic wheat bought by the government during this year's harvest is far lower than its initial target of 4.4 million tonnes from local farmers. Egypt is striving to boost its self-sufficiency and reduce its 32 billion Egyptian pound ($4.5 billion) food import bill. It faces a range of challenges in increasing its domestic supply, from poor storage and transportation systems that cause waste to a lack of desire from farmers to sell more of the wheat they grow to the government. Egypt is considering removing the premium price the government pays to local farmers for their grain in a bid to claw back millions of dollars lost annually on fraudulent sales of cheap foreign wheat passed off as local crop. Egypt pays domestic farmers over $100 per tonne above the world market price for their wheat to encourage sales to the state, but this has also led to profiteering, with the proceeds split between importers, farmers and others along the supply chain. *(Reuters)*

Egypt is targeting economic growth of between 4 and 5.8 percent within the next three years while holding the budget deficit at 10 percent of economic output, Finance Minister Hany Kadry Dimian told Reuters on Wednesday. "It is expected that growth will rise gradually to between 4-5.8 percent within the next three years," he said in a text message to Reuters. That would be a marked acceleration from 2.1 percent in the fiscal year ending June 2013 and the rate above 3 percent targeted this fiscal year. New president Abdel Fattah al-Sisi has said growth should reach 7 percent by June 2018. Dimian said he expected the budget deficit to stay at around 10 percent of gross domestic product in the next three years "as we expect the additional spending on health and education will offset the effects of the annual reforms in energy (subsidies)." A 2014/15 budget announcement on Monday unveiled deep cuts in energy subsidies aimed at shrinking Egypt's budget deficit, which has swelled since a popular uprising ousted autocrat Hosni Mubarak in 2011. Elected in May, Sisi has said he aims to cut the deficit to 8.5 percent of GDP by June 2018 from 14 percent in June 2013. After three years of political turmoil including the ouster of two presidents, Cairo needs to find additional sources of revenue and curb spending on food and energy subsidies which have traditionally eaten up a quarter of state spending. As well as cutting planned energy subsidies by 40 billion Egyptian pounds ($5.59 billion) in the fiscal year that began July 1, the government has introduced new taxes including a temporary 5 percent tax on the wealthy over three years. Spending on health is due to increase by 22.7 percent to 51.7 billion pounds this year, and education spending by 13.3 percent to 105.3 billion pounds, as the government seeks to fulfill social justice pledges written into the newly approved constitution. Egypt has received billions of dollars in grants, loans and petroleum products from Saudi Arabia, the United Arab Emirates and Kuwait since former army chief Sisi overthrew President Mohamed Mursi in July following mass protests against his rule. *(Reuters)*

Egypt's Planning Minister Ashraf al-Arabi said on Wednesday the government was about to raise prices on most petroleum products, a move he said would push inflation into double digits. "We will raise energy prices within days," he told Aswat Masriya, a news website sponsored by the Thomson Reuters Foundation. He said the increase would apply to gasoline, diesel, heavy fuel oil mazut and gas feedstock for factories but not cooking gas. He said electricity prices would go up for the heaviest consumers. Arabi did not specify the size of the increases but said they would produce a "shock" in the price of other goods and services. "The government expects to be in the double digits," he said. Urban consumer prices are up 8.2 percent year-on-year, according to government figures published in May. Raising energy prices by cutting subsidies could be the first test for new President Abdel Fattah al-Sisi, who must improve state finances and revive an

economy battered by more than three years of political turmoil. Sisi, who ousted elected President Mohamed Mursi last July following mass protests against his rule, took office last month. He has called on Egyptians to tighten their belts and make sacrifices to get the country back on its feet. Prime Minister Ibrahim Mehleb said on Wednesday a date had not been set for raising energy prices but could be announced "very soon", in comments reported by state news agency MENA.

Egypt's cash-strapped government spent 144 billion Egyptian pounds ($20 billion), or around a fifth of its budget, on energy subsidies in the fiscal year that ended on June 30. Artificially low prices - among the lowest in the world - provide little incentive to curb consumption, despite a fuel supply crisis in the most populous Arab state that causes daily blackouts. Egypt announced this week 40 billion pounds' worth of cuts in energy subsidies in its budget for the 2014/15 fiscal year which began on Tuesday. Finance Minister Hany Dimian said at a news conference about the new budget on Monday that there was no timeline for petroleum price increases. The subsidies, in place for decades, drain foreign currency that could instead be used to pay off debts to foreign energy companies and improve payment terms to encourage investment. Cuts could prove unpopular with many ordinary Egyptians struggling to make ends meet, particularly amid the summer heat and during the month of Ramadan, when observant Muslims fast from dawn until dusk. The availability of inexpensive fuel, along with food, is a powderkeg issue in Egypt. A cut in bread subsidies in 1977 ignited riots against President Anwar Sadat. People power has helped topple two presidents since 2011. Successive governments have called for subsidy reform, but none have dared impose big price rises for fear of unrest. *(Reuters)*

Egypt is finalising the details of a long-awaited unified licence for both mobile and landline telecommunications, its telecoms minister said on Wednesday, after the announced activation date of June 30 passed without implementation. "We are in the last stage to complete the details relating to the unified licence and the steps to create the unified entity," Atef Helmy told Reuters in a text message, without giving further details. The licence would allow telecoms firms to operate fixed-line and mobile networks, and therefore open the way for Egypt's fixed-line monopoly Telecom Egypt to offer mobile services. Egypt's three existing mobile service providers, Vodafone Egypt, Mobinil and Etisalat Egypt, have been eating away at Telecom Egypt's fixed-line services as more Egyptians opt to use mobile phones and the internet instead. Telecom Egypt has been relying on its data business to boost revenue and has been waiting to launch a new mobile operation that would complement its existing joint venture with Vodafone and rival the sector's two other players. In May, Telecom Egypt agreed to pay 2.5 billion Egyptian pounds ($350 million) for a mobile licence. *(Reuters)*

Business activity in Egypt grew in June after three months of contraction, a survey showed on Thursday, a tentative sign the economy may be picking up after elections that catapulted former army chief Abdel Fattah al-Sisi into the presidency. Egypt's economy has been hit by more than three years of political and economic turmoil after the 2011 uprising that toppled Hosni Mubarak after 30 years in power. The government is walking a fine line in trying to boost revenues and cut the deficit while attracting investors. The HSBC Egypt Purchasing Managers Index (PMI) for the non-oil private sector stood at 51.5 points in June, reaching a six-month high and rising from 48.7 in May. Readings above 50 indicate expansion, while those below 50 point to contraction. The index had been below 50 for 13 months through October. "It would be dangerous to read too much into a single month's data, but the June readings provide the first concrete signs that political stabilisation may finally be opening the way for an improvement in economic performance," said Simon Williams, Chief Economist for the Middle East at HSBC. "The positive readings for output, new orders and purchases all point to a pick up in demand and in sentiment. The gains in salaries also suggest that the labour market may have finally started to turn." Egypt announced cuts in energy subsidies in its revised budget for the 2014/15 fiscal year that started on Tuesday, to help narrow a deficit which is seen contracting slightly to 10 percent of gross domestic product.

The government expects the economy to grow by more than 3 percent in 2014/15, after around 2 percent growth seen for the fiscal year which ended this week. Egypt is targeting economic growth of up to 5.8 percent in the next three years with the deficit staying around 10 percent. The PMI survey of around 350 private-sector firms showed output expanded for the first time since March, with the related subindex up at 52.3 points in June from 47.5 a month earlier. The subindex for new orders also hit 52.3 points, up from 48.5 points in May. New export orders expanded for the first time in five months, with the subindex at 51.9 points compared with May's 47.0 points. Businesses cut staff in June at a slower pace than in May. Output prices fell with that subindex at 49.5 points, broadly in line with May's figures. Input

prices rose again with the index at 59.3 points, squeezing company margins faster than in May when it stood at 56.5 points. *(Reuters)*

Egypt's electricity prices began to rise this month under a plan to eliminate power subsidies within five years, the electricity minister said on Thursday, as the government seeks to cut a gaping deficit and reduce its reliance on Gulf states' aid. The plan will see electricity prices double over the five- year period, but the introduction of a more progressive pricing structure aims to reduce the burden on the poor in a country where one in four live on less than $2 a day. Artificially low prices for energy - among the lowest in the world - mean government appeals to conserve electricity have gone unheeded, while a gas supply crunch has caused daily blackouts across the country. Electricity Minister Mohamed Shaker said the average price for a kilowatt hour would reach almost 0.51 Egyptian pounds ($0.07) after gradual increases over five years, according to the state news agency. It is currently around 0.23 pounds. The move was a first step by new President Abdel Fattah al-Sisi's government in what is expected to be a range of politically sensitive reforms to a subsidies program that also includes fuel, transport, food and agriculture.

The state is trying to repair its finances, battered by more than three years of political turmoil, without provoking a backlash from Egyptians, who have helped topple two presidents since 2011 but have yet to see improvements in living standards. Prices of gasoline, diesel, fuel oil and some other fuels as well as gas feedstock for factories are also expected to rise in days, Planning Minister Ashraf al-Arabi said on Wednesday, without specifying the extent of the increase. The government has not set a date for other energy price increases, but lines at some Cairo petrol stations in recent days suggested residents were beginning to stockpile supplies before the expected price increase. The oil ministry urged Egyptians to refrain from hoarding gasoline and accused some of trying to create an apparent shortage in order to profit through a black market for fuel. Carrying out the announced subsidy cuts will be the government's next challenge, said Simon Williams, chief economist for the Middle East at HSBC.

"In and of itself, [the announcement] won't make a major difference," he told Reuters. "But policy is all about momentum and direction, and what we are seeing at the moment suggests the new government is serious about reform." Egyptian businessmen and foreign investors have regularly cited subsidies reform as a key obstacle to winning back investments to the most populous Arab state. Egypt's cash-strapped government plans to spend about 127 billion Egyptian pounds ($18 billion), or around 16 percent of its budget, on petroleum and electricity subsidies in the 2014/15 fiscal year. Shaker said the reform plan would enable the government to start turning a profit from electricity within five years. The state currently sells electricity for less than half its production cost. "The step to revise the structure of electricity prices was taken considering that the electricity sector suffers from financial paralysis," an electricity ministry statement said. It said the high costs of subsidized power had caused neglect of maintenance work and badly needed increases to the grid's capacity. Egypt needs to find at least $5 billion to invest in its dilapidated power grid, a government official told Reuters in April. *(Reuters)*

Ghana

Corporate News

Stanbic bank, the biggest Bank in Africa and one of the fastest growing banks in Ghana has launched a "Diaspora Mortgage", the first of its kind specially designed for Ghanaians living abroad in London. The new product offers lower interest rates, greater flexibility, and a safer and secure investment opportunity and a more cost effective means of keeping up with mortgage repayments. Speaking at the launch, Ms Anna Owusu-Sekyere, Home Loans Officer at the bank said, the product has been designed after a careful study of other products on the market. She said the Stanbic Diaspora Mortgage can be used for home completion, building of a new home, equity release and for buy-to-let purposes. Further she explained that, the product has no cap on how much an individual can borrow provided their income can support the repayments and can be tailored to meet individual circumstances with the possibility of the bank providing up to 90% mortgage in some cases. Also because of the problems most Ghanaians abroad go through in getting qualified and certified contractors to build their homes for them, our bank works closely with accredited contractors and architects to undertake the building projects ensuring a complete and total peace of mind for the our customers. – Anna said. Also launched at the same event is the Stanbic Heartland Accounts which offers a suite of banking products to cater for Ghanaians living and working abroad.

The account offer a full set of products that allow individuals to send money quickly back home to relatives, manage their money in Ghana, save to build new home or for your children's education, amongst other things. The accounts can be held in Ghanaian Cedis, USD, EUR, GBP and ZAR. For the Heartland Accounts Customers the bank gives access to a Customer Care Center, full internet banking facilities, and a personal touch through an Executive Banker Service whose duties are to assist the account holders and make their banking experience very convenient and easy. Speaking at the same event, Mr. Alhassan Andani the Chief Executive of the bank appealed to Ghanaians in the Diaspora to take advantage of the facility the bank has put in place and invest in Ghana. Making reference to the first set of estates that were sold by Parakou Estate in 1984 for 4.5million cedis, (GH4, 500.00), he said today those same houses are going for over GH250, 000.00 on the market. He further said the housing market in Ghana appreciates between 14 to 20% annually which provides a good return in investment. He said some companies such as the African development Bank which wanted to relocate to Ghana during the Ivorian crises could not do so because they couldn't find accommodation for their workers. The event which was coordinated by the Ghana High Commission, UK and held at the premises of the commission's High-gate offices was chaired by the High Commissioner of Ghana to the UK His Excellency Emmanuel Victor Smith. *(Ghana Web)*

The Ghana Stock Exchange (GSE) in 2013 delivered a sterling performance to be the second best Stock market in Africa after Malawi, both in local currency and dollar terms. The GES Composite Index, which measures the performance of the entire market, went up by 78.81 per cent, which is obviously one of the best in Africa. Dr Sam Mensah, Chairman of the Council of GSE, who disclosed this at the 24th Annual General Meeting in Accra on Thursday, said the success was possible notwithstanding recent global economic challenges. He explained that in United States dollar terms, it went up by 55 per cent, placing second only to Malawi in Africa. The meeting was, among other things, to review the performance of the Exchange and approve remuneration for Council Members and the Auditors. Dr Mensah said the exceptional performance of the Exchange was sustained largely by increased investor awareness, and good operating results of many of the listed companies supported by the renewed investor confidence in the Ghanaian market. Again, the buoyant market performance also impacted positively on the Exchange's bottom line and the Group which is made up of the Exchange itself and its wholly-owned subsidiary; the GSE Securities Depository, recording a surplus after tax of GH¢ 1.23 million compared with GH¢ 0.42 million in 2012. The volume of shares traded for 2013 stood at 313 million shares valued at GH¢ 456.14 million, representing 43 per cent and 355 per cent over the volume and value of 218 million shares, while GH¢ 102.2 million was recorded in 2012.

He said the Market capitalisation of listed securities at the end of December 2013 was GH¢ 61.16 billion compared to GH¢ 57.26 billion around the same period in 2012. On the business outlook, Dr Mensah said the GSE in the year under review, signed a merger agreement to merge the GSE Securities Depository Limited with the Bank of Ghana's Central Securities Depository, effective January 2014. He said there

was also a secondary listing of Government of Ghana's 10 year second Eurobond of 1 billion dollars in August 2013 and the GH¢ 101.57 million 17.5 per cent seven year bond, both for the same time. Dr Mensah explained that on the integration of the West African Markets, the various technical committees were held in Ghana, Cote D'Ivoire and Nigeria to develop the required technical framework for the trading and settlement infrastructure as well as the legal frameworks needed. He indicated that harmonisation of listing, trading and settlement rules among member countries was essential for the integration efforts of the sub-region. *(Ghana Web)*

In order to bring critical, life saving information within the reach of its subscribers across the country, Glo Mobile has introduced a value-adding service, Medicare on its network. The SMS-based service, which was launched in Accra yesterday, is targeted at those who need useful information and tips on key medical and life-enhancing conditions on the go. The information has been tailored to address prevailing health challenges common today. The service will be free for the first one month but will attract a monthly subscription fee of GHc 1 thereafter. "Glo's Medicare will help subscribers access diverse information that helps improve healthy lifestyles and promote better health management among our subscribers", said Mr Akeem Kazeem, the Head of Business of at Glo Mobile Ghana.

Mr Kazeem said the introduction of Medicare has been inspired by the belief that if people have the right kind of information, they can easily handle most health challenges they encounter in their daily lives. "Unlike decades ago, a greater number of younger people are being diagnosed with cancer, diabetes, hypertension, high Cholesterol and many other diseases which in turn lead to death. Lifestyles including food, mental health, and hormonal imbalance have to be corrected to avoid such risks. "Our Medicare service helps you out by providing easy tips to diagnose and prevent the risk of some of the life threatening diseases. This service is available for Glo subscribers all over the country across 19 health related categories, like Diabetes, Hypertension, Cholesterol, Pregnancy, Malaria etc and subscribers can register for one or more of these categories to receive a host of medical and health related tips on symptoms, diets, exercises etc", Kazeem added. Each category has a keyword and, customers can subscribe by sending the corresponding keyword as a text message or USSD call to the toll free number 34001. To know all the categories available for subscription, all a subscriber needs to do is to text the keyword, MENU to 34001. The subscription is priced at GHc1 per month and valid for for 30 days, during which period, 2 tips daily per any chosen category are sent via SMS. *(Ghana Web)*

Subah Infosolutions Limited and Gijima of South Africa two companies who are the subject of separate official investigations in their respective countries over their handling of government contracts have been controversially shortlisted by the Ministry of Communications to monitor international call data into Ghana a contract worth millions of dollars. The Center for Investigative Reporting Ghana (CIRGHA) has gathered that the embattled companies which are both associated with the Jospong Group of Companies are in pole position to win the bid to manage the $40m Ghana international gateway project called the consolidated international gateway project management (CIGPM). The CIGPM serves as a consolidated telephone clearing house for all in-bound international calls and if well monitored could lead to a significant reduction of fraud in the operations of the international gateway system. The other companies on the shortlist are the Seychelles based, Global Voices Group and Africwaves Ghana Limited. Global Voices Group whose running contract to manage the CIGPM ends in 2015 was acquired for $9m by Subah Infosolutions in a deal financed by Stanbic Bank in 2013, Cirgha has gathered.

Subah was recently fingered as the beneficiary of a $30m payment said to be its fee for the monitoring of domestic call data, a payment which has aroused a lot of suspicion from industry stakeholders, civil society and anti-corruption agencies in Ghana. Gijima on the other hand is currently being investigated by South Africa's elite investigative unit over its failure to execute government contracts running into millions of dollars. Gijima is owned by Robert Gumede, a major funder of the ruling ANC and one of the richest black entrepreneurs in South Africa. The Jospong Group of Companies of which Subah is a subsidiary also has a tripartite business relationship with Gijima (a subsidiary of the Guma Group of Companies) and another South African company called Scaw Metals. As recent as March this year, the 3 companies signed a $40m deal to build a steel factory in Ghana's industrial hub of Tema. Newspaper articles corroborated by our contacts in South Africa have confirmed that the probe of Gijima was authorized by President Jacob Zuma. Our contacts further confirmed that Zuma signed the order for the Special Investigative Unit to probe the tendering process that led to the award of a multi-million dollar contract to Gijima.

The SIU which is similar to Ghana's Economic and Organised Crime Office (Office) will investigate the R360 million contract that Gijima has failed to complete despite being paid millions of Rand by South Africa's Department of Home Affairs or the Ministry of Interior in Ghana. According to our contacts this is the second time Gijima has botched a major IT contract. In 2011, the company settled out of court with the Department of Home Affairs after it failed to deliver the R2.3 billion Who Am I Online project, an online registration system, by the mutually agreed timelines. By cancelling the contract with Gijima, the Department claimed it saved R2bn. At the centre of the row, the Sunday Independent claims was escalating project costs which saw the initial figure for the tender rising from an initial R2.4bn to a total of R4.5bn. The department cancelled the contract after it realized that the company would not be able to deliver the system before the start of the 2010 World Cup as had been envisaged, CIRGHA gathered. Another contract to convert 500 million pages of deeds records in the department's deeds offices across the country into micro films has been in limbo since it was awarded in 2010.

The e-Cadastre system is not functional despite South Africa's department of Home Affairs doling out millions of rand to Gijima and its subcontractors. Gijima and one of its subcontractors, Anderson Scanning Technologies (AST) are currently engaged in a court battle to determine who is to be blamed for the current state of affairs regarding the execution of the contract. South Africa's Sunday Independent reported last year that AST, which was subcontracted by Gijima in 2011, has in court papers described the project as a failure. The department's annual report stated that irregular expenditure of more than R4m was incurred for services rendered on the said contract because human resources and supply chain management processes were not followed. Over R31.8m paid to Gijima was also considered irregular due to these processes which were not followed. In 2012, Gijima welcomed Public Protector Thuli Madonsela's separate investigation into the Home Affairs contract, saying it was confident nothing would come out of it because it had done nothing untoward. According to the Sunday Independent of South Africa, Zuma has signed over 30 proclamations authorizing the SIU to investigate corruption in the three arms of government. According to the proclamations issued by President Zuma, the SIU is supposed to investigate fraud, theft, corruption or maladministration in the affairs of the department in relation to the lodging of deeds on the Deeds Registration System of the Pretoria, Cape Town and Bloemfontein deed registries. It is also tasked with probing the procurement of and contracting for the ICT systems and projects, which include the e-Cadastre system. The SIU is also expected to investigate unauthorized, irregular and wasteful expenditure as a result of payments made to the service providers for the ICT systems, CIRGHA can confirm. *(Ghana Web)*

Economic News

The Armajaro – Ecom Agroindustrial Corporation Limited will inject US$26 million into the cocoa industry within the next three years. Teddy Esteve the CEO has hinted. The amount will seek to primarily provide sustainable livelihood to the farming communities particularly at the cocoa growing areas across the country. About 70% of the amount will be used to provide Village Resource Centres for rural schools, construct borehole water projects mostly at cocoa growing areas and provide training for farmers. Mr Esteve announced this during a farmer durbar organised by Armajaro – Ecom Agroindustrial Corporation Limited at Sankore in the Brong Ahafo Region. The purpose of the durbar was to honour the hard working farmers who have made a commitment to ensure the production of sustainable cocoa in Ghana. Last month a total of GH¢ 4.5 million was paid to 46, 000 farmers for the supply of sustainable cocoa during the first half of 2013/2014 cocoa season which translates into a premium of GH¢10.00 per bag. The move is another demonstration of commitment by Armajaro and its partners to improve the livelihood of cocoa farmers in Ghana. At the durbar, a total of GH¢120,000 was paid to over 700 farmers who have been trained and supplied Tray fermented cocoa. Over the past five years, the Company through a partnership with Ghana Cocoa Board and Chocolate manufacturers through Source Trust invested over $5m in various farm improvement and rural livelihood projects across the cocoa producing regions of Ghana. Some of these projects include seventy five Village Resource Centres for rural schools. Village Resource Centres (VRCs) are pre-designed and fully furnished community learning centres. This is a twenty by eight footer container fitted with computers, generator, fixed desk and chairs with internet access. Other projects include provision of nurseries which supply farmers with

improved hybrid seedlings as well as the provision of input on credit to farmers through Commodity Management Services (CMS) a division of Armajaro.

About 50,000 farmers have also undergone training and extension as part of the project. 50,000 long lasting insecticide treated mosquito bed nets have also been distributed to farmers in all traceable cocoa districts in Ghana through consultation with Malaria No More UK and the provision of 150 boreholes to the farming communities. One of the latest innovations of the Company is its farming mapping and bar-coding system which is aimed at helping farmers to make informed decisions about the management of their farms. Armajaro is a leading Cocoa Buyer and external trader and one of the pioneers in the production of sustainable cocoa. Armajaro has recently been acquired by ECOM Agroindustrial Corporation Limited. Source Trust, created by Armajaro Trading Limited, London, is a nonprofit organisation that aims to improve farmer yields through the delivery of projects that develop farmer business knowledge and skills. *(Ghana Web)*

Ghana's biggest mutual fund is buying debt in the West African nation for the first time since 2011 as accelerating inflation drives up Treasury bill yields. "With the cedi falling and inflation rising, fixed income has become the safest way to cushion your funds," Nii Ampa-Sowa, 34, who helps manage the equivalent of $232 million as chief investment officer at Databank Asset Management Services Ltd., said in an interview in the capital, Accra, yesterday. "Coupled with that is the fact that the Ghanaian stock market is not doing well." With stocks in West Africa's second-biggest economy headed for the lowest returns in three years, Databank is being enticed by investments pegged to Treasury bills, which are paying the highest yields since December 2009. Inflation at a four-year high is being fueled by a 29 percent slide in the Ghanaian currency, the cedi, against the dollar this year, the most among 24 African currencies monitored by Bloomberg. Epack, the largest mutual fund operated by Databank, put 4 percent of its 130 million cedis ($39 million) in local fixed income in the first five months of 2014, and may increase that to 7 percent by year-end, according to Ampa-Sowa. The fund, named for the initials of its first five investors, bought three-year bonds in HFC Bank Ghana Ltd., an Accra-based bank, and fixed deposits priced off bills offered by local lenders that don't have commercial banking licenses, he said, declining to be more specific.

Inflation accelerated to 14.8 percent in May from 11 percent a year earlier, the statistics office said June 11. Rates on 91-day bills jumped 487 basis points this year to 24.09 percent at a June 27 auction, as central bank Governor Kofi Wampah increased borrowing to plug the widening budget deficit. That's the biggest increase among 31 African nations, according to data compiled by Bloomberg. Epack has 64 percent of its assets invested in 10 African markets, including stocks in Nigeria, Kenya and Mauritius. Twenty-five percent is in Ghanaian stocks, with the balance in cash and fixed income, Ampa-Sowa said. The fund returned 27 percent this year through May and 83 percent in 2013, the third-best performance among 34 local peers, according to the nation's Securities and Exchange Commission. Ghana's 35-member (GGSECI) GSE Composite Index of stocks gained 11 percent this year after surging 79 percent last year and 24 percent in 2012. Benchmark 91 -day bills returned 25 percent this year, according to data compiled by Bloomberg.

While local investors are buying the nation's debt, foreigners have been deterred by the weakening currency, irrespective of rules that restrict overseas investors to participate only in auctions of securities maturing in three years or more. The cedi weakened 3.1 percent to 3.3851 per dollar as of 7:05 a.m. in Accra. "It's hard to paint a persuasive case to buy anything locally in fixed income," Stuart Culverhouse, the global head of research at Exotix Partners LLP in London, said by phone June 20. "The currency is falling rather rapidly and the government doesn't seem to have any ability to control the descent or to implement any policies that will arrest it." Moody's Investors Service cut Ghana's credit rating one step to B2 on June 28, five levels below investment grade, citing a budget gap it estimated will exceed 10 percent of gross domestic product for a third year.

The Bank of Ghana financed the government's entire budget shortfall of 2.1 percent of GDP, or about 2 billion cedis, in the first quarter, Grace Akrofi, the institution's head of research, said June 11 in Accra. Governor Wampah will give an update on the bank's financing of the deficit on July 9, Johnson Asiama, head of economic analysis and the monetary policy coordinating committee, said in a June 29 response to e-mailed questions from Accra. EDC Ghana Balanced Fund, a unit of Lome, Togo-based Ecobank Transnational Inc. (ETI), Africa's most geographically diverse lender, is also boosting debt holdings, said Frederick Duvor, amoney manager at the company, which has 21.3 million

cedis in assets. Of the funds in fixed income, 22 percent is in notes maturing in more than two years, he said. The rest is in securities due in less than a year, with the bulk in 91-day bills. Duvor predicts returns of as much as 27 percent from bonds and 20 percent from stocks. He's buying banks and reducing stakes in manufacturing companies that depend on imports and may be hurt by the cedi's slide. "Once the cedi is depreciating, inflation is driven up, Treasury bill yields are forced up and that goes against the stock market," he said. "You're better off shifting your assets towards being heavily weighted in fixed income." *(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Kenya

Corporate News

Financial services firm Britam is buying the entire Equity Bank stake in mortgage firm Housing Finance (HF) in a deal valued at Sh2.2 billion. Britam on Monday served HF's board with a takeover notice that, if accepted, would see Equity end its seven-year investment in the mortgage financier with a return of more than 500 per cent. The deal is in line with Britam's new-found deal-making ways that have recently seen it spend more than Sh1.6 billion in two acquisitions. Equity's disposal of its 24.76 per cent stake in HF is seen as driven by the new stringent rules that effectively curtailed the lender's ambitious plans for the mortgage firm. But keen observers of Equity's plans also said the bank could be preparing to go big on home loans, making it imperative to exit HF – a potential direct competitor. Britam said in a Press notice that it had served HF directors with the notice of its intention to acquire the 24.76 of the issued share capital of the company from Equity. Britam holds a 10.1 per cent stake in Equity and already has a 21.46 per cent stake in HF, meaning the impending deal could push its ownership of the mortgage firm to 46 per cent.

Equity first bought into HF in July 2007 when it teamed up with Britam to acquire CDC Group Plc's 24.99 per cent stake in a deal that saw the lender pay Sh433 million for its stake (20.17 per cent). The two partners increased their stakes the next year when HF made a rights issue at the ratio of one-for-one in a cash call that the government and the National Social Security Fund (NSSF) skipped. This saw Equity's stake in HF rise to the current level, with Britam's jumping to 21.46 per cent. The twin transactions have overtime proved lucrative for the two institutions with Equity's stake surging to the current market value of Sh2.2 billion based on HF's share price of Sh42.75. This means that Equity stands to harvest a return of more than 500 per cent, including dividends that the lender has been receiving from HF over the years. The share has gained 64.3 per cent over the past year, making it the best performing bank on the Nairobi bourse over the period. Equity has gained 44 per cent in the period, KCB (35.1 per cent), Standard Chartered (10.7 per cent) and Barclays Bank (6.39 per cent). The finer details of the transaction will be revealed later but acquisitions of major stakes in publicly traded firms have traditionally featured a premium over the ruling market price. Equity's CEO James Mwangi has previously said that the bank did not buy into HF to receive a dividend but as part of a wider scheme to build a financial services empire that is present in all lending segments, including mortgages. That plan has, however, recently faced regulatory challenges with new the Central Bank of Kenya (CBK) rules requiring banks to loosen their grip on financial institutions that are not their subsidiaries.

The new rules left Equity with the option of taking majority ownership in HF to realise its ambitions that would have included control of the mortgage firm's board and management or exiting. Even as it is, Equity's directorships in HF have caught the attention of the regulator as the mortgage firm is seen as lacking adequate number of independent directors. HF recently appointed HR expert Gladys Ogallo as it moves to comply with the new corporate governance laws aimed at protecting the interest of small investors in public firms. Ms Ogallo is the sole female director on Housing Finance's eight-member board which is dominated by representatives of its principal shareholders including the NSSF, Britam and Equity. The CBK gave the lenders until last month to ensure that at least a third of board seats are held by independent directors. The banking regulator defines an independent director as a board member who is not a direct or indirect representative of the principal shareholders, has not worked in the bank as an executive for the past five years and has not had any business relationships with the institution for the same period. HF needs to recruit two more independent directors given that it has opted not to replace its current board members. Significant suppliers of the lenders or relatives of senior managers and those with a direct or indirect shareholding of more than five per cent in the appointing banks are also not considered independent.

Representatives of Equity and Britam have dominated the board of the home loans provider since they bought stakes in it seven years ago. Equity directors Peter Munga, David Ansel, Shem Migot-Adholla and Benson Wairegi (the CEO of Britam) sit on the board of HF. The NSSF is represented by its chairman, Adan Mohamed. This left the firm's chairperson, Steve Mainda, as the sole independent director. The new regulations on independent directors are aimed at reducing the influence of principal shareholders on the boards as well as safeguarding the interests of minority investors whose power in the key decision-making organs has declined. Ms Ogallo has previously served as head of HR

at telecommunication firm MTN Business. HF, like most Kenyan firms, has suffered from under-representation of women in the boardroom. In 2010, Nancy Sabana was ousted as HF's director alongside Naftali Mogere and Kung'u Gatabaki, the former chairman of the Capital Markets Authority, following a board coup engineered by Equity Bank and Britam — both had just acquired significant shares in the mortgage provider. The exit from HF comes as Equity is preparing to launch its own mobile money services in partnership with Airtel, with the lender seeking to leverage its large retail presence to gain market share in a field dominated by Safaricom. For Britam, the bid to raise its stake in HF marks its latest expansion spree that has seen it take a 25 per cent stake in property development firm Acorn Group for an estimated Sh300 million. The company has also finalised its 99 per cent takeover of Real Insurance in a cash-and-stock deal worth Sh1.3 billion. Britam is in the market seeking to raise Sh6 billion through a corporate bond whose proceeds will be used to fund the buyout of Equity's stake in HF among other investments.*(Business Daily)*

Kenya's largest sugar miller Mumias has put more senior employees on notice after sacking the company secretary, Emily Otieno, for allegedly aiding illegal imports. Ms Otieno was sent packing on Friday bringing to two the number of senior staff of the sugar company that have been sacked in connection with the malpractice, including former chief executive Peter Kebati. "Emily Otieno was sacked on Friday after she was implicated in the illegal sugar imports," said Mumias Sugar marketing and communications director Margret Makhungu in an interview yesterday with the Business Daily. The employees are accused of importing cheap sugar and re-packaging it in Mumias Sugar bags before releasing it for sale in the market. The illegal imports are thought to have cost Mumias at least Sh1.1 billion in lost sales. "The sackings were based on recommendations of audit firm KPMG's report which had been contracted to conduct the investigations," added Ms Makhungu. "We expect more sacking in the coming days as the company plans restructuring the whole management team." The report also accuses the sacked officials for acting contrary to the board's directive and without its approval not following due process.

The KPMG report also accused the two senior managers of supporting shipment of cheap sugar from Sudan. Sources at the company said the commercial director Paul Murgor who had earlier been suspended alongside Mr. Kebati had been pardoned pending further investigations. Mumias Sugar acting chief executive Coutts Otolo could not be reached for comment as his phone went unanswered. Mumias Sugar chairman Dan Ameyo did not also respond to our queries. Earlier, he had said the sackings of Mr. Kebati and Mr. Murgor would help streamline the company's management and restore its reputation. Mr. Murgor and Mr. Kebati had earlier been suspended for two months pending investigations into their conduct. Mr. Kebati has so far refuted claims of his involvement in illegal imports.

Cement maker ARM has taken full control of Rwandese company Kigali Cement, giving the fast-expanding manufacturer a stronger foothold in East Africa's fourth largest economy. ARM Cement, which already owned 35 per cent of Kigali Cement, revealed in its newly released annual report that it has bought out shareholders who previously held a combined 65 per cent stake in the Rwandese manufacturer. The transaction giving ARM full control of Kigali Cement was finalised in April. "We finally acquired a 100 per cent equity stake and full control of our Rwanda grinding plant, and are now planning to increase capacity and market share through our Rhino Cement brand," says ARM chairman Rick Ashley in the report. ARM chief executive Pradeep Paunrana declined to disclose the acquisition cost, which is estimated at more than Sh106 million going by Kigali Cement's net asset value. The Kenyan cement firm says the acquisition is part of its ongoing expansion plans, hinting at increased investments in the subsidiary to grow sales in Rwanda and the neighbouring markets of Burundi and the Democratic Republic of Congo. The Nairobi Securities Exchange-listed firm first bought into Kigali Cement in 2011 when it took a 35 per cent stake, making it the single largest shareholder in the subsidiary. This saw it take control of the company's board and management but it still had to deal with a large non-controlling interest in the form of the co-investors who held the combined 65 per cent stake. The full acquisition means ARM will now have unfettered strategic control over the subsidiary, booking its entire future earnings. Kigali Cement has a production capacity of 100,000 tonnes per annum and this level is set to rise with ARM's planned investments in the company. The subsidiary's net assets stood at Sh163.5 million last year, having dropped 8.6 per cent from Sh179 million in 2012.

ARM said it is expanding its cement production and distribution network in the region where it is seeking to ride on low-cost operations to grow sales and margins in an increasingly competitive field defined by rising surpluses. "We continue to further increase our market presence in Kenya, Tanzania and Rwanda, and to complete ongoing projects. We are also focusing our attention on new locations within the

region, for building a new clinker-based cement plant," said Mr Ashley. ARM is set to commission its Tanga plant, which has a capacity to produce 1.2 million tonnes of cement per year, by the fourth quarter when it is expected to start contributing to the group's earnings. ARM is also set to start construction of its $300 million (Sh26 billion) Kitui factory in October, with a daily output capacity of 8,000 tonnes. Mr Paunrana said the company has opened talks with a number of banks to finance the project. "We are in discussions with banks. It is still early and the actual amount to be raised will become clear soon," he said. ARM had earlier explored the possibility of using a mix of options to raise the capital outlay, including cash flow from operations, a corporate bond and a rights issue. *(Business Daily)*

Nigerian tycoon Aliko Dangote has doubled the estimated production capacity for his upcoming cement factory in Kenya, pointing to a looming shake up of the market that could see a drop or further stagnation of prices. Dangote Cement, which already has a license to prospect for limestone in Kitui, says it has revised the upcoming factory's annual production capacity to three million tonnes from the previous 1.5 million tonnes. The company owned by the multi-billionaire Nigerian, who is ranked among Africa's wealthiest businessmen, is also constructing major cement plants in Ethiopia, Tanzania, and Zambia; pointing to a bruising market share battle once production starts.
READ: Dangote entry to stir up East African cement market "We are reviewing plans for Kenya with a view to increasing the scale of our proposed factory from 1.5 million tonnes per annum (MTA) to 3MTA," Dangote says in a trading update report for the first quarter of the year. Dangote's upcoming plants in Kenya, Tanzania, and Ethiopia will give it a total capacity of 8.5MTA, putting it ahead of Kenya's Bamburi and Uganda's Tororo that currently have capacities of 3.1MTA each. Kenya's biggest cement maker, Bamburi, has a capacity of 2.25MTA (excluding its 0.9MTA factory in Uganda), making Dangote the biggest producer upon completion.

The cost of building the Kenyan plant was estimated at $400 million (Sh34.8 billion), but the decision to scale up its capacity could see the capital outlay rise substantially. "We are confident there will be sufficient demand both in Kenya and neighbouring countries," says the report. The multinational added that it is in the process of upgrading its prospecting license issued by the Kenyan government in March to a mining license, having found "ample sources of limestone". Dangote did not specify where it found the large limestone deposit but the company has been linked with prospecting activities in Kitui, where more cement firms are rushing, attracted by the vast quantities of the raw material. ARM Cement, for instance, is expected to start construction of its $300 million (Sh26 billion) Kitui factory in October in what will give it an additional capacity of 2.9MTA. Besides being rich in limestone, Kitui is also attractive due to its proximity to the Mui basin which has large reserves of coal. The coal is tipped to replace the relatively expensive diesel fuel in firing energy-hungry cement factories. Dangote's entry into the East African cement market is expected to intensify the raging price wars that saw margins plummet to an all-time low of 22.1 per cent in 2012, according to estimates by Standard Investment Bank (SIB). The entry of new players such as National Cement and Savannah Cement saw the commodity's price drop to a 12-year low last year, with the average retail price of a 50kg bag in Nairobi standing at Sh650 from a peak of Sh740 in 2008.

Dangote, which has been known to use low-pricing strategies to dominate Nigeria's commodities markets, is expected to have the largest production capacity in the region in the medium term. The firm said it is on course to complete its Ethiopian plant with a capacity of 2.5MTA later this year. It has also started construction of a factory in Tanzania that will produce up to three million tonnes of cement per year and which is set to be commissioned late next year. The multinational has suspended its plans to build another cement factory in South Sudan owing to the country's political instability. "The group plans to have around 60 million tonnes of production, grinding and import capacity in Sub-Saharan Africa by 2016," the firm said in a statement. *(Business Day)*

Economic News

The Kenya Tea Board is focusing on value-added products in the face of poor returns due to failing global prices. The board has advertised tenders for consultancy services on feasibility studies into the identification of potential markets of the beverage. This is a major shift by the State entity charged with promoting the crop in both local and global markets having hitherto relied on black tea. "Tea Board of Kenya wishes to undertake a study to establish the feasibility on market expansion and diversification of value-added products," read the tender

notice put out last week. Traditionally, Kenyan tea has been sold to the market in bulk form and is much sought after by companies to blend and add taste to the most respected brands in the world. Value-added tea is exported in small packets and bags and includes herbal, flavoured and green varieties instead of black. "It is indeed one of the ways the country's tea farmer can be protected from the vagaries in the global market," said Mr Edward Mudibo, the managing director of East Africa Tea Trade Association. The group controls the Mombasa Tea Auction that represents nine countries. According to its statistics, 87 per cent of the crop produced in Kenya is sold through the outlet as black tea. "The need for value-addition of the tea has become more necessary than before for as long as the country can get good markets with little or no taxes that would render the product uncompetitive," he said in a telephone interview. The prices have been falling since last year before gaining slightly in January to trade at an average of $2.70 per kilogramme. KTDA has commissioned two factories — Michimikuru in Meru and Itumbe in Kisii — that are putting in place equipment to start producing orthodox tea as part of its plans to diversify the market and boost prices with a speciality beverage. KTDA chairman Peter Kanyago said in April that the agency was turning to orthodox tea to mitigate against low prices and widen its share in the global market. Currently, Kenya produces and exports 96 per cent of the tea as black. However, it said lack of necessary export legislation and duty exemption on farm machinery and other equipment was a hurdle to value-addition plans in tea production. *(Daily Nation)*

Kenya's inflation crept up to 7.39 percent in the year to June from 7.30 percent in the previous month, the statistics office said on its website on Monday. The rate, which has risen steadily since April when it was at 6.27 percent, still remained within the government's medium-term target of 5 percent, plus or minus 2.5 percentage points, on either side. During the month, prices of some food commodities like green maize declined, helping the food and non-alcoholic beverages index to fall by 0.26 percent from May, the statistics office said. The housing, water, electricity, gas and other fuels index however went up by 0.70 percent from the previous month, contributing to the uptick in headline inflation. The central bank's monetary policy committee is scheduled to meet next week to set interest rates. *(Reuters)*

Kenya invited bids on Monday for the construction of two electricity generation plants from underground gas for a combined 60 MW from geothermal power. Endowed with vast geothermal energy resources in the Rift Valley, the east African nation wants to expand its generation capacity by 5,000 MW by 2017 from about 1700 MW now, to lower tariffs and cut costs of doing business. The state-run Geothermal Development Company (GDC) said in a notice in a local daily newspaper that the winning firms will be expected to finance the plants and to complete building them by the end of next year. Each plant will generate 30 MW. Independent producers that are selected will be offered a power purchase agreement with distributor Kenya Power, GDC said. Developing geothermal power plants usually requires high upfront costs, due to the expensive drilling of wells to tap the gas. But the energy source is usually cheaper and more reliable in the long run than thermal power or hydro generation. *(Reuters)*

Kenya's economy expanded by 4.1 percent in the first quarter of this year, slowing from a rate of 5.2 percent in the same period last year, the statistics office said on Monday. The agency blamed a significant slowing in growth in the farming sector, which makes up a quarter of the economy, and a 3 percent contraction in the hotels and restaurant businesses. *(Reuters)*

The Central Bank of Kenya (CBK) has for the first time admitted that some Sh105 million was stolen from its hands two years ago in a Treasury bond fraud whose extent and origin it has always denied. The admission is contained in a suit that CBK has filed against Tsavo Securities, seeking to compel the blacklisted bond trader to refund Sh31.2 million in stolen bond proceeds. The bank's latest position is a marked departure from its strong denial last year of blacklisted bond dealer Fred Mweni's claim that CBK staff connived with stockbrokers and investment bankers to steal government securities. The CBK at the time termed Mr Mweni's claim in suit papers challenging his suspension from trading in bonds at the Nairobi Securities Exchange as spurious. CBK director Kennedy Abuga, in an affidavit filed in court on May 17, 2013, termed Mr Mweni's claims of fraudulent creation of bonds as "serious and spurious," saying it was "critical that Central Bank of Kenya makes a complete answer to the accusations failing which they may be taken as indicative of the truth." But the bank appears to have made a complete about-turn on that position, admitting that investigations had revealed fraudulent entries amounting to Sh105 million.

"Further investigations revealed fraudulent entries of Treasury bonds amounting to Sh105 million in the CDS (Central Depository Securities) accounts of two investors," Mwenda Marete, CBK's Director, Financial Markets, says in affidavit filed in court on Tuesday. The central bank in documents filed on its behalf by Oraro and Company Advocates reckons that Sh65.6 million was credited fraudulently into the accounts of Manline Telecommunications Limited and an additional Sh39.5 million to Tsavo Securities. The court papers further reveal details of the CBK's secret agreement with Mr Mweni, a director of Tsavo Securities, on repayment of the stolen bond proceeds. Mr Mweni struck a secret deal with the CBK to lift a freeze on the Sh25 million stolen bond proceeds that had been traced to his company's bank account, promising to wire back the money to the regulator. The CBK accuses Mr Mweni of reneging on the agreement to pocket part of the proceeds and has since failed to repay the outstanding amount. This is what has prompted the CBK to move to court and reveal details it had kept secret. The CBK's court papers, however, do not say anything about the Sh65.6 million stolen through Manline Communications' account. Mr Mweni had in suit papers filed in court last year claimed that CBK staff connived with stockbrokers and investment bankers to steal government securities he was allegedly being crucified for. The trader claimed that a total of Sh2.6 billion had been stolen in the bonds racket but later withdrew the document and dropped the figure in further filings. The claims were made in support of a suit he filed in court seeking a reversal of the Capital Markets Authority's (CMA) decision to ban him from holding directorship in any company licensed by the regulator.

The CBK dismissed the allegations and sought to be enjoined in the suit, which Mr Mweni had filed against the CMA, arguing that failure to respond would lead the public to take the allegations "as indicative of the truth and irreparably damage the CBK's reputation." The CMA blacklisted Mr Mweni in December 2012 for blocking investigations into irregular trading of bonds. The CBK's latest filings, however, lend credence to Mr Mweni's earlier claims that the fraud was executed from within the CBK. The regulator says in a sworn affidavit that it detected the fraud to have been committed in August 2012, a month later, while reconciling the bond accounts. The bank says that with the assistance of Banking Fraud Unit, it managed to freeze Sh25 million proceeds of the stolen bonds, Sh2 million of which was held in Tsavo's bank accounts atStandard Chartered Bank and Barclays Bank. While the investigations were ongoing Mr Mweni allegedly approached the CBK, proposing to settle any amounts his company had received from the sale of the stolen bonds. The CBK accepted Mr Mweni's proposal and asked him to pay back Sh48.3 million, being the sum total of the principle amount stolen plus interest accrued by end of October 2012. Mr Mweni was to make an initial lump sum payment of Sh25 million and settle the rest in three equal monthly installments.

The trader registered three properties as security for the remaining Sh24 million, and the Banking Fraud Unit lifted the freeze on his account to enable him draw the Sh25 million. The CBK says in court papers that Mr Mweni instead wired back only Sh20 million in February last year and has not paid any further installment. "Mr Mweni did not account for Sh5 million of the unfrozen funds contrary to the terms of the settlement agreement and notwithstanding the fact that two days prior to the Sh20 million credit he had written to the bank and advised that he would pay Sh25 million by January 2013," the CBK says in a sworn affidavit. The CBK claims that Mr Mweni's deception did not end there but extended to presentation of a false valuation of properties he charged with the CBK as security. Upon Mr Mweni's default, the CBK commissioned independent valuation of the properties charged and found that earlier valuations had been grossly exaggerated and did not cover the Sh31.2 million claim. That discovery is what prompted the CBK to move to court, seeking orders to freeze Sh50.9 million bond proceeds belonging to Mr Mweni at Standard Chartered Bank. Standard Chartered Bank had a lien to cover a sum of Sh50.5million. The CBK moved to court on June 19 and got a court order restraining Mr Mweni from accessing his firm's bond proceeds in the custody of the Treasury. On Tuesday, it returned to court with a detailed application specifying which bonds it wanted frozen amounting to Sh50 million. Mr Mweni has been entangled in the web of suits emanating from the fraudulent bonds for more than three years. He is already battling a criminal case at the magistrate's court where his brother Bokole Mweni is charged with the handling of stolen bonds. *(Business Daily)*

The Nairobi Securities Exchange said it will sell 31 percent of its own shareholding in the bourse after receiving regulatory approval, aiming to complete the sale during the second half of this year. "The NSE will now proceed with its IPO and offer to members of the public up to 31 percent of the authorised, ordinary share capital of the NSE," bourse Chairman Eddy Njoroge said in a statement issued late on Tuesday. "Upon listing, NSE will be the second African Exchange after the Johannesburg Stock Exchange to be demutualised and to have made the successful transition from a private, mutual company to a public, listed company." The exchange said it received approval for the listing in late June from regulator Capital Markets Authority. Demutualisation is seen as a way of reining in stockbrokers' influence on the

bourse's management, which has been blamed for slow action when brokers flout regulations. Njoroge said that after the listing - which has been planned since 2005 - the shares will trade like any other company on the bourse. In an interview in May, NSE's chief executive said part of the funds raised in the offer would be used to develop new products like derivatives, exchange-traded funds and Sharia -compliant indexes. NSE's pretax profit more than doubled to 379 million shillings last year from 2012, while the market capitalisation of the companies listed on it rose 50 percent to 1.9 trillion shillings ($21.65 billion) during the same period. At the close of trade on Tuesday, the capitalisation stood at 2.13 trillion shillings, while the main share index closed up 40.82 points, or 0.84 percent from the previous day, at 4,925.86 points. In addition to stocks, the bourse also trades government and corporate bonds. *(Reuters)*

The United States of America has overtaken China to become Kenya's second-largest source of imports, defying recent cooling diplomatic relations with East Africa's largest economy and Nairobi's decade-long policy of looking East. The value of US exports to Kenya rose to Sh29.5 billion in May compared to China's Sh21.1 billion, according to Kenya National Bureau of Statistics (KNBS) data. America also rose to become the largest consumer of Kenyan exports during the same month, overtaking Uganda which has held the top spot in the past six years. KNBS data shows that American consumers took in Sh3.6 billion worth of Kenyan goods in May ahead of Uganda's Sh3.5 billion. Kenyan trade experts see the shift in commercial interests in favour of the US as a positive development with high-value potential. KenInvest chief executive Moses Ikiara said the best thing that could happen to Kenya is to grow its trade with the world's largest economy. "The US is a huge quality market with a high per capita income that puts very high premium on quality standards," said Mr Ikiara. The ongoing shift in Kenya's trade interests is expected to raise fresh questions on President Uhuru Kenyatta's policy of economic diplomacy which has mirrored that of his predecessor Mwai Kibaki of looking East even as he maintains low-level engagement with the West. Mr Kenyatta has, through his diplomatic engagements since assuming office in April last year, spent millions of shillings on foreign trips meant to deepen relations with Middle East and Asian countries as well as strengthening Kenya's economic ties with African states but that effort now appears greatly challenged by the latest data.

These realities appear to be behind the recent change of tune at the Ministry of Foreign Affairs and International Trade where officials now say the economic diplomacy policy is not targeted at a specific part of world. Mr Kenyatta has in his first year in office visited China with a high powered delegation of businessmen as part of the quest to strengthen East Africa's biggest economy with the Asian giant. The Chinese government has reciprocated the gesture with the visit to Kenya in May of the Chinese Premier during which the two countries signed multi-billion-shilling economic deals. Mr Kenyatta has made numerous trips to African countries but has made only one state visit to Europe (Russia) and is yet to set foot in the United States — a move that has been seen as meant to weaken Kenya's deep economic linkages with the West in response to their opposition to his running for the presidency while facing charges at the International Criminal Court. "Americans know how to smell money, and I am sure they want to ride on the looming oil economy," said economist Dr X.N. Iraki, adding that there has been increased presence of US cars such as Ford and Chevrolet on Kenyan roads.Kenya's major imports from India include textile, three wheel tuk tuks vans, pharmaceuticals and motorcyles while the UAE is Kenya's main source of petroleum products.

It was possible to get a breakdown of the key items that Kenya imported from the US but America's stride to the second slot comes on the back of big-ticket investments in energy and transport sectors by local firms using sophisticated US services and goods. The national bureau of statistics data show that the value of transport-related equipment jumped to Sh29.5 billion in May from Sh21.6 billion in April and Sh10.6 billion in March mainly driven by delivery to national carrier Kenya Airways of Dreamliner planes from US aviation giant Boeing. KNBS data shows that Kenya imported a Sh15.6 billion plane from the US in May while another worth Sh10 billion was brought in in April. One Dreamliner is estimated to cost about Sh11 billion and Kenya has so far received two such planes since the beginning of the year. The airline is set to receive six more planes from the US based maker by the end of the year. General Electric (GE), which has a regional hub in Kenya, holds yet another key to understanding the massive rise in the value of US exports to Kenya with its multi-billion-shilling investments in wind power in Kinangop and Kiserian.

The procurement of a large number of US-made wind mills and turbines is expected to help shore up the value of imports from US in the next 12 months. GE has also signed multi-billion-shilling contracts to supply railway operator RVR with 20 locomotives before the end of the

year. The first batch is expected in August. Kenya's exports to the US are largely textile products, which accounted for 73 per cent of the Sh30 billion worth of goods exported last year. The US imported seven tonnes of titanium ores worth Sh500 million from Kenya, supporting its uptake of traditional goods such as garments valued at Sh1.3 billion and coffee Sh253 million.In 2011 East Africa's biggest economy was cleared to begin exporting fresh green beans, runner beans, baby carrots, baby corn and shelled beans into the US market opening up new avenues for of growth in trade volumes. Chinese firms have, however, been the main beneficiaries of the Kenyatta government's multi-billion shilling infrastructural projects, having only recently inked a Sh327 billion standard gauge railway line deal whose construction is expected to begin later in the year. Top bureaucrats in Mr Kenyatta's government have maintained that the preference for Chinese contractors is informed by pure economic considerations, including better bargains and fast execution of projects. China has also emerged as a major supplier of consumer goods such as shoes, textiles, batteries, electronics and motor vehicle parts, gaining significant market share with its low pricing of mass market goods strategy that has caused disquiet among local traders dealing in rival merchandise. *(Business Daily)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius' central bank and finance ministry agreed to set an inflation target and coordinate other monetary policy issues, the prime minister said, signalling that a row over the direction of interest rates could be over. The Bank of Mauritius has called for a rate hike to encourage savings while the former finance minister had pushed to keep rates steady, saying the central bank should use other means to draw out excess liquidity. The row had been played out in public statements. The former minister, Xavier Duval, resigned in June in a row over a separate issue. The premier of the Indian Ocean island nation is now acting finance minister. The island's Monetary Policy Committee, five of whose eight members were appointed by the finance ministry, held the benchmark repo rate at 4.65 percent when it last met in April. Some members had argued for a rise. "A memorandum of understanding between the Ministry of Finance and the Bank of Mauritius will be signed shortly that shouldÂ ensure better clarity on monetary policy and effective coordination on issues such as the management of excess liquidity and the setting up of an inflation target," Prime Minister Navinchandra Ramgoolam said late on Friday. He did not say when the deal would be signed, but it could bring an end to a public spat about interest rates and other aspects of monetary policy. Ramgoolam was speaking at a Mauritius Chamber of Commerce dinner. Year-on-year inflation slipped to 3.40 percent in May from 4.20 percent in April. *(Reuters)*

Mauritius has cut its economic growth forecast to 3.5 percent from 3.7 percent, its statistics office said on Monday, "On the basis of information gathered on key sectors of the economy, forecast of GDP growth is revised downwards to 3.5 percent from 3.7 percent as forecasted in March 2014," Statistics Mauritius said in a statement. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

The Nigerian Stock Exchange (NSE) last Friday announced the results of the biannual review for the NSE 30, NSE Lotus Islamic Index (NSE LII) and the five sectoral indices of the exchange. The sectoral indices are the NSE Banking, NSE Consumer Goods, NSE Oil & Gas, NSE Industrial, and NSE Insurance. However, while there were changes in the NSE 30 and Lotus Islamic Indices, only three of the sectoral indices witnessed changes. In the NSE 30 for instance, Skye Bank Plc exited while Ashaka Cement Plc entered. In the NSE Lotus Islamic Index, UAC of Nigeria Plc came in while Nigerian Aviation Handling Company Plc exited. Champion Breweries Plc joined the NSE Consumer Index, while DN Tyre & Rubber Plc was removed. Sterling Bank was added to the NSE Banking Index, just as Wema Bank Plc was removed. In the same vein, Staco Insurance Plc and Unity Kapital Assurance Plc were added to the NSE Insurance Index, while Consolidated Hallmark Insurance Plc and Prestige Assurance Plc were removed. The new composition of these indices review will be effective tomorrow. According to the Index Committee, The NSE-30 and NSE Industrial Indices are modified market capitalisation index with the numbers of included stocks fixed at 30 and 10 respectively. The numbers of included stocks in the NSE-Consumer Goods, Banking, Insurance and Oil/Gas Indices are 15, 10, 15 and seven respectively. The committee explained that the Stocks are selected based on their market capitalisation from the most liquid sectors. The liquidity is based on the number of times the stock is traded during the preceding two quarters. To be included, the stock must be traded for at least 70 per cent of the number of times the market opened for business. The NSE began publishing the NSE 30 Index in February 2009 with index values available from January 1, 2007 while on July 1, 2008, the NSEdeveloped four sectoral indices with a base value of 1,000 points, designed to provide investable benchmarks to capture the performance of specific sectors. *(This Day)*

Indigenous oil and gas producer SEPLAT Production Development Company has announced a 404 percent increase in profits for full year 2013. The figures were made available in the annual reports and accounts for 2013 made public at the company's first Annual General Meeting (AGM) as a publicly quoted company. Speaking at the AGM which held on Monday June 30, 2014 at the Civic Centre in Lagos, Chairman of SEPLAT,ABC Orjiako announced that Seplat has continued to grow exponentially despite "the uncertainties about the passage of the Petroleum Industry Bill, persistent oil theft, huge exposure to subsidies and reduced demand for Nigerian crude oil blends, in the United States, among other things". According to Orjiako, "Operated crude oil production has grown significantly over a 3-year period (2011-2013), from 11.5 million barrels in 2011 to 18.8 million barrels in 2013, with an exit gross production rate at 31 December 2013 of 61.7 thousand barrels per day. Operated average daily production for 2013 was 51.4 thousand barrels per day, with total annual operated production of 18.8 million barrels." SEPLAT recorded total revenues of $880.2 million for the year ended 31 December 2013, representing growth of 41 percent over the 2012 figure. Profit for the year increased by 404 percent or $441.2 million to $550.3 million, representing earnings per share of $1.38." ABC Orjiako declared "The future of our company is very bright." The company has recommended a dividend pay-out of N10 per ordinary share for the year ending 31 December 2013 and projections are that shareholders would smile home with about N16 per ordinary share in the coming year. Austin Avuru, CEO of SEPLAT noted that shareholders will continue to smile because the company intends to keep production levels and revenue streams high. "SEPLAT intends to continue development of its existing properties by improving operational efficiencies, investing in facilities and infrastructure to increase oil production and positioning itself to further monetise natural gas resources.

New developments for recent discoveries and the completion of identified development projects will also ensure that the Company is well-positioned to grow both reserves and production by converting contingent and prospective resources into commercial reserves. "SEPLAT Petroleum Development Company Plc, is a publicly quoted Nigerian Exploration and Production independent and the operator of the NPDC/ SEPLAT Joint Venture. The company listed simultaneously on the Nigerian and London Stock Exchanges in April 2014. SEPLAT is leading the charge in gas commercialisation. With an average gross gas production of 99 million standard cubic feet per day in 2013, SEPLAT projects to triple its gas production by end 2016 through massive investments in processing and delivery infrastructure. SEPLAT is also targeting gross operated oil production of 85 Mbopd from its existing assets by the end of 2016. SEPLAT shares are up 17.2 percent year to date. *(Business Daily)*

WEEKLY AFRICAN FOOTPRINT

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Nigeria's SevenUp Bottling Co said on Monday its pretax profit in the year to March 31 rose to 7.62 billion naira ($46.8 million), up 133 percent on the previous year. Revenue rose to 77.89 billion naira from 64.09 billion, the company said in a filing with the Nigerian Stock Exchange. *(Reuters)*

SKYE Bank and Wema Bank Plc have been eased out of the Nigerian Stock Exchange, NSE's market indices following the biannual rebalancing undertaken by the Index Committee. On biannual basis, the NSE reviews its NSE 30, NSE Lotus Islamic Index (NSE LII) and the five Sectoral Indices, which include: the NSE Banking, the NSE Consumer Goods, the NSE Oil & Gas, the NSE Industrial and the NSE Insurance. The composition of the indices is expected to take effect today (Tuesday July 1, 2014) On the NSE 30 Index, Ashaka Cement Plc was brought in, while Skye Bank was eased out. On the NSE Lotus Islamic Index (NSE LII), UACN was also brought in and NAHCo exited. The review saw Champion Breweries joining the NSE Consumer Goods, while DN Tyre & Rubber Plc was removed; Sterling Bank joined the NSE banking Index, while Wema Bank was removed. On the NSE Insurance Index, two firms – Staco Insurance and Unity Kapital Assurance – were brought in, while Consolidated Hallmark Insurance and Prestige Assurance were eased out. Meanwhile, the NSE Oil & Gas and the NSE Industrial indices remained unchanged. In a statement communicating the changes, the Index Committee explained that the NSE-30 and NSE Industrial Indices are modified market capitalisation indices with the numbers of included stocks fixed at 30 and 10 respectively, while the numbers of included stocks in the NSE-Consumer Goods, Banking, Insurance and Oil/Gas Indices are 15, 10, 15 and seven in that order.

The stocks are selected based on their market capitalisation from the most liquid sectors. The liquidity is based on the number of times the stock is traded during the preceding two quarters. To be included, the stock must be traded for at least 70 percent of the number of times the market opened for business. The NSE began publishing the NSE 30 Index in February 2009 with index values available from January 1, 2007. On July 1, 2008, the NSE developed four sectoral indices with a base value of 1,000 points, designed to provide investable benchmarks to capture the performance of specific sectors. The sectoral indices comprise the top fifteen most capitalised and liquid companies in the insurance and consumer goods sectors, top ten most capitalised and liquid companies in the banking and industrial goods sector and the top seven most capitalised and liquid companies in the oil & gas sector. On July 2012, the Exchange launched The NSE LII which consists of companies whose business practices are in conformity with the principles of Shari'ah with the aim of increasing the breadth of the market and creating an important benchmark for investments as the alternative non-interest investment space widened. The Committee stated that all the companies that appear on the Islamic Index have been thoroughly screened by Lotus Capital Halal Investment in accordance with a methodology approved by an internationally recognised Shari'ah Advisory Board comprising of renowned Islamic scholars. The price indices, which were developed using the market capitalisation methodology, are rebalanced on a biannual basis -on the first business day in January and in July. *(Vanguard)*

As part of its corporate social responsibility (CSR), Diamond Bank Plc has supported the operations of the Nigeria Immigration Service (NIS). While the bank renovated part of the Ikoyi passport office at the NIS, Lagos, it also constructed another building at the premises. Speaking at the inauguration of the facilities, the Group Managing Director/Chief Executive Officer, Diamond Bank, Dr. Alex Otti said the facilities were built in line with the bank's CSR. According to Otti, Diamond Bank believes in giving back to the society in which it operates. "This is not the first time that Diamond Bank is doing something like this. But beyond this kind of partnership, we also doing a lot of other things that a lot of other banks may not find comfortable to do. "We are one of the few banks supporting the micro, small and medium scale enterprises (MSMEs). For us, business is not just about making money. It is all about empowering people, empowering the society and empowering people.

"Today, in partnership with the Lagos Business School (LBS), we organise what is called Building Entrepreneurs Today (BET)," the Diamond Bank boss added. With the BET 50, what the bank does is to send about 50 people that have ideas, but lack the required funding to support whatever initiative they have, to the LBS every session. "So we pick them and send them to school and we pay for their training. Now, five out of the 50 people who come out with the best result are given seed money ranging between N5 and N10 million to start their business. "We believe that as a bank we should support government in all their activities towards making life better for the citizenry. We are very glad

that we have a partnership with the NIS," he said further. Also speaking at the event, the Minister of Interior, Mr. Patrick Abba Moro said the structure would provide convenience to Nigerians that visit the NIS passport office. "This is a clear demonstration of public-private partnership which is an essential ingredient of the transformation agenda. Realising that government alone cannot to meet the needs of the people, President Goodluck Jonathan had initiated the transformation agenda," the minister said. Former Secretary General of the United Nations, Chief Emeka Anyaoku who was a guest at the event, commended Diamond Bank, noting that it is always nice to see commercial institutions that live up to their responsibilities. *(This Day)*

Oando Energy Resources Inc. (OER), a company focused on oil and gas exploration and production in Nigeria, has announced that the company and United States oil major ConocoPhillips have entered into an agreement to extend the outside date for completion of the proposed acquisition of the Nigerian upstream oil and gas business of ConocoPhillips to July 31, 2014. The parties extended the outside closing date for completion of the ConocoPhillips acquisition to enable them finalise activities required to complete the transaction, having received the required consent of the minister of petroleum resources in Nigeria, the company said in a statement on Monday, published on its website. OER, the upstream business of Oando plc, had on June 18 announced the receipt of the consent of the minister of petroleum resources for the acquisition of the Nigerian upstream oil and gas business of the Unites States oil major ConocoPhillips for a total cash consideration of $1.65 billion, subject to customary adjustments. The acquisition of the ConocoPhillips' Nigerian upstream oil and gas business is expected to position OER as one of the leading indigenous independent exploration and production (E&P) players in Nigeria, as measured by total reserves and production.

OER, which is listed on the Toronto Stock Exchange, had in May said the outside date for completion of the proposed acquisition of the ConocoPhillips' assets had been extended to June 30, 2014, from April 30 2014. The extension was to enable the companies satisfy all closing conditions, including the anticipated consent of the minister of petroleum resources. The acquisition, which is expected to boost OER's oil production to about 50,000 barrels per day (bpd) from about 5,000bpd, comprises the indirect acquisition of all of the shares of Phillips Oil Company Nigeria Limited, Phillips Deepwater Exploration Nigeria Limited, and Conoco Exploration and Production Nigeria Limited. On December 20, 2012, Oando plc, Nigeria's leading indigenous energy group, listed on both the Nigerian and Johannesburg stock exchanges, and disclosed that OER had entered into agreements with ConocoPhillips to acquire its entire business interests in Nigeria. *(Business Day)*

A U.S. court has summoned representatives of a body set up to manage Nigeria's rescued banks in a dispute with U.S. financial firm Intangis Holdings, which says Nigeria has ignored its right to buy one of the nationalised lenders. Intangis wants the court to enforce its claim over Afribank, which was nationalised in 2010 and renamed Mainstreet Bank after coming close to collapse. Intangis said it sealed agreements to acquire a majority stake in Afribank before it was liquidated and its assets were transferred to Mainstreet Bank, but it expected Mainstreet to be bound by those agreements. Nigerian "bad bank" AMCON, which has managed Mainstreet Bank and two other lenders until they can be recapitalised and sold, said it was not concerned by the case because Intangis's demand applied to the defunct Afribank, not Mainstreet. "I know about them... They have a deal with Afribank not Mainstreet Bank. It has nothing to do with Mainstreet Bank," AMCON Chief Executive Mustapha Chike-Obi told Reuters, referring to Intangis. "I am not worried about them." Intangis is trying to block AMCON's plan to sell Mainstreet Bank. AMCON aims to offload its entire 100 percent shareholding and has asked Barclays Bank and local investment bank Afrinvest to manage the sale. It intends to complete a deal by Sept. 15. The court summons filed in the state of New York and seen by Reuters on Wednesday gave AMCON's representatives 20 days to appear after receiving the summons and said judgment would be entered against AMCON if they fail to show up.

Intangis said the summons follows an arbitration hearing in Paris which ruled in its favour in September 2013. If the court upholds Intangis's claim, AMCON may find it harder to find a buyer for Mainstreet. The $4 billion bail-out of troubled Nigerian banks was overseen by former central bank governor Lamido Sanusi and helped prevent a collapse of the banking system following a 2008/9 financial crisis. Sanusi stood up to powerful interests in the process, sacking eight chief executives, including Afribank's. Before the nationalisation, shareholders in several of the lenders went to court to try to scupper any deals, saying Sanusi should have consulted them before injecting capital into the

banks and removing their management. Many of those cases filed are still pending in several Nigerian courts. Some shareholders and creditors said their investments had been unfairly taken off them by the authorities in the nationalisation. They have fought to claw some value back, especially since Sanusi was suspended from his job in February after a spat with President Goodluck Jonathan, and finally replaced last month. *(Reuters)*

Nigeria's Unity Bank increased half-year pretax profit 81 percent to 7.89 billion naira from 4.35 billion naira in the same period of last year. Gross earnings rose to 30.85 billion naira during the six-month period, against 30.17 billion naira a year ago, it said in a filing with the Nigerian Stock Exchange on Thursday. *(Reuters)*

FBN Insurance, a subsidiary of FBN Holdings Plc, has said it will launch a bid next week to buy out the 28.8 per cent minority stake in Oasis Insurance that it does not already own, in a deal valued at N1.03 billion. FBN Insurance, jointly owned by FBN Holdings and South Africa's Sanlam, had acquired a 71.2 per cent stake in the motor and fire insurer in February. It will offer 55 kobo per share to buy the remaining N1.87 billion shares, Reuters quoted the firm to have said. The buy-out process opens on July 10 and will last for three weeks, after which FBN Insurance intends to delist Oasis from the Nigerian Stock Exchange, FBN Insurance said. Shares in Oasis were trading at 50 kobo per share yesterday giving the company a market capitalisation of N4 billion. Sanlam has said FBN Insurance's acquisition of the 71.2 percent Oasis stake gave it an entry point into the general insurance sector in Nigeria, Africa's most populous nation. FBN Insurance commenced business operations in 2010 and opened branches in Abuja and Port Harcourt within the 2011 financial year. The company generated total income of N1.4 billion during its first year of operations, with over 90 per cent representing premium income and the balance from investment income. The total asset of the company was over N4 billion, while the shareholders' fund and share capital stood at over N2.9 billion and N3.48 billion respectively. *(This Day)*

Economic News

Nigeria plans to issue a bond totalling $100-$300 million aimed at the country's diaspora by the end of the year, a senior debt official said on Monday. "We are still working on it, it will be a minimum $100 million and up to $300 million," Abraham Nwankwo, director-general of Nigeria's debt management office, told Reuters on the sidelines of an Africa debt forum, adding the bond would launch "before the year ends". Nigeria chose Stanbic IBTC and Goldman Sachs as lead managers of the diaspora bond in April. Nwankwo said the bond would be sold only to offshore diaspora investors, with no on-shore portion. Nigeria has no current plans for a regular sovereign dollar bond, Nwankwo added. *(Reuters)*

The Central Bank of Nigeria (CBN) yesterday warned that no deposit money bank (DMB) should without its prior approval grant facilities to potential borrowers that are in default of any existing facilities to the tune of N500 million and above. The banking sector regulator also warned development banks and banks in liquidation not to grant facilities of N250 million and above to the same set of bank customers. The central bank stated this in a letter signed by its Director of Banking Supervision, Mrs. Tokunbo Martins, a copy of which was posted on its website. The letter addressed to all DMBs, development finance institutions (DFIs) and the Asset Management Corporation of Nigeria (AMCON) was titled: "Prohibition of Loan Defaulters from Further Access to Credit Facilities in the Nigerian Banking System." It stated that it took the decision because it was disturbed by the level of impunity with which some borrowers default on their loans in some institutions and yet are availed further credit facilities by other institutions under the same or sometimes different identity.

This, it pointed out could have the effect of triggering serial defaults and a build-up of non-performing loans which could negatively impact liquidity in the financial sector and ultimately hamper its stability. Consequently, in order to proactively avert the menace of resurgence of non-performing loans and in furtherance of the CBN's mandate of maintaining a safe and sound financial system, the regulator also stated that no institution shall, except with its prior written approval grant a facility to any potential borrower who has a delinquent facility of any amount whatsoever that had been taken over by AMCON. "All institutions shall ensure that all returns on credit facilities granted together

with their performance status are rendered on the Credit Risk Management System (CRMS) and reported to two credit bureaux in line with our circulars dated September 10, 2013 and October 21, 2013 respectively.

"All institutions are also reminded that it is mandatory to perform credit checks on potential borrower on CRMS and from at least two credit bureaux in line with our circular dated April 30, 2010, as part of the credit appraisal process," added. Continuing, it noted that the prohibition threshold may be reviewed from time to time with the aim of inculcating responsible and appropriate credit culture in borrowers. "The provision of this circular shall, in case of defaulting corporate obligors, also apply to their directors and/or related interests. "Any institution that contravenes the above directive shall be required to make immediate 150 per cent provision of the facility in addition to other existing regulatory sanctions that the CBN may apply. "Where an institution fails to report a facility or status to the CRMS or at least two credit bureaux as required, it shall be considered as concealment and misrepresentation of material fact and the institution shall be penalised in accordance with relevant provision of the Banks and Other Financial Institutions Act. In addition, officers (or their equivalent) shall be liable to sanctions in line with the relevant provisions of the BOFIA," it warned. *(This Day)*

In order to promote trade and encourage the development of businesses, Nigeria and Portugal have pledged to strengthen economic relationship between both countries. Representatives of both countries also promised to develop social, cultural and artistic projects that would the culture of both countries. Speaking at a dinner organised by the Nigeria-Portugal Friendship and Business Association that was held in Lagos on Wednesday, the Manager, Business Services Department of the association, Mrs. Maria Helena Ramos said Portugal is an entrepreneur country that is working with 50 countries worldwide to attain success. She further noted that as an association that has been in existence for over 165 years now, "we are to work with Africa countries in order to make more market both locally and as well as selling them. "Having done survey, we believe we can now invest in the market. We also have an established association for different sectors ranges from food industries, health and pharmaceutical just to mention but few." Currently, the population of Portugal is 10 million and the market is not so big. The aim of the association is to promote and assist trade and encourage the development of business, economic, social and institutional relations between Nigeria and Portugal. Therefore, she disclosed that the country has considered Nigeria as a good business destination.

She however urged the government and Nigerians to support the association in achieving their goals to boost trade between both countries. The association said it is fully prepared to support the development of business relations between the two countries. This would range from market prospecting, strategic consultancy and advisory, commercial planning, assistance in legal requests in establishing partnership and investment drive, among others. Also speaking at the event, the Executive Director, Nigeria Interbank Settlement System (NIBSS), Mrs. Christabel Onyejekwe, said the Nigeria government is doing everything possible to attract investments into the country. The Chief Executive Officer, NIBSS, Mr. Ade Shonubi, however lauded the association for the good initiative, saying its contribution would also support the payment system. He maintained that for over two years now, the relationship between both countries have, saying that he expect it to grow further. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

The Small Industries Development Organisations (Sido) in collaboration with the Geneva based International Trade Centre (ITC) will inaugurate a packaging centre in Dar es Salaam later this year that would enable manufacturers to easily access packaging material and reduce the running costs of their firms. Speaking yesterday at the ongoing Dar es Salaam International Trade Fair (DITF), the Women Entrepreneurship Development Programme coordinator in Sido, Happiness Mchomvu, said the centre will be established in September this year. Once set up, she said, the centre would support manufacturers to get packaging materials from within the country unlike the present situation where they are supposed to procure them from abroad. "We thank the ITC for financing the construction of the centre located at Sido regional offices in Vingunguti, it is our hope that this would help entrepreneurs to access its services," she said. Mchomvu noted that the idea to establish the centre was raised in March this year, following which they submitted a proposal to the ITC seeking its support. According to her, senior officials from the ITC are expected to arrive in Dar es Salaam next week to work on the proposed centre.

Explaining, she said, majority of SME compkain that their products fail to compete with foreign markets because the packaging materials they use do not meet global standards. The SMEs claim that they have high quality products that can be promoted in Tanzania and overseas. "Sido feels that the need to address these impediments for SMEs is necessary for them to secure bigger market shares. It's unfortunate to learn that in the local super markets you will find that there are more foreign products than local ones," she said. An entrepreneur identified as Musa Mhoja from Ruvuma Region called upon the government and development partners to train more people on packaging now that the centre is in pipeline. "We call upon them to support this initiative because packaging is an important marketing strategy for firms to grow as it works to promote products," he noted. A research carried out in different countries indicates that majority of SMEs use packaging materials for their products, but over 50 percent of their packaging does not match the packaging requirements. Last year Sido brought five experts from a number of countries to train its officers how to best use packaging materials in upgrading products for the local and international markets. The experts were in Tanzania for five days and offered training on design packaging materials, packaging and labeling, choice of packaging materials required in the market, colours, shape and size of packaging materials preferred by customers, delivery techniques and facing the industry and how to overcome them. *(IPP Media)*

Economic News

Tanzania is now the top destination for Foreign Direct Investment (FDI) in the East Africa region, according to the United Nations Conference on Trade and Development (UNCTAD). Recent data from UNCTAD shows, in 2013 Tanzania had USD 12.7 billion in FDI stock, eclipsing both Kenya and Uganda which stood at a low USD 3.4 billion and USD 8.8 billion respectively. UNCTAD statistics also reveal that in 2013, Tanzania attracted USD 1.9 billion in FDI inflows far outstripping Kenya which only received USD 514 million of inflows in the same period. In her comments, the Executive Director of Tanzania Investment Centre (YIC) Juliet Kairuki, welcomed the revelations. "I think Tanzania can be proud herself with this achievement - it's no small feat," she said. She said that the latest figures demonstrate the success of the government's investment policies and measures to make Tanzania an even more attractive investment destination. "Our leaders, including the Prime Minister's Office which is responsible for investment, have worked extremely hard to implement reforms which were much needed and Tanzania is now reaping the fruits of its labour," she said. She explained that Tanzania has put in place a variety of investment incentives which are available to both foreign and domestic investors and that these fiscal incentives and non-fiscal incentives have made it easier to do business in the country. "TIC believes that increased investment in the country will lead to greater prosperity for the people of Tanzania through the creation of new jobs, greater tax revenues as well as skills and technology transfers," she said. She however noted that despite the strong FDI figures, investment into new projects in the country, so-called green-field projects, is still weak. She explained that green-field investments are very important as they represent new projects in the country and feed into further investments in the future. "We must work hard to ensure that we are creating viable new opportunities that attract new capital, noted

Kairuki. TIC was established in 1997 by the Tanzania Investment Act to be the Primary Agency of the Government to coordinate, encourage, promote and facilitate investment in the country and to advise the Government on investment policy and related matters. The agency deals with all enterprises whose minimum capital investments that are not less than USD 300, 000 if foreign owned or USD 100,000 if locally owned. *(IPP Media)*

Zambia

Corporate News

CARLISA Investments Corporation's Mopani Copper Mine Plc says it expects to commission the US$323 million Nkana syclinorium shaft in February 2016. Approximately 10,000 direct jobs have been created while an additional 500 jobs have also been created during the construction phase. Mopani manager for exploration projects Wellington Makumba said there has been a huge resource within the Nkana synclinorium project, which is meant to increase the mine's lifespan to another 25 years. "The project is steadily progressing and we have reached a depth of 1,235 metres from surface. The project's actual depth is 1,277 metres, which means we only have 42 metres of surface to complete," Mr Makumba said at the just-ended Zambia International Mining and Energy conference and Exhibition in Lusaka on Tuesday. Mr Makumba said the new shaft will allow Mopani to increase production from the current 3.4 million metric tonnes to 600 million metric tonnes of ore per annum. As a result of the new shaft, there will also be increased corporate social responsibility activities in various sectors of the economy reduced operational cost in the company. Mr Makumba said the firm has also faced challenges in constructing the new shaft such as the advance in terms of drilling which is as a result of the kind of explosives used. "The project is on scheduled despite challenges faced, by February 2016, the Nkana synclinorium shaft will be commissioned," he said.

"There has also been retention of labour of approximately 10,000 direct jobs and creation of additional 500 jobs during the construction phase," he said. Mr Makumba said Mopani has positioned itself to be among the major contributors to Zambia's projected copper production upsurge, saying the synclinorium shaft is taking shape and will greatly contribute to the nation's economic growth. The project, which started in September 2011, is almost complete with the main shaft winder and substation done while emergency generator building is also almost complete. Mopani Copper Mines PLC is owned by Carlisa Investments Corporation, a joint venture company comprising Glencore International AG which holds 73.1 percent, First Quantum Minerals with 16.9 percent and 10 percent for Govermnent through the ZCCM-IH. Minority shareholders are spread throughout the world in various locations. *(Daily Mail)*

Economic News

No Economic News This Week

Zimbabwe

Corporate News

SEED CO will receive the last tranche of capital amounting to $28 million from its US technical partner Limagrain before end of year under an equity deal valued at $40 million. The funding is expected to further reduce high finance charges Seed Co has been incurring due to the huge debt on its balance sheet and support its expansion into the region. Chief executive Mr Morgan Nzwere last week said Seed Co paid more than $7 million in net finance costs last year. This should fall significantly after further injection of fresh capital. Seed Co was borrowed to the tune of $36 million last year. "I talked about our technical partner (earlier); this is going to be the game changer going forward. We expect the last tranche of $28 million (from Limagrain) by November," he said. "That is going to reduce the cost of funding. Net interest was around $7 million in 2014, we expect that to come down significantly." Finance charges increased to $7,9 million from $7,4 million in 2013 due to delayed receipts from Government and related institutions, which strained cash flows. Mr Nzwere said finance charges remain high although the group's borrowings were now below 10 percent, which he said was still worrying and needed to come down once more. Seed Co has managed to whittle down the cost of its funding after clearing part of its debt from the initial $10 million that Limagrain has already paid. Limagrain, through its unit Vilmorin and Cie, has already acquired 15 percent stake in Seed Co — the first tranche of shares under the deal — after it was issued with 37,6 million shares and concurrently bought another 20,5 million shares, a portion of Aico's stake in Seed Co through placement. The second part of the equity transaction, will see Seed Co issuing 27,3 million new ordinary shares to Limagrain, which at that point would gain an effective 25 percent stake in Seed Co. Mr Nzwere said apart from helping to reduce costs from borrowed funds, the fresh capital would also help Seed Co reduce by 50 percent the time it took to develop new varieties. "Limagrain would also help in terms of our ability to reduce the time it takes to develop new varieties for product growth," he said.

Seed Co contends it would now be able to use the technical expertise and laboratories of its technical partner to reduce the time of breeding new varieties to five years from about 10. This would be critical for the Zimbabwe Stock Exchange-listed seed producer's regional expansion. It has made strides in penetrating Nigeria, Kenya, Tanzania, Uganda and DRC. The group is also exploring opportunities in Ethiopia. Seed Co already has footprints in Zambia and Malawi. Volumes now average 4 000 metric tonnes per year in Tanzania and Kenya from less 1 000 metric tonnes a few years back. Each is seen as a 30-35 000 metric tonne market. Mr Nzwere said with more than 85 percent of the local seed market, it was difficult to achieve accelerated growth of the business, which could be achieved by going to new markets. "We now have 85 percent of the seed market in Zimbabwe. Once you have that much market share it becomes difficult to grow the business, to grow it you must go out." The seed producer wants Zimbabwe, which accounts for about 33 percent of its profits, to constitute only about 20 percent with the balance coming from other investments in the region. Presenting the group's financial results for the year to March 2014, finance director Mr John Matorongofa said group revenue increased by 16 percent to $120 million, driven by maize up 16 percent and winter cereals, which rose 31 percent. Group after tax for the period declined marginally from $12,4 million to $11,8 million largely due to the effect of impairments. Margins were flat at 45 percent due to stock write downs to ensure quality is maintained on all seeds and re-handling costs for the changeover to a new fungicide and packaging. Overheads were 4 percent higher than the prior period before exceptional items of $3 million being impairment of deposit receivable from a local financial institution under curatorships. Further, the seed producer said the overheads also entail a $2 million provision for bad debts across the group to take account of slow moving retail debtors from previous years. *(Herald)*

Fidelity Life Assurance of Zimbabwe Limited is expecting its $5 million bond issue to be fully subscribed by the end of this month as many investors have expressed interest in the instrument. As part of the company's efforts to mobilise the money, FLAZ set up its wholly-owned special purpose vehicle; Athena Estates (Private) Limited to mobilise funding and service the proposed Fidelity South view Park Residential Development in Harare. Fidelity life Assurance managing director Mr Simon Chapereka said there was much interest shown in the market.
"We believe the prescribed asset status of the bond together with the rate of return, the comparatives in the market and the time in terms of the three years is very competitive," said Mr Chapereka. "We expect that the bond will be oversubscribed when we close it at the end of this month." The $5 million required will be used for the installation of the 11km bulk water pipe at a budget of $2,675 million and elevated

water tanks with a capacity of 15 million litres at budget $2,325 million which is a City of Harare pre-condition. The group has anchored its growth on the property development project; confident it will deliver a $30 million windfall if all the 5 974 stands are sold considering that liquidity challenges continue to affect the uptake of the traditional insurance column. "The company has continued to trade profitably in 2014 and the group is undertaking various initiatives to unlock value and ensure company survival," said Mr Chapereka. *(Herald)*

ZB FINANCIAL Holdings Limited (ZBFH) has recorded a below-its-target performance in the five months to May attributed to losses in equity investments, a company official has said. In an update to shareholders for the twenty-fifth annual general meeting, the group chairperson Tendai Mafunda said on Friday the group expects an improved performance in the second half of the year. "However, a depressed outturn on the equity portfolio has had a significant negative impact on overall out-turn to date with the result that the group is operating at slightly below break-even level after accounting for the unrealised loss on investments. Costs have been managed at 2% below the 2013 levels. The performance is so far below the operational targets," the group said. The group's balance sheet increased marginally by 2% as at 31 May 2014 from the levels achieved as at 31 December 2013. Trading revenue increased by 3%. In the financial year ended December 31 2013, ZBFH's net profit dipped 93% to $900 000 million from $11,4 million in 2012 due to reduction in income after the central bank put a cap on bank charges and interest rates. The cap was removed in December. The cap affected revenue which went down to $63,2 million from $69 million in 2012. In 2013 the group's total deposits were up 1% to $218,6 million and a 1% increase in total assets was recorded to close at $332 million. Total income for the group was 8% down to $64,9 million and interest income was up to $36 million from $35 million. The group's subsidiaries include ZB Building Society, ZB Bank Limited, ZB Life Assurance and ZB Reinsurance. *(News Day)*

COTTON Company Holdings Limited recorded a 67% nose-dive in revenue as volumes tumbled due to side-marketing and a lower than expected national crop. Speaking at an analyst briefing on Thursday, the company's head of finance Dacyl-Ray Rambanepasi said revenues were down to $42 million during the period under review compared to $129 million for the year ended March 2014. "The reduction in revenue is largely attributed to a decline in volumes from the budgeted 110 000 tonnes to actual volumes of 35 665 tonnes which was achieved after having lost significant volumes to side marketing, a lower than expected national crop," Rambanepasi said. She said the lower volumes were also a result of reduced national crop size as the lint prices were 11% higher than the previous year. The group posted profit after tax from continuing operations of $2,6 million from a loss of $9,6 million the same period last year. The group disposed of its interests in Seed Co and Olivine Industries as part of its unbundling exercise and a total amount of $37,2 million was raised. The group recorded profit for the year of $14,8 million from a loss of $2 million. Rambanepasi said the interest costs were high for the group which was heavily dependent on debt. She said group interest costs went down to $13,4 million compared to $16,1 million the previous year. The group has high borrowing due to the carry-over of historical debt. "Interest is expected to reduce significantly as a result of the capital injection," she said. Cotton Company of Zimbabwe Limited managing director Collins Chihuri said the company was targeting 190 000 tonnes of cotton for this year compared to 145 000 tonnes recorded in the last season. The company will break even next year before returning to profitability in 2016, he said. "The farmer that we now have is not the same as we had before. The challenge with the new farmer is that of integrity," he said. Chihuri said the company was mainly affected by side marketing. *(News Day)*

HWANGE Colliery Company Ltd, the country's largest coal miner, expects to turn profitable upon commissioning of new equipment before year-end, an official said. The company has finalised the acquisition of loading and drilling equipment worth $15 million from BEML of India, which will be financed through a loan structure from Export and Import Bank of India, managing director Mr. Thomas Makore told the AGM. Acquisition of additional equipment has been finalised with BELAZ of Belarus, the world's third largest dump truck manufacture. The equipment, worth $18 million, will be financed through a loan from PTA Bank and the delivery is expected in August. "On commission of the above pieces of equipment . . . the company will be able to produce 300 000 tonnes of coal per month," said Mr. Makore, who was introduced to shareholders during the meeting. Mr. Makore assumed office at the beginning of last month. "With such production and estimated monthly revenues of at least $12 million, the company will become profitable and its going concern position will be enhanced." The monthly average volumes are presently at $5 million against obligations of $14 million. Hwange Colliery reported a full year net loss of $30,8 million from a $3,1 million profit in 2012, after revenue plunged due to low production while cost of sales jumped. Revenue was down to $71,5 million from $104,2 million while sales volumes declined 176 percent to 1,6 million tonnes from two million tonnes, led by a steep

decline in coal and coking coal output.

Also impacting on revenue was a 57 percent decline in coke and breeze exports after its customers in the Democratic Republic of Congo stopped operations, this was compounded by influx of cheaper imports from China. Apart from deploying new equipment, Hwange will embark on the refurbishment of underground equipment, restructuring of the balance sheet including conversion of Government debt to equity and divisionalise the company to managed performance and costs. Mr. Makore highlighted that the legacy debts, of close to $90 million, were having a negative impact on cash that can be used to finance operations. In the past two years, the company paid in excess of $35 million to service the legacy debts, he added. "Financial institutions view HCCL as high risk due to high current liabilities and therefore, are not keen to extend favourable lines of credit to the company," said Mr. Makore. Going forward, the company is considering other revenue streams, including selling coke oven gas to Hwange Power Station as an alternative to expensive diesel. The company was also looking at supply of coke oven by-products to ZimChem, a company that produces solvents and coal tar products as well as methane gas production. Additional opportunities for exporting coking coal to Zambia and South Africa are being pursued. As part of its long-term plans, the company applied for additional mining concessions in the western area coal fields.

"The reserves will enhance the life of the of the mine and give impetus to the new prospects that are in the pipeline," said Mr. Makore. Meanwhile, Hwange employees will proceed with a court action they took against their company in relation to compensation of shares they bought in 2007 after shareholders voted against a resolution to pay back about $1,4 million to about 2 300 workers. The share option scheme has been brought at previous AGM's with the initial resolution seeking to allocate the respective shares to workers but the route was discontinued. After engagements with workers, it was "mutually" agreed that the employees be refunded their money. The board was seeking approval to repay the workers instead of allotting shares. Mr. Nicholas van Hoogstraten, a major shareholder, opposed the resolution, saying workers were only paid for the shares "six months after the cut-of date." But a worker representative said it was high time the matter be resolved so that workers "get compensated." Workers have already approached the courts seeking a compensation of $5,6 million. A shareholder then requested the board to relook into the matter. But chairman Mr. Farai Mtamangira said: "I don't think much will be achieved by taking the matter back to the board. "It looks to me that in the absence of this issue not being carried in this meeting, then it can only be left to be resolved through litigation as it appears." He said the previous board took a decision in 2010 to compensate the workers and all the new board was doing was engaging the parties to get shareholders' approval to implement the resolution. *(Herald)*

TELECEL requires $200 million to pump up the mobile network provider's subscriber base to 5,5 million as the company seeks to take advantage of opportunities in the mobile money services, a senior official has said. Currently the company has a subscriber base of about 500 000 with 3,3 million active subscribers. Giving oral evidence before the portfolio committee on Communication, Technology, Postal and Courier Services yesterday, Telecel general manager Ms Angeline Vere said the company is on course to move 1,2 million Telecel subscribers to its mobile money service, Telecash by year end. So far 600 000 subscribers have been moved to the mobile money platform. "We have moved more than $15 million through Telecash since its launch," said Ms Vere. More than 3 600 agents have signed on to Telecash. Ms Vere said the $200 million will help the firm to take the subscriber base to 5,5 million. "Our switching capacity at the moment is five million and by the end of the year we should be at 5,5 million. By end of year we are anticipating that our active subscriber base will be at 3,3 million," she said. Telecel urged parliamentarians to pass legislation that would make it mandatory for mobile network providers to share infrastructure. "Government should make it mandatory for us to share the infrastructure. We feel it should be done on a commercial basis where the person who puts up the infrastructure benefits more from their investment but allows other players to benefit from it as well," she said. "There is nothing stopping us from sharing infrastructure, the only problem is that if we put a small tower then the load on that tower will be too much. "So Government should make it mandatory that when you put a tower you should put one that can carry all the other networks as well," she said, adding, that companies were wasting money on importing the same equipment which they can easily share on agreed terms. *(Herald)*

FBC Holdings could register an average of 5 percent growth in profitability over the five year period to 2020, group chief executive Mr. John Mushayavanhu has said. This also comes as the CEO announced during the financial group's annual general meeting last week that

most of the group's units were trading ahead of forecast, except Turnall and reinsurance subsidiary FBCRe. Group profit came in at $14,1 million for the full year to March 2013 and profitability could match last year's performance despite the group scaling down lending in light of the rapid growth in non-performing loans in the sector. Lending has been reduced, without effect on profits, to focus on collections with NPLs now averaging 10 percent compared to an industry average of 16 percent. The positive performance outlook has in fact made previously announced plans to merge FBC's bank and building society a remote possibility with the units expected to trade their way to minimum capital compliance. The idea to merge the financial institutions was first mooted in line with the Reserve Bank of Zimbabwe's initial phased minimum capital thresholds compliance framework that was scheduled to run until the end of this month. The initial plan required commercial banks to have minimum capital of $100 million and building societies $80 million.

The deadline was last year moved back to 2020, but banks must submit compliance plans by next week. "We have submitted a recapitalisation plan for both the Bank and the Building Society to the Reserve Bank of Zimbabwe. Our plan is indicating that at a minimum growth of about 5 percent in profitability, both small business units will be able to trade themselves into compliance by year 2020, the FBC boss said. Merging the bank and the building society would only be considered in the event of the unlikely scenario where the units register a 10 percent drop in profits consecutively. "We have done a sensitivity analysis of our plan and in the event of a 10 percent annual decrease in profitability, for both the Bank and the Building Society through to 2020, we will proceed to merge the 2 units and the merged unit will still meet the required minimum capital," Mr. Mushayavanhu said after the AGM. He stressed that the group would be able to trade its way to compliance without the need for input from shareholders, pointing out however that in the worst case scenario, the group had the option to sell its tile manufacturing business, Turnall, to recapitalise the bank. FBC Holdings is most worried about compliance by its flagship, FBCBank, which currently accounts for roughly 54 percent of the financial services group's profits. However, FBC Building Society is also significantly important to the group. The society accounts for about 46 of profits before tax and also trading ahead of budget. *(Herald)*

Listed diversified group, Meikles Limited posted an after tax profit of $37,1 million for the full year to March 2014 from $6,5 million the prior year largely due to a huge jump in non-trading income. Non-trading income for the period rose to $48,8 million during the period under review from $9,7 million last year. Group revenue was 1,8 percent lower than the prior period largely due to lower turnover from its retail and agricultural subsidiaries while borrowing increased after the Group secured funding for expansion and refurbishments in the supermarket and hotel business and substantial plantation development Basic earnings per share rose to 13,56c from 0,75c a year earlier. The group presented unaudited results for the period while audited results were expected to be presented at the end of this month. Group chairman Mr John Moxon said the release of the unaudited results, which was sanctioned by the Zimbabwe Stock Exchange, was precipitated by the need to resolve the issue of the group's deposit held by the Reserve Bank of Zimbabwe. "The resolution of the deposit held at the Reserve Bank of Zimbabwe is the most critical factor affecting these results. "The resolution of this matter will influence the audited results, in terms of the composition of the balance sheet and in the disclosure of post balance sheet events," he said. Mr Moxon said intense negotiations with the Ministry of Finance and Economic Planning were in progress with the intention being to facilitate access to the fund by the end of the month. "All parties to the discussion believe that this timetable is realistic. The resolution will be based on the company being in receipt of Treasury Bills, the terms of which are to be acceptable at face value to the market. "A number of Treasury Bills have already been given to the Company and efforts are underway to test their marketability in their present form. According to Mr Moxon the group would have no net borrowings if it received all its funds, which will place it on a strong platform for the future.

"We are pleased with the progress on securing access to our funds and this development is exciting for the entire group. "The receipts has potential to make a substantial contribution to the Nation, both through the group's own activities and the corporate social responsibility programmes through the Meikles Foundation where substantial activities are underway for the benefit of the community," he said. In terms of performance, TM supermarket's turnover fell to $334 million from $336 million although customer count throughout the store footprint increased by 8 percent compared to the prior year. The store portfolio increased from 49 in March 2013 to 53 branches during the period under review with the company securing four new sited in prominent areas in the second half of the year, which increased the subsidiary's trading area by 10 percent to 55 000 square metres. "Their impact on turnover and profitability will be felt in the ensuing financial period. Post the end of the financial year, five additional new sites have been secured for development in the 2015 and 2016 financial years, with

potential of increasing the trading space by more than 18 percent," Mr Moxon said. The Meikles Mega Market stores which started operated in December 2013 contributed just over $2 million in turnover during the period under review and the group said plans were underway to open at least four new stores by the end of the 2015 financial year. In terms of Meikles Store, Mr Moxon said progress has been made in restructuring the departmental stores while trading area was significantly reduced through reallocation of the space to high growth areas of the group.

This resulted in the reduction of departmental stores from 12 in 2013 financial year to five during the period under review. Turnover for the division came in at $12,5 million which was lower than $18,5 million achieved during the prior year. The hotel division recorded a 5 percent increase in revenue to $15,6 million as Revenue per available room at the Meikles and Victoria Falls hotels increased by 2 percent and 15 percent respectively due to high quality product offering following refurbishment of the two hotels and positive sentiment in the country. Tanganda tea company revenues fell 6 percent to $22,6 million during the period under review as plantation development that started in 2011 neared completion. "An additional 143ha of coffee, 185 ha of avocados, 164 ha of macadamia and 108 ha of timber were added during the year. "The company had 268 ha, 375 ha 663 ha and 2373 ha and 1415 ha of coffees, avocados, macadamia, tea and timber plantations respectively as at March 31, 2014," said Mr Moxon. Packeted tea production at 2,044 tonnes was almost similar to the 2,093 tonnes produced in the prior year as local demand remained depressed while regional markets particularly Zambia showed growth. "Subsequently to year end, we have replaced our packaging machines with a state of the art high capacity plant that will allow us to increase production at standard costs, ensuring continuity of supply of a quality product at competitive prices. "Our Tingamira water production increased by 44 percent compared to the prior year and water sales volumes continue on an upward trend. In terms of the mining division, Mr Moxon said Meikles Centar Mining was in the process of acquiring 51 percent shareholding in a group of gold mines in Matatebeland area at a cost of $3 million with the transaction awaiting regulatory approval. *(The Herald)*

Zimre Holdings Limited is forecasting a turnover of about $150 million by the end of this year as the company targets increased earnings from the disposal of non-core and non-performing local and external assets, a company official said. ZHL is owned 43 percent by the Government and has a 33 percent interest in NicozDiamond. The group operates principally in southern Africa with offices in Botswana, Malawi, Mozambique, South Africa, Zambia and Zimbabwe. In an interview Zimre Holdings chairman Mr Benjamin Khumalo said the group is confident of a turnaround despite prevailing economic challenges. "Despite the prevailing harsh economic environment the company hopes to archive an annual turnover of $150 million and to this end, investments within the group that are not considered core are being disposed of with resultant proceeds being injected into core operations. "The capital raising exercise is meant to enhance liquidity within the group operations and increase group underwriting capacity and once an appropriate partner is identified members would be notified," said Mr Khumalo.

Zimre Holdings chief executive Mr Albert Nduna at the company's AGM added that capital raising initiatives coupled with some internal re-organisation for the group will see value being created for shareholders in the short term. Despite the challenges in the operating environment the group performed reasonably well and for the three months to 31 March 2014, the group recorded a gross premium of $24 million which was however 9 percent below same period last year and that was within expectations. Gross premium for the regional businesses was in line with budget and was ahead of last year. Local reinsurance business was below last year as the group pursued its strategy of writing collectible and profitable business. Operating and administration expenses were nine percent below both budget and the prior year. *(The Herald)*

ESSAR Africa Holdings has begun operations at Zisco and is engaging creditors to work on a repayment plan while it waits for the construction of a new iron and steel plant in 24 months, Industry and Commerce minister Mike Bimha said yesterday. Lancashire Steel is expected to be operational within six months after the importation of steel billets to generate revenue while the construction of the 500 000 -tonnes steel plant takes place, Bimha told the portfolio committee on Industry and Commerce. The new 500 000-tonne steel plant would be completed in two years at a cost of $650 million. "I am glad to report that when the vice-chairman of Essar came to Zimbabwe it was agreed that we can now start the operationalisation. They have engaged those creditors and government no longer has problems of garnishing,"

Bimha said. "They are already in discussions. I think very soon officials from the Ministry of Finance and Essar will be going to meet some of those creditors so that they agree on the repayment plan."

He said Essar has revised the initial plan with government to rehabilitate the iron and steel-producing plant by building 80% of the plant meaning that there will be construction before production within 24 months. "The blast furnace which is really the core, they cannot rehabilitate it. They have to put up a new one. The good thing is that they are going to work on the foundation of what is there. The good thing is that the time frame is still the same within a period of 24 months," he said. He added that there was likely to be production of the first tonnage of liquid steel in the next 24 months. He, however, said while waiting for the reconstruction process to take place, the company would import steel billets that would then be channelled to Lancashire Steel, a subsidiary of NewZimSteel expected to resume operations in the next six months. Bimha said this would ensure employees were utilised while the company generated income. Chinese and Indian contractors have been engaged to work on the plant, Bimha said. He said Essar had conducted a staff audit to see what the staff could do during the period of dismantling and constructing a new plant. In 2010, Essar Africa Holdings agreed to buy 54% in Zimbabwe Iron and Steel Company (Zisco), with the government keeping 36% and 10% owned by minority investors. The Zisco-Essar deal was touted as the biggest deal during the inclusive government. However, the deal ran into problems after government refused to transfer the mineral rights to NewZim Minerals — the result of bickering among coalition government partners on how the deal would be finalised amid reports that parties wanted to use the transaction as a campaign tool for last year's elections. Government finally agreed to transfer the claims in May this year.*(News Day)*

CONGLOMERATE Meikles Limited says it is waiting for regulatory approval for its mining venture to acquire a controlling shareholding in gold mines in Matabeleland. Last year, the conglomerate formed Meikles Centar Mining (MCM) to tap into the lucrative, but capital-intensive mining sector. MCM is a joint venture with a foreign partner, Centar Mining, a Guernsey-based investment group created by former JP Morgan banker, Ian Hannam. Centar Mining has concessions in Afghanistan and Kazakhstan. In a statement accompanying the group's unaudited financial results for the year ended March 31 2014, Meikles chairman John Moxon said the acquisition of the stake would cost $3 million. "Meikles Centar Mining is currently in the process of acquiring 51% shareholding in a group of gold mines in the Matabeleland area for a consideration of $3 million. We await regulatory approval for the transaction to be concluded," Moxon said. Moxon said MCM has also purchased 75% equity in a company that owns a number of chrome claims on the Great Dyke. "Proposals have been submitted to the ministry of Mines related to a significant chrome-related project, which include construction of a smelter to beneficiate both lumpy and alluvial ore. The project will cost in excess of $100 million," Moxon said. Moxon said the group had carried out limited exploration on an iron ore claim and the results were positive. He said the group was looking to its strategic partners "to provide finance and mining skills". Meikles also has interests in retail (TM Supermarkets, Meikles Mega Market and Meikles Stores, hospitality (Meikles Hotel and Victoria Falls Hotel) and agriculture (Tanganda Tea Company. In the full year ended March 31, 2014, Meikles' group revenue was 1,8% below the 2013 figures due to lower turnover in the retail and agricultural sectors. *(News Day)*

Economic News

Tobacco farmers in Zimbabwe sold about 205.5 million kilograms (453 million pounds) of the crop in the marketing season that ended June 27, breaching the 200 million-kilogram mark for the first time since 2001. Farmers earned more than $651.9 million from sales of mainly flue-cured or Virginia tobacco, compared with more than $569.5 million a year earlier, the Tobacco Industry and Marketing Board, the state regulator, said today in an e-mail from the capital, Harare. Tobacco is traditionally sold in Zimbabwe from late February through June. Mop-up sales, to purchase any tobacco remaining on farms, will be held July 15. Deliveries of the leaf grew 33 percent on the previous season, while the average price declined to $3.17 a kilogram from $3.70 last year, according to the TIMB. The regulator had earlier predicted a crop of about 185 million kilograms. Tobacco is Zimbabwe's biggest agricultural export and second-biggest earner after minerals. About 106,000 mainly small-scale growers farm the crop on Zimbabwe's sandy northern and eastern soils.*(Bloomberg)*

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