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

				WTD % Change		YTD % Change	
Country	Index	29-Aug-14	5-Sep-14	Local	USD	Local	USD
Botswana	DCI	9441.08	9445.57	0.05%	1.08%	4.33%	2.51%
Egypt	CASE 30	9446.83	9650.43	2.16%	2.45%	42.28%	37.94%
Ghana	GSE Comp Index	2200.18	2217.25	0.78%	1.16%	3.36%	-35.06%
Ivory Coast	BRVM Composite	246.52	248.66	0.87%	0.89%	7.17%	2.30%
Kenya	NSE 20	5139.39	5160.32	0.41%	1.92%	4.74%	2.27%
Malawi	Malawi All Share	13737.30	13737.30	0.00%	0.82%	9.63%	16.29%
Mauritius	SEMDEX	2108.72	2114.64	0.28%	3.89%	0.90%	-1.86%
	SEM 7	401.00	400.82	-0.04%	3.55%	-0.70%	-3.41%
Namibia	Overall Index	1115.39	1139.68	2.18%	1.68%	14.31%	12.26%
Nigeria	Nigeria All Share	41532.33	41160.62	-0.89%	0.06%	-0.41%	-1.14%
Swaziland	All Share	297.16	297.16	0.00%	-0.49%	4.02%	2.16%
Tanzania	TSI	4359.42	4409.49	1.15%	1.83%	55.07%	48.57%
Tunisia	TunIndex	4682.60	4665.99	-0.35%	-0.48%	6.50%	0.13%
Zambia	LUSE All Share	6208.63	6230.63	0.35%	-0.78%	16.49%	6.10%
Zimbabwe	Industrial Index	196.43	201.28	2.47%	2.47%	-0.42%	-0.42%
	Mining Index	104.80	101.84	-2.82%	-2.82%	122.41%	122.41%

CURRENCIES

Cur-rency	29-Aug-14 Close	5-Sep-14 Close	WTD % Change	YTD % Change
BWP	8.89	8.80 -	1.02	1.77
EGP	7.15	7.13 -	0.28	3.14
GHS	1.87	3.76 -	0.38	59.17
CFA	499.44	499.32 -	0.02	4.76
KES	88.45	87.14 -	1.48	2.41
MWK	392.15	388.96 -	0.81 -	5.73
MUR	30.91	29.84 -	3.47	2.81
NAD	10.63	10.68	0.49	1.82
NGN	162.26	160.71 -	0.95	0.74
SZL	10.63	160.71	0.49	1.82
TZS	1,635.80	1,624.87 -	0.67	4.38
TND	1.74	1.74	0.13	6.36
ZMW	5.97	6.03	1.15	9.79

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

Shares in fixed-line monopoly Telecom Egypt rose in early trade on Thursday after the country's government approved on Wednesday a long-awaited plan to issue a unified landline and mobile telecommunications licence. The stock jumped 3.0 percent shortly after opening, offsetting pull-backs by other blue chips such as Commercial International Bank, which slid 0.8 percent. The main Egyptian index was nearly flat as a result. The new licence could allow Telecom Egypt to start reclaiming its market share, which has been dented by mobile operators. Bourses in the United Arab Emirates were also almost flat as heavyweight stocks such as Emaar Properties, Dubai's largest developer, were unchanged. Smaller Dubai developer Deyaar gained 0.8 percent after announcing a 450 million dirham ($123 million) project to build a sharia-compliant hotel and furnished apartments tower. Abu Dhabi's blue chips were mixed. Etisalat and Abu Dhabi Commercial Bank edged up 0.9 and 0.6 percent respectively, while First Gulf Bank slipped 0.3 percent. Qatar's index added 0.3 percent on the back of Qatar National Bank and Qatar Commercial Bank, which rose 1.2 and 1.5 percent.*(Reuters)*

Economic News

The investment certificates which the government of Egypt will issue to finance a project to extend the Suez Canal will be denominated in Egyptian pounds only, the governor of the Central Bank of Egypt (CBE) said on Sunday. Speaking at a press conference, Hisham Ramez explained that Egyptians living abroad will be able to buy the certificates in Egyptian pounds through local banks with ties to the issuant banks in Egypt. Earlier this month, Egypt started digging a 72 kilometre-long waterway parallel to the Suez Canal, with the aim of increasing the capacity of the vital international shipping route. According to official declarations to the press, the government had initially toyed with the idea of issuing dollar-denominated certificates for Egyptians residing overseas. Certificates will not be issuable to foreigners, so as to preserve the national character of the canal, historically a sensitive issue for Egyptians, explained officials. The certificates will be issued at a value of LE10, LE100, LE1000 and its multiples, with a maturity of five years at a 12 percent interest rate. The low value certificates, worth LE10 and LE100, will be redeemable with cumulative interest, at the end of the five years, while holders of certificates worth LE1000 and its multiples will reap a 12 percent interest on a quarterly basis.

State-owned entities Bank Misr, the National Bank of Egypt, Banque du Caire, and the Suez Canal Bank will issue the certificates, which other banks will be able to order for customers upon request. Certificates will be available to Egyptian individuals, corporations and legal entities but will not be tradable. Holders of the certificates will have the right to a loan from the issuant bank worth up to 90 percent of their certificate value. The finance ministry is guaranteeing the certificates, which will be repaid from Suez Canal revenues. Banks will service orders for certificates up until the CBE has collected the LE60 billion needed to finance the digging of the new waterway. The central bank has already printed 6 million certificates, said Ramez, and is in the process of printing more certificates. The certificates will be issued as soon as the president ratifies the legislation for it, said Ramez, without giving further details as to the timing of the issuance. *(Ahram)*

Egypt's main index achieved considerable gains on Tuesday's session to register a six-year record high breaking the 9,500 resistance level. The EGX30 benchmark index gained 1.82 percent to close at 9,623 points with a high turnover of LE1.1 billion ($154 million). The market was pushed up by active and leading shares. Market bellwether Commercial International bank of Egypt (CIB) gained 2.21 percent to LE47.7. "The main index was able to surpass the 9,500 level as the CIB achieved a new record at LE48.5 per share which encouraged investors to buy," said Ashraf Abdel-Aziz, head of institutional sales at the Cairo-based Arabia Online. Fellow big cap Global Telecom Holding and Telecom Egypt gained 1.87 percent to LE5.44 and 0.77 percent to LE14.36 respectively. "The market's most liquid stocks also achieved

record gains such as Palm Hills and TMG holding," said Abdel-Aziz. Real estate shares Palm Hills and Talaat Mustafa were the most active stocks closing at 2.06 to LE4.45 and 2.95 percent to LE10.81 respectively. Egyptians and foreign investors were net-buyers recording a net flow of LE69.4 million ($9.7 million) and LE10.7 million ($1.5 million respectively) while non-Arab foreign investors were the only net sellers. Egyptian Financial Group-Hermes Holding Company (EFG-Hermes) gained 3.37 percent to trade at LE18.69. Out of 175 stocks traded over the day, 100 gained in value while 51 declined.*(Ahram)*

The United Arab Emirates will provide Egypt with petroleum products worth $8.7 billion over a year starting in September, an Egyptian official told Reuters on Sunday. Egypt has struggled to curb its swelling budget deficit and meet its soaring energy demands, which have resulted in daily electricity cuts around the country of 86 million people. Oil-producing Gulf countries have come to Egypt's aid since the army, prompted by mass protests, ousted Islamist President Mohamed Mursi last year. "We will complete all the details this week and the first shipment will be sent next week," the official said, referring to the UAE agreement. He said some of the petroleum products would comes as grants and the remainder under a credit agreement that would be repaid in instalments. The United Arab Emirates, Saudi Arabia and Kuwait have together provided Egypt with more tan $20 billion in grants, loans and petroleum products since Mursi's overthrow. Fuel subsidies have in recent years cost Egypt's government around $15 billion a year, a fifth of the state budget. But the government slashed energy subsidies and increased prices by more than 70 percent in July. "Egypt imports petroleum products worth around $1 billion to $1.3 billion a month," the official said. *(Reuters)*

Egypt revised up its annual consumer price inflation rate to 11.04 percent for July from an earlier figure of 10.61 percent, the statistics agency said on Monday, after the government cut subsidies on fuel. It revised up monthly inflation to 3.51 percent from the figure of 3.11 percent published previously. Egypt's annual core consumer price inflation rate, which strips out subsidised goods and volatile items such fruit and vegetables, was also adjusted higher to 9.57 percent from 9.35 percent, the Central Agency for Public Mobilization and Statistics (CAPMAS) said. CAPMAS did not give a reason for the revision. Egypt's economy has been in turmoil since a popular uprising ousted autocrat Hosni Mubarak in 2011, deterring tourists and foreign investors and straining the country's finances. Annual inflation reached its highest rate in nearly four years in November but has fallen back since. Analysts have said they expect it to rise again after the government raised energy prices by up to 78 percent in an effort to ease the country's budget deficit. Gas subsidies were also cut, lifting prices by 30 to 75 percent, and sales taxes on alcohol and cigarettes rose in July. *(Reuters)*

Egypt's central bank kept its overnight deposit and lending rates at 9.25 percent and 10.25 percent respectively on Monday, as widely expected given competing pressures from high inflation and economic stagnation. The bank did not give a reason for its decision but said a full statement would be issued shortly. Economists in a Reuters poll had predicted Egypt would keep rates steady in an attempt to balance the need to hold down inflation while supporting an economy that has stagnated for more than three years. Inflation has slowed since reaching its highest in nearly four years, at 13 percent, last November. But it rose in July after the government introduced fuel price increases. At their last meeting on July 17, the central bank raised benchmark interest rates in an unexpected move seen as an attempt to hold down inflation after the fuel hike. Foreign investors and tourists have been scared off by a popular uprising that toppled autocrat Hosni Mubarak in 2011, and renewed upheaval last year when the army ousted the country's first elected president after protests against his rule. The economy grew 1.2 percent in the first half of 2013/14, far too little to reduce widespread unemployment. Despite billions of dollars in aid from Gulf allies in the past year, Egypt's economic recovery has been sluggish and growth forecasts for this year range between 2 and 2.5 percent. *(Reuters)*

Business activity in Egypt grew at its sharpest rate in eight months in August, a survey showed on Wednesday, as the economy rebounded strongly from the initial shock of cuts in energy subsidies last month. Egypt's economy has been hit by more than three years of

political and economic turmoil following the 2011 uprising that toppled Hosni Mubarak after 30 years in power. The government is walking a fine line in an attempt to boost revenues and cut its deficit while luring investors. Increased output and a sharp rise in new orders last month, however, appeared to suggest that confidence was beginning to return. The HSBC Egypt Purchasing Managers Index (PMI) for the non-oil private sector stood at 51.6 points in August, its most marked improvement since December 2013. Purchasing activity overall increased at the fastest pace since data collection began in April 2011. Readings above 50 indicate expansion, while those below 50 point to contraction.

"After last month's setback, the strong scores for output and orders are encouraging," said Simon Williams, Chief Economist for the Middle East at HSBC, commenting on the Egypt PMI survey. "There are a lot of challenges ahead, but we remain optimistic that growth will gain pace in the last months of this year and into 2015." Egypt raised fuel prices by up to 78 percent in July in a long-awaited step to cut energy subsidies and ease the burden on the government's swelling budget deficit. The cuts pushed up prices and hit business activity in July, but the government has said it expects the economy to grow by more than 3 percent in the current fiscal year ending next June, from an expected 2 percent for the last fiscal year. Egypt is targeting economic growth of up to 5.8 percent in the next three years with the deficit staying at around 10 percent of gross domestic product (GDP).

The PMI survey of around 350 private-sector firms showed that output rebounded strongly in August, with the related subindex reaching 53.5 points, its most marked increase in eight months, after shrinking to 48.7 points in July. The subindex for new orders also hit an eight-month high, reaching 52.8 points in August, compared to 48.5 the previous month. New export orders expanded to reach 52.5 points in August, compared with 49.1 points in July, with clients naming European and Middle Eastern markets as sources of growth. More jobs were shed in Egypt in August, however, with employment resuming the decline observed at Egypt's non-oil private sector firms since May 2012 after a short-lived expansion in July. But the rate of decline was marginal. Input prices rose sharply, with the index at 63.8 points, squeezing company margins, though the pace of the increase was less marked than the previous month when the index was at 67.8 points. Higher input prices fed into higher selling prices in August. Output prices rose, with that subindex at 51.7 points, its sharpest rise since May 2013. *(Reuters)*

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Ghana

Corporate News

FIDELITY Bank Ghana Limited has completed the acquisition of ProCredit Savings and Loans Company Limited. This follows an agreement with ProCredit Holding Germany.Fidelity has purchased all the shares currently held by the two shareholders, PCH and the DOEN Foundation of the Netherlands. The objective of the proposed acquisition is to enable ProCredit Ghana to transfer its strong SME processes and qualified staff to Fidelity to enhance the bank's SME strategy. After the merger, Fidelity will have a branch network of 8 096 ATMs, 300 agencies and more than 700 000 customers across the country. The merger will also consolidate the bank's position as a top six bank in Ghana with the third largest branch network. The transaction is subject to Bank of Ghana and shareholders' approval, and the completion of other closing conditions. According to Helen Alexander, speaking on behalf of ProCredit Holding, "ProCredit Ghana has played a pioneering role in serving small and medium-sized enterprises in Ghana since 2002. "We are very proud of what we have achieved in Ghana, in terms of outreach, client impact, and staff capacity building." He expressed confidence that Fidelity Bank, backed by both Ghanaian and international investors, will offer excellent prospects for our clients and staff that only a universal bank can offer. *(Herald)*

Economic News

The Ghanaians have been urged to send their contributions and inputs to the Ministry of Finance and Economic Planning before Friday, September 5, this year, for the drawing up the 2015 National Budget. The 2015 budget statement is expected to be presented to Parliament in November for debate and passage in December 2014. A statement signed by Mr Jerry Sam, Programme Director, of the International Institute for ICT Journalism, (Penplusbytes) and copied to GNA on Tuesday said the public could add their inputs easily and faster through a campaign platform www.myghanabudget.org. The platform was launched by Penplusbytes in collaboration with Financial Accountability and Transparency Africa (FAT Africa) with support from STAR-Ghana to enable citizens send their inputs.

The release said the platform was established to enable citizens help shape Ghana's 2015 budget following the Ministry of Finance's earlier call soliciting inputs from recognised professional bodies, associations, civil society organisations and citizens, for ideas and contributions that may be considered during the process of formulating the budget statement. It explained that www.myghanabudget.org was designed to facilitate public participation, provoke debate around the budget and help shape public policy. The project also seeks to promote civil society participation at all stages of the national budget preparation and implementation thereby strengthening Ghana's democracy and accountability expected from Government. "Budget reading is the most visible and popular aspect in the budget cycle where the Minister of Finance presents the budget to law makers for legislation. A very important step after budget formulation is enactment where key stakeholders including civil society groups and citizens have a great potential of shaping the budget through provision of input".

FAT-Africa is a civil society organization and a think tank that advocates and promotes good financial governance with the aim of creating an enabling climate to nurture a culture of efficient public sector and financial management principles in Africa, while Penplusbytes established in 2001 seeks to empower the media through the use of ICTs to advance the course of journalism in the areas of governance and accountability, new media and innovations and oil, gas and mining. STAR-Ghana on the other hand is a multi-donor pooled funding mechanism (Funded by DFID, DANIDA, EU and USAID) to increase the influence of civil society and Parliament in the governance of public goods and service delivery, with the ultimate goal of improving the accountability and responsiveness of Ghana's government, traditional authorities and the private sector. *(GhanaWeb)*

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TRADING

Ghana's cedi currency is holding its ground against the dollar for the first time this year, traders and analysts said on Monday, after falling some 40 percent in the last eight months. The government's decision last month to go to the International Monetary Fund for an assistance programme to tackle Ghana's fiscal woes has boosted capital inflows, traders said. Central bank support and sales by local mines have also supported the cedi. At the same time, a seasonal slowdown in commerce has reduced demand for dollars - an effect that could buoy the cedi in the weeks ahead, they said. Currency stability could help the government tackle fiscal woes including rising inflation and a stubborn budget deficit, which have taken the shine off an economy that had been growing strongly on the back of exports of gold, cocoa and oil. It could also boost small- and medium-sized businesses, which have long complained that their expansion is limited by high interest rates. "The cedi has been helped by improved (market) sentiment and a developing risk-on posture as the market looks positively to the IMF programme, the Eurobond and cocoa flows," said one analyst who declined to be named.

The currency traded on Monday near 3.8000 to the dollar, up from a record low of above 3.9000 in June. Interbank trading, which has been dormant since February, sprang to life on Friday due to improved liquidity, analysts said. "The various segments of the market (local and offshore) appear to be synched at the moment. The local currency has had a fairly good run over the past week. We think USD/GHS could drop below the 3.8000 brink by mid-week," said Michael Akpakli, a currency trader at Barclays Bank Ghana. Senior Ghanaian officials are in Europe and the United States ahead of the launch of Ghana's third Eurobond, which may come next week, with Standard Chartered, Deutsche and Barclays as lead banks. The industry regulator Cocobod is due to sign an agreement on an annual syndicated loan from international banks of up to $2 billion on Sept. 11 for next season's cocoa crop purchases, which begin in October. *(Reuters)*

Kenya

Corporate News

KenolKobil Ltd. wants to focus on existing ventures rather than buying companies as the Kenyan fuel retailer with operations in nine African countries reduces debt, Managing Director David Ohana said. "We are currently concentrating on building our business in Burundi and Rwanda, where returns on investment have been disproportionately high," he said in an Aug. 27 interview in Nairobi, the capital. "We are growing without making too much noise, quietly increasing our network in countries where returns are clear. We have no plans to acquire companies." KenolKobil has opened 20 service stations in Burundi over the past year, taking the total there to 34, while in Rwanda, it now has 56 facilities, compared with 38 in 2013, he said. Ohana didn't say what the returns are. Kenya, which has attracted explorers including France's Total SA and Tullow Oil Plc, is headed to become the first oil exporter in East Africa when it starts shipments as early as 2016. The Nairobi-based company returned to profit last year by slashing costs and reducing its workforce by 41 percent. Kenya's biggest fuel retailer by market value is paying down borrowings, with its gearing, or level of debt relative to equity, dropping to 62 percent by the end of June from 67 percent six months earlier, it said on Aug. 20. Ohana, AGE?, said in April the company wants to be debt-free by the end of the year.

"We are heading there," he said. "It's a process to get debt-free. We have done a lot in this regard and more will happen in the second half." Borrowings declined to 13.6 billion shillings ($154 million) by June 30 from 15.4 billion shillings in December. Profit surged more than threefold to 531.1 million shillings in the first half ended June from a year earlier. KenolKobil has retreated 16 percent this year, compared with a 19 percent increase in the FTSE/NSE Kenya 25 index. The shares were unchanged at 8.40 shillings by the close on Aug. 29, giving the company a market value of 12.4 billion shillings. West Texas Intermediate has fallen 3.7 percent this year, while the maximum pump price of gasoline in Nairobi has climbed 7.3 percent to 116.62 shillings a liter (0.3 gallon). Kenya's shilling has depreciated 2.4 percent against the dollar in the period. KenolKobil in 2013 ceded its position as Kenya's second-biggest retailer of petroleum products by sales to Vivo Energy, a Royal Dutch Shell Plc joint venture with Vitol Group, according to thePetroleum Institute of East Africa's website. Total Kenya Ltd. is the largest. "We want to a market leader in profitability not in volumes sold," said Ohana. *(Bloomberg)*

Treasury and the National Social Security Fund (NSSF) are set to earn a windfall of Sh1.4 billion from the redemption of their preference shares in National Bank. National Bank of Kenya (NBK) has agreed to pay a 25 per cent premium on each of the preferred stocks that have a par value of Sh5 apiece – translating to a redemption price of Sh6.25 per share. This means the Treasury will book a margin of Sh1.1 billion from the redemption of its 900 million preference shares while NSSF will earn a gain of Sh293.7 million given that it holds a fifth of the total preferred stocks. "We agreed to redeem the non-cumulative preference shares at 25 per cent premium," said the managing trustee of NSSF and director of NBK Richard Lang'at in an interview. In total, the government will rake in Sh5.6 billion from the restructuring exercise while the statutory workers' retirement fund will receive Sh1.4 billion. NBK's 1.135 billion non-cumulative preference shares were created in 2003 when long-term loans totalling Sh5.675 billion advanced to the bank by NSSF and government were converted into equity. National Bank shareholders in May unanimously approved a plan to redeem the lender's 1.135 billion preference shares using funds from the planned Sh13 billion cash call set for end of this year.

The Sh7.09 billion total cost of redeeming NBK's preferential shares accounts for more than half of the expected proceeds from the rights issue – leaving the bank with Sh5.9 billion to fund growth. "This will clean up the books and the value of the bank will go up. NSSF is ready to defend its entire rights," added Mr Lang'at. NBK chief executive Munir Ahmed declined to comment on the matter. The 25 per cent returns for the Treasury and NSSF add to billions in dividends that the preference shares have earned the State and NSSF since 2003. National Bank

is ranked 11th in size out of Kenya's 44 banks, with 0.5 million deposit accounts, 76,000 loan accounts and a collective market share of 3.39 per cent; according to Central Bank data. The redemption of NBK's preferential shares is set to mark the final chapter of the lender's restructuring plan mooted in 1998 to deal with the huge pile of bad loans it had accumulated. The non-cumulative preference shares issued are not quoted on the stock, cannot be converted to ordinary stock and do not have voting rights. However, they are entitled to a dividend negotiated annually but capped at six per cent per year on the par value of each share.

NBK paid a special dividend of Sh0.075 per share (1.5 per cent) to government and NSSF as preference shareholders totalling Sh85.1 million and a further Sh0.33 per share or Sh377.9 million for their ordinary shares for the period to December 2013.The two preferred shareholders harvested a total of Sh463.08 million in dividends last year compared to Sh312.1 million in 2012, a growth of 48.4 per cent." In the current scenario, most of the dividends declared go to the preference shareholders because they share the balance after preference dividends are paid pari passu," Mr Ahmed said at the lender's AGM in May. Treasury secretary Henry Rotich had earlier said the government would use proceeds from redeeming its preference shares to take part in the rights issue. *(Business Daily)*

Following a tender review process, a consortium led by Kenyan companies Gulf Energy Limited (Gulf Energy) and Centum Investment Company Limited (Centum) emerged as the winning bidder for the development of a 1,000MW coal-fired power plant to be located in Lamu County. Other companies in the Gulf consortium include Chinese firms Sichuan Electric Power Design and Consulting Company Ltd **(**SEDC), Sichuan No. 3 Power Construction Company (SEPCC) and China Huadian Corporation Power Operation Company. The plant will initially use imported coal and later source raw materials from Kitui's Mui Coal Basin. Power generated from the coal plant will be sold to Kenya Power under the long-term Power Purchase Agreement (PPA) framework. The tender evaluation results showed that the Centum-led consortium had presented the most favorable Specific Fuel Consumption (SFC) — a key determinant of the final Power Purchase Agreement because it defines the plant's fuel efficiency which is critical in setting the cost of utility for consumers. The evaluation committee had awarded the Centum team an SFC of 0.42 kilogramme per Kilowatt Hour (KWh) against 0.43 for Shanghai Electric Power Company and HCIG groups. The tender committee had not concluded the overall cost analysis of the financial bids presented by the two rival consortiums because both consortiums had used a coal reference type that was not in the tender document (29,000 kilojoules per kg (Kj/kg) instead of the 21,000 kj/kg) specified in the tender document.

Lawyers representing the Shanghai consortium contested that the tender committee was making a deliberate effort to award the contract to the Gulf Energy/Centum consortium (which was more expensive than the one presented by their clients). The Energy secretary said the ministry would review grievances raised by the rival bidders before forwarding the evaluation report to Treasury's Public Private Partnership (PPP) unit and Public Procurement Oversight Authority (PPOA) for approval. By that time, lawyers representing Shanghai had left, pointing to likely litigation on the matter before construction commences. Once complete, the power plant will be the single largest power generating plant in East, Central and Southern Africa (excluding South Africa), and will account for approximately 55% of Kenya's power production measured by today's installed generating capacity. The project will cost approximately USD 2.0bn, of which approximately USD 500m will be funded by equity and the balance of approximately USD 1.5bn will be funded through debt. The Gulf consortium will charge USD 7.56 cents per kilowatt hour of coal power produced for the 25 years. *(Business Daily)*

The national government is negotiating with European charter airlines to resume flights to Mombasa to help revive the tourism sector. Some of these airlines withdrew their flights to the coastal town several months ago due to terrorism attacks and rising insecurity in Lamu. According to tourism players, charter flights have plummeted to below 10 a week this year, compared to over 20 a week in the same period last year, almost bringing the industry to its knees. Hoteliers in Mombasa say international guests' occupancy stands at between 10 per cent

and 15 per cent compared to between 30 and 40 per cent in the same period last year due to low international visitor arrivals although it is now a high tourism season. There is currently no single charter flight from the United Kingdom to Mombasa yet the UK is the leading tourist source market for the country. Yesterday, East Africa Affairs, Commerce and Tourism cabinet secretary Phyllis Kandie said the government has contained insecurity at the Coast, a factor which contributed to the tourism slump. She said calm had returned to Mombasa and Lamu and that the government was holding talks with the airlines to return.

"The charter airlines pulled out of the route because of the challenges of insecurity in Mombasa and other parts of the region," she said. "But we are glad that the government has addressed the matter and we are negotiating with the airlines to fly back to Mombasa," she added. She said the government had reduced landing fees to win back the airlines, adding that the State would also hold talks with Kenya Airways management for the introduction of direct flights from European cities like London to Mombasa to boost international tourist arrivals. "Kenya Airways is in the taskforce which was set up by the government to help revamp the sector. We are looking into the possibility of our flag carrier introducing direct flights from our major source markets in Europe to Mombasa to help uplift international tourist arrivals at the Coast," she said. Ms Kandie however said Ethiopian Airlines and Turkish Airlines which have direct flights from Addis Ababa and Istanbul to Mombasa respectively were still bringing in some tourists from Europe. She assured that the government would prioritise domestic tourism to boost hotel occupancy. She noted that the government was encouraging conference tourism organisers to hold such events at the Coast to cushion hotels against the international tourism drought. Ms Kandie said the government was also working with counties to hold cultural and music festivals to woo locals.*(Business Daily)*

Co-operative Bank has notified shareholders to expect conservative dividend payouts to help the lender boost its capital ratios in line with the regulator's fresh prudential guidelines. The Nairobi Securities Exchange-listed bank Tuesday said it will be retaining a big portion of its profit to avoid making a shareholders' cash call even as it keeps within Central Bank's capital requirements. Co-op Bank has maintained an average dividend payout ratio of 26.1 per cent in the past five years— meaning the lender has been keeping three-quarters of its net earnings to fund operations. "We will pursue a progressive conservative dividend payout arrangement to build a strong core capital base," said Co-op Bank group managing director Gideon Muriuki in an interview Tuesday. The lender froze dividend pay at Sh0.50 per share or 23 per cent of net earnings in the period to December 2013 and ploughed back Sh7.01 billion into the business by way of retained earnings. In total, Co-op Bank has accumulated retained profits to the tune of Sh22.1 billion in the past five years. The financier's core capital stood at Sh34.5 billion as at June 2014. It doubled dividend pay to Sh0.40 per share in 2010 and held the payout constant in 2011. The bank paid Sh0.10 a share in 2008, the year it was listed on the NSE.

Co-op Bank that is owned 64.56 per cent by Kenyan savings and credit societies (saccos), is ranked third in size out of Kenya's 44 banks with 4.7 million customer accounts and a market share of 8.61 per cent. Kenya's listed banks paid an average all-time-low dividend ratio of 31.7 per cent last year as they sought to preserve cash for growth, according to an analysis by Standard Investment Bank (SIB) research. Barclays Bank of Kenya paid out 56.5 per cent of last year's profit as dividends despite cutting shareholders pay by a third to Sh0.70 per share followed by StanChart (49.3 per cent), KCB(45.5 per cent) and Equity (41.8 per cent). CfC Stanbic paid the lowest dividend payout ratio of 16.6 per cent among the big banks even though the bank tripled dividend pay-out to Sh2.15 in the year to December 2013. Fresh Central Bank of Kenya (CBK) guidelines expected to be in force in January 2015 require lenders to maintain a minimum core capital to total risk weighted assets ratio of 10.5 per cent from the current 8.5 per cent. Co-op Bank's ratio dropped from 15.66 per cent in December last year to 14.1 per cent as at June—which is 3.6 percentage points above the statutory minimum set to come into force in about four months. "The new CBK regulations have forced banks which previously had high payouts to cut dividends and keep cash. It makes sense to raise capital through retained earnings which goes towards core capital," said Francis Mwangi, a head of research at SIB.

Co-op Bank's net profit for the first half of this year remained flat at Sh4.7 billion while the loan book surged by a third to Sh165.8 billion from Sh124.9 billion in June last yearM.r Muriuki said the bank will in two weeks' time receive Sh4.6 billion ($52.5 million) in long-term debt from the German Investment and Development Corporation (DEG). The credit facility adds to Co-op Bank's tier II capital and will be used for onward lending to small and medium-sized enterprises (SMEs). The seven-year loan comes with a two-year grace period and will be repaid in 10 instalments ending on 15th November 2020. Co-op did not disclose the cost of the credit line, but said it is in 'single digits' and will be charged a floating interest rate pegged on the LIBOR (London Interbank Offered Rate). "We will not do a rights issue or corporate bond. We will leverage on retained earnings and long-term debt to capitalise the bank," Mr Muriuki said. Kenyan banks have adopted several strategies to meet the new capital requirements with Barclays turning to its British parent firm for Sh4 billion, DTB has done a rights issue, NIC Bank has raised funds through a corporate bond and National Bank has lined up a Sh13 billion cash call.*(Business Daily)*

Huge foreign investor interest in KCB helped lift the net foreign flows on the Nairobi Securities Exchange back into the positive territory in August after net outflows in July. Data released by Standard Investment Bank shows the total foreign inflows into the bourse in August stood at Sh3.3 billion with KCB taking the lion's share of net inflows of Sh2.16 billion to dominate trading by non-Kenyans. Safaricom recorded the second highest net foreign investment last month at Sh411 million, ahead of East Africa Breweries' Sh290 million. According to analysts, foreign inflows were influenced by corporate actions and earnings announcements, leading to heightened activity around banking counters. "KCB results came in above expectations, within a market that did not have stellar performance as we saw some return below expectation results. Equity and Coop Bank's activity has been largely driven by corporate actions too," said Kestrel Capital analyst Kuria Kamau. The CMA statistical bulletin for the second quarter of the year showed foreign companies had sold their KCB shares mainly to local firms. The bulletin showed at the end of June foreigners held 831.9 million shares or 27.9 per cent of Kenya's largest bank by assets, down from 1.43 billion shares at the end of March. The last two months have, however, seen the lender pull in combined inflows of Sh3.33 billion, with the earlier sell-off having been attributed to profit-taking following appreciation of the share price.

In the first three months of the year, capital flight from emerging and frontier markets saw net outflows of Sh2.8 billion. Net inflows in April, June and now August have helped the market return to a positive position of Sh2 billion in the year-to-date. Going forward, analysts say, local investor activity in the market is increasing, potentially reducing the foreign dominance of the market that saw the foreign turnover average 54.3 per cent of total market sales this year. "Local investors have been active during this earnings period, driving the market more than the norm. They are both buying and selling although local funds seem to be accumulating on dividend paying counters," said Genghis Capital analyst Silha Rasugu. While Safaricom reversed its foreign flow position from negative to positive between July and August, EABL remained in the positive. Equity Bank though has had two straight months of net outflows.The bank saw net outflows of Sh58 million in August to buck the big counter trend, piling on a net outflow of Sh641 million in July.

The bank is set to roll out its mobile virtual network that will see it come into direct competition with Safaricom in the mobile money segment. Investors may have noticed the postponement of the launch at a time when KCB and Safaricom launched their Biashara Smart product targeting the SME mobile money market. Equity has, however, regained its position as the top bank at the NSE by capitalisation ahead of KCB with a valuation of Sh180.5 billion compared to the latter's Sh173 billion. Both lenders have enjoyed share price gains this year, with Equity currently 50 per cent higher since January at Sh48.75 and KCB 20 per cent up at Sh58. The two lenders are currently within range of their all-time highs as well, which stand at Sh50 for Equity and Sh60 for KCB.*(Business Daily)*

France Telecoms has recalled Mickael Ghossein from his position as chief executive of Telkom Kenya, appointing a new CEO who is expected to conclude ongoing talks to sell its 70 per cent interest in the loss-making business. The French telecommunications giant appointed Vincent Lobry, 58, as the new CEO. He joins Telkom Kenya from Orange Polska, the biggest mobile operator in Poland where he

served as the vice president in charge of marketing and strategy. Mr Ghossein, who has been at the helm of the firm since 2009, has been moved to the Middle East as senior vice president of Orange Business Services. Telkom Kenya chairman Eddy Njoroge said Mr Lobry's appointment becomes effective as from Thursday.

"We appreciate the strategic effort put by Mickael, enabling the business to streamline its operations, thereby offering products and solutions that meet the dynamic needs of the market. We are assured of a similar approach with the appointment of Vincent Lobry, even as the industry prepares for more competition," said Mr Njoroge. France Telecom is in advanced talks to sell its majority stake in Telkom Kenya, which is 30 per cent owned by the government. Mr Lobry has 35 years' experience in the telecommunications sector, with a focus on sales and marketing. The changes came after the expiry of Telkom Kenya's expatriates contracts, which has also seen other senior managers including chief finance officer Yvan Ridard and chief technical officer Alain Bridard replaced. Others that have been affected are the chief officer in charge of sales and marketing Xavier Villegas and the head of customer care and marketing Bertrand Vuillemin. Mr Lobry is a graduate of École Polytechnique and Telecom Paris Tech. Mr Ghossein has previously denied reports that he is among the expatriates leaving by September.

The changes in May saw Mireille Helou, the company's chief business transformation officer, appointed as chief officer market, sales and marketing, and Francois Bresson promoted to chief finance officer. Mercy Nduku is the new chief human resources officer while Ann Nyaga is the new head of customer care. The appointments leave the positions of chief technical officer and chief business transformation officer vacant.The French had in 2008 hoped to return Telkom Kenya to profitability in 2011, but this was scuttled by the decision by the Communications Authority of Kenya to cut the mobile tariff rate (MTR) by half to Sh2.21 on July 1, 2010. Latest statistics indicate that the company trails in the voice market commanding only seven per cent of the subscriber base. *(Business Daily)*

Essar Capital Ltd, part of India's Essar conglomerate, said it had signed binding agreements with Bharti Airtel Ltd and Safaricom Ltd to sell its telecoms business in Kenya for about $120 million. Under the agreements, Safaricom will take over Essar Telecom Kenya Ltd's network, IT and office infrastructure, while Bharti Airtel will acquire its subscribers. The deals received conditional approval from Kenya's telecoms regulator in March. Essar Telecom Kenya operates under the Yu brand name. Essar Global Fund Ltd, whose investment manager is Essar Capital, and its partners had invested in the Kenyan telecoms company in 2007-08, according to a statement from Essar. *(Reuters)*

Economic News

The Kenyan shilling eased slightly on Tuesday and was expected to keep in a tight range, with traders saying they were watching for central bank action in the money markets. At 0807 GMT, commercial banks quoted the shilling at 88.50/70 to the dollar, compared with Monday's close of 88.50/60. Traders said they were watching to see if the central bank will roll over a reverse repurchase agreement that injected 30 billion shillings into a tight money market last week. "There is a repo which is maturing today. I don't know whether they shall renew that. But it seems liquidity has improved in the market, so don't expect any action today," John Muli, trader at African Banking Corporation, said. Traders said the liquidity conditions had improved due to government departments starting to spend money from the 2014/15 (July-June) fiscal budget. Delays by the government to release funds to departments and local authorities led to a liquidity crunch, leading to overnight borrowing rates on the interbank market shooting up. "In terms of the shilling, it is doesn't roll it over, we might see a bit of a tightness. But it is being counteracted. The government has already started spending," Eric Gathecha, trader at I&M Bank, said. Traders said they forecast the shilling to trade in the 88.20-89.00 range in coming days. *(Reuters)*

Kenya's central bank on Wednesday held its key lending rate at 8.50 percent, saying there was no fundamental pressure on inflation even though it has risen to its highest level since June 2012. The rate has remained unchanged since May 2013, and the decision by the bank's Monetary Policy Committee (MPC) was broadly expected by analysts, some of who predict a rate hike by the end of this year or in early 2015. "The committee concluded that the monetary policy measures in place coupled with the effective liquidity management operations will continue to moderate any pressures that might give rise to adverse inflation expectations," the Central Bank of Kenya (CBK) said in a statement. The bank said inflation was likely to ease next month when the impact of the September 2013 introduction of VAT to various goods and services disappears, a forecast broadly in line with sentiments of economists. Kenya's inflation rate rose to 8.36 percent in August from 7.67 percent in the previous month. Mark Bohlund, a London-based economist at IHS Global Insight, said the bank's decision to hold rates suggested it was mainly focused on supporting economic growth. "I still expect the CBK to hike the CBR (central bank rate) in the first half of 2015 as above-target inflation persists and private-sector credit growth remains substantially in excess of nominal GDP growth," he said. Economic growth in East Africa's biggest economy has lagged regional rivals this year and in June the World Bank shaved 50 basis points off Kenya's growth forecast for 2014, citing poor rains and growing insecurity. Kenya has been hit by a spate of gun and grenade attacks in recent months, blamed on Islamists from neighbouring Somalia, hurting the vital tourist industry which is one of Kenya's main sources of hard currency. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi will need donor funding to cover nearly 15 percent of its 2014/15 budget, while the economy is expected to grow by 6.3 percent this year from 6.1 percent in 2013, the finance ministry said on Tuesday. The government expects prudent monetary policies and higher farming production to push inflation lower to 19.4 percent in 2014, from 27.3 percent last year, the ministry said in a statement posted on its website. *(Reuters)*

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritian conglomerate Rogers reported full-year pretax profit of 807 million Mauritius rupees ($26.12 million) on Thursday, driven by its property and financial services units. The group - which operates in the Indian Ocean island's financial, property, hotel, aviation and logistics sectors â€" changed its reporting period to June 30. It said pretax profit in the previous nine months to June 30 was 1.95 billion rupees. Revenue for the period was 6.1 billion rupees and earnings per share were 17.67 rupees, Rogers said. The company said the economy in Europe, a key market, had not performed as well as the United States but "despite these challenges, the group...is expected to improve its performance for the year to 30 June 2015." *(Reuters)*

Mauritius' year-on-year inflation rate rose to 3.8 percent in August from 3.1 percent a month earlier, its statistics office said on Friday. (Reuters)

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

The increase in the price of wheat at the international level combined with high interest costs have impacted on Nigeria's Bellwether FMCG Company Flour Mills Nigeria plc first quarter performance, analysis of the financial statement shows. "We believe that the slight contraction in gross margin was mainly driven by a 10 percent q/q increase in wheat prices," said Tunde Abidoye, a research analyst with First Bank Capital Limited, a Lagos-based research and investment firm in a report released September 1. "The period was between the first and second quarter of 2014," Abidoye said. For the first six months of the year, the company's net income fell by 22.28 percent to N2.82bn from N3.63bn in the same period of (Q1) 2013, while sales reduced by 5.67 percent to N83.94bn. Based on BusinessDay analysis, gross margin reduced 23 basis points (bbp) to 11.56 percent in 2013 from 11.79 last year, while gross profit declined by 7.43 percent to N9.71bn. Further analysis revealed that net margins, a measure of profitability and efficiency dropped 72 basis points to 3.36 percent in the review period. Analysts say Nigeria's largest miller by market value may get a boost from its sugar refinery that started production early this year. The company is also not relenting in its efforts to expand its share of the market however, and as such expansion drive has soared interest costs. The interest costs in the review period surged by 75.43 percent to N5.53bn from N3.15bn as at HY 2013, while to total loans in the balance sheet increased by 21.27 percent to N183.36bn. "Increased leverage taken to fund FMN's expansion drive and new business ventures were the major factor behind the elevated interest expense," said Abidoye.

Management needs to utilise more of its assets in generating sales as fixed assets turnover reduced to 0.25 xs in 2014 from N0.29x last year. Despite the challenging operating environment caused by bad roads hampering distribution of goods and services, administrative and distribution expenses reduced by 26.58 percent to N3.81bn from N5.19bn last year. Stock turn over, a measure of how many times average inventory is sold was 0.96x, while total inventories costs increased by 40.63 percent to N91.38bn in Q1 2014 from N93.68bn last year. Management should effectively manage a minimum inventory level so as to boost revenue and avoid unnecessary tie up of funds that reduce profit and increase cost. Current ratio, which measures the ability of a firm to meet its short term obligation, was 1.13x which is lower than the 2.1x industry average. The company's share price closed at N68.11 on the floor of the Nigeria stock exchange while market capitalisation was N178.73bn. "We expect the subdued outlook for wheat prices to have a positive impact on margins," said Abidoye. *(Business Day)*

Nigeria's Access Bank has been meeting with domestic investors over the past week to gauge interest in a possible rights issue of 60-70 billion naira ($369-$431 million) by the fourth quarter, a fund manager and a banking source with knowledge of the roadshow, said on Thursday. The lender, which raised a $400 million in Eurobond in June, wants to bolster its core capital, the fund manager who attended the meetings in Lagos told Reuters, declining to be named. Access Bank was also discussing with investors in Abuja. An official from Access Bank declined to comment. Banks in Africa's biggest economy have been boosting their capital levels in recent months, as the industry this year adopts new international capital requirements. Chief Executive Herbert Wigwe told an analysts' conference call last week while presenting the bank's half-year results that he anticipated banks would need to raise more capital as a result of the new regulations. A source at Access Bank said the bank was meeting with stakeholders and would determine the amount of the fundraising after the meetings. Adesoji Solanke, banking analyst at Renaissance Capital, expects First Bank, which recently raised a Eurobond, to follow with plans for extra capital as well as United Bank for Africa (UBA) and Skye Bank. He said most lenders had seen capital levels drop by 100-400 basis points to near the regulatory minimum of 16 percent under the stricter international requirements, adding some would have to lower dividends and loan growth this year to conserve cash. Rival lender Diamond Bank, which has just concluded a 50.3 billion naira rights issue, issued a $200 million in Eurobond in May. Stanbic IBTC Bank has also announced plans to raise 30 billion naira. *(Reuters)*

Guinness Nigeria Plc has notified the Nigerian Stock Exchange (NSE) that it has scheduled a board of directors meeting to hold on Thursday, September 4, 2014. THISDAY learnt that the audited financial statements of the company for the year ended 30th June 2014 as well as the declaration of dividend are on the meeting agenda. The company has been reducing its dividend in the past years due to a

decline in profit. For instance, the dividend per share was reduced from N10 in 2011 to N8 in 2012 and further to N7 in 2013. There are apprehension that the dividend may be reduced for the year ended June 30, 2014 given the company's nine months performance. Guinness Nigeria reported decline of 11 per cent per cent decline in revenue and profit for the nine months ended March 31, 2014 even though the company's management had expressed optimism that its performance will improve in the last quarter of its financial year. Commenting on the third quarter results Managing Director/Chief Executive Officer, Guinness Nigeria Plc, Seni Adetu, had said "In spite of the positive contributions from strategic innovations like Orijin Bitters, Snapp and Satzenbrau to net sales, high finance costs in an increasing interest rate environment negatively impacted overall profitability.

We will continue to invest in our brand portfolio and optimization of our market logistics, expecting that these and other initiatives will lead to improved revenues and overall performance." In 2011, the leading brewer announced an investment of N52 billion in its business to expand production and route to market infrastructure for its premium and innovation brands. While the premium brands have remained a strong portfolio of consumer brands holding their own against competition, the innovation brands are exceeding forecasted growth numbers, gaining significant market share as is very visible on the table tops in leading bars in Lagos, Ibadan, Port Harcourt and other cities where these new brands have been launched. The company confirmed that the sale of its innovation brands like Orijin Bitters, Snapp, Alvaro, Satzenbrau and Orijin Ready to drink were still up for the second consecutive quarter. Adetu observed that the business is upbeat because the impressive performance of recently introduced innovation brands will be a big boost for Guinness Nigeria's future performance. "That the best sales news is from innovation brands is cheering because the investment committed to its development is stimulating growth. This will ensure value creation for our shareholders in no distant future. The management and board of Guinness Nigeria Plc remain confident in our range of leading brands, our continued focus on distribution and our investment in our brands and people to deliver long term growth for the business.*(This Day)*

Sterling Bank Plc has announced the appointment of Mr. Asue Ighodalo as the new Chairman, Board of Directors of the bank. Ighodalo succeeds Alhaji S.A Adegunwa, who retired from the bank after twelve years of exceptional service. A statement by the Bank's Chief Executive, Yemi Adeola, commended the outgoing Chairman for contributing immensely to the sustained growth of the Bank. According to him, Adegunwa, during his tenure provided purposeful leadership and demonstrated his undivided commitment to ensuring that Sterling Bank occupies its rightful place in the banking industry, whilst bringing his diverse experience in international business to bear on the fortunes of the Bank.

Adeola expressed optimism that the bank would benefit immensely from Ighodalo's wealth of experience. His selection, he added, was based on his track record as an accomplished professional and astute businessman – who typifies the bank's value system which is hinged on integrity, dynamism, and purposeful leadership. Ighodalo is the co-Founder of Banwo & Ighodalo, a leading corporate and commercial law firm in Nigeria, founded in partnership in 1991. His core practice areas are Corporate Finance, Capital Markets, Mergers and Acquisitions, Banking & Securities, Foreign Investments & Divestments, Energy & Natural Resources, Privatisation and Project Finance. A product of the prestigious Kings College, Lagos, Ighodalo obtained a BSc. in Economics from the University of Ibadan, an LL.B from London School of Economics and a BL from the Nigerian Law School. A member of several professional associations, he currently sits on the Board of notable public and private companies including Dangote Flour Mills Plc, Okomu Oil Palm Company Plc, Boff & Co. Insurance Brokers Ltd, the Nigerian Economic Summit Group, the Christopher Kolade Foundation, the Fate Foundation (an NGO committed to the development of entrepreneurs in Nigeria) and Global Mix Ltd (where he chairs the board). *(This Day)*

Flour Mills of Nigeria Plc has announced a profit before tax of N3.54 billion for the first quarter ended June 30, 2014 showing a decline of 24.5 per cent over N4.69 billion recorded in the corresponding period of 2013. The results released to the Nigerian Stock Exchange (NSE) showed that its turnover declined to N9.71 billion compared with N10.49 billion in the same period of last year The PBT declined was due to a combination of factors, which including a 22bp reduction in gross margin to 11.6 per cent, a 76 per cent y/y rise in interest expense to N5.5 billion and a 46 per cent y/y decline in other operating income. These negatives, analysts stated, completely offset the bright spots in the results, which were the 27 per cent y/y decline in opex to N3.8 billion, 7.0 increase in the share of profits from associates (mainly UNICEM)

to N1.3 billion and a 32 per cent y/y growth in investment income to N966 million. Analysis of the company's result revealed that its profit after tax also declined by a similar margin to that of PBT, by 24 per cent y/y to N2.6 billion.

Flour Mills had last week assured stakeholders that the company is well positioned to enhance profitability and deliver long term value to shareholders. This, the company said, is in furtherance to strategic acquisitions it made in its core business areas in 2013. Managing Director of the company, Paul Gbededo, who disclosed this when he presented the 'Facts Behind the Figures' of the company to stock brokers in Lagos, explained that the new investments made by the company last year is near conclusion. On the back of the N246 billion turnover and profit after tax of N10.47 billion achieved in its last financial year, the company, according to Gbadedo is poised to continue to deliver consistent top and bottom line growth.

He said: "We are commissioning and improving our capacity utilisation. Our new investments and projects are reaching maturity. We would start production at the 350,000 metric tons per annum edible oil processing company in Ibadan by the end of this year, our snack business is reaching maturity with the completion of Golden snack facility in Agbara, the $250million Golden sugar investment, our oil palm processing, all these investments would start impacting on the bottom line moving forward." He explained that its investments in the food and agro-allied business constitutes 95 per cent of the company's revenue. Speaking on why the $250million Golden Sugar Company did not generate revenue for the financial year, Gbadedo said: "For such a huge investment, you will not expect to make profit in the first year but we have positioned it for growth. We just commissioned the plant and the first year was difficult, we could not produce enough." "Again, we commenced production last year and the sugar that was selling at N9,000 dropped to N5,500 but we are strong enough to stay in that business and we are looking beyond what we have today. We are currently at 48 per cent capacity utilisation and in the years to come, it will add proper value to all shareholders." He added that as part of the company's strategy to align with government backward integration initiative, the company has also acquired 500 hectares of land in Niger state for rice cultivation. *(This Day)*

Dangote Cement Plc yesterday announced that it had reviewed the price of cement in the country downwards with about N100 slashed off the original price of each 50 kilogramme bag of cement. According to the Managing Director of the company, Mr. Edwin Devakumar, who spoke to journalists in Lagos, beginning from today, distributors lifting cement from the various Dangote cement plants across the country, will pay N100 less per 50 kilogramme bag of cement. Devakumar also stated that to further comply with the ongoing Standards Organisation of Nigeria (SON) directive and regulation on the various classes of cement and their prescribed uses, "Dangote Cement Plc has announced plans to launch its brand of the premium 32.5 cement grade, selling for N200 lower per bag than the price of the higher strength 42.5 grade."

The managing director said the 32.5 cement grade from the stable of Dangote Cement was also to ensure consumers pay the right price for the right value so that consumers would not be paying more for lower grade as is presently the case. The largest cement producer in Nigeria noted that the move is to develop an array of cement types to meet the varied needs of consumers for the different grades of cement. Dangote, with this move, now produces 42.5 for column casting, block making, decking and other general purpose construction work that require high strength, while also producing the premium 32.5 grade for plastering and flooring only. The company also noted that it would continue with its nationwide campaign and capacity building which it initiated and had sustained in the past three years, to ensure that the different grades of cement are easily identified by users and used only for their prescribed purposes. The company is also pushing out the 52.5 grade for specialised construction of high strength and specialised structures such as bridges, flyovers among others.

The 32.5 grade of cement, which has the lowest strength among the various cement products is priced lower than the others, selling for N200 lower than the price of the higher strength 42.5. Dangote said in compliance with the SON standard for cement quality and packaging, the lower 32.5 type on the Dangote shelf will be clearly labelled as such, in order to prevent the problem of misapplication and misuse of the product, which has become rampant in the nation's building and construction industry. The company is also to intensify its campaign and

training of users on the proper application of all grades of cement. Devakumar also noted that the addition of nine million metric tonnes capacity to its original 20 million metric tonnes per annum capacity across its various plants had significantly increased its ability to supply teeming consumers. According to him, with the addition of the fresh nine million capacity, comprising of six million metric tonnes in the Ibese plant and three million metric tonnes in the Obajana factory, Dangote has extended its capacity of integrated cement production in the country from about 20 million tonnes per annum, to around 29 million tonnes. He also promised that the expansion which had led to an increased supply of cement to the nation's market, has also resulted in the price reduction of around N100 per 50 kilogramme bag of cement. "We have significantly increased the supply of cement to the market and as it is expected, the enhancement in supply of the product to the market has also resulted to a reasonable reduction in the price of the product," Devakumar said. He hinted that the formal inauguration of the new nine million tonnes capacity enhancement would hopefully be carried out by President Goodluck Jonathan next month.*(This Day)*

Atlas Mara, the African investment vehicle of former Barclays boss, Bob Diamond is in talks to buy a $275 million stake in Union Bank of Nigeria (UBN), a source familiar with the matter said yesterday. Lagos-based UBN was established as Colonial Bank in 1917, and from 1925 until the 1970s was owned by Barclays, the British bank that Diamond led before he was ousted two years ago. UBN's market capitalisation is about $850 million. Atlas Mara has to make a decision on whether to buy the minority stake in UBN by Sunday. According to Reuters, Atlas Mara and UBN declined to comment. Atlas Mara said in a prospectus published last month for the relisting of its shares in London that it had the option to invest $275 million for "a non- controlling minority stake in a publicly traded African financial institution with operations in Nigeria and certain other countries in West Africa." It said this week it had extended a deadline on whether to take up the option until September 7. If it chooses not to buy the stake Atlas Mara will have to pay a "break fee" of $2.5 million.

A deal would mark the third significant acquisition by Atlas Mara after being set up last year by Diamond and Africa-based entrepreneur Ashish Thakkar. It raised $300 million last month to add to its acquisition war chest. One of its purchases, ADC African Development Corporation, already owned a 9.1 per cent indirect stake in UBN. Diamond wants to build Atlas Mara into Africa's leading bank through acquisitions. Previous deals have given it a platform in several countries including Botswana, Mozambique and Tanzania. Diamond is one of the world's best-known bankers after spearheading the growth of Barclays' investment bank before being forced from his job as CEO in 2012 by UK regulators after the bank was fined for attempted rigging of Libor interest rates. His plans in Africa could put him in direct competition with Barclays, which has had a presence there since the 1920s and is one of the biggest international banks on the continent. *(This Day)*

Dangote Cement Plc yesterday reaffirmed its commitment to ensure that stakeholders' returns are consistent and adequate. Group Managing Director, Dangote Cement plc, Devakumar Edwin gave the assurance while presenting the company's "Facts Behind the Figures" to traders and stakeholders. He said the company has the potentials to deliver stupendous financial performance and strong returns. Edwin disclosed that the company's African expansion is gaining pace adding that investors will be well rewarded in the years ahead. According to him, "New Nigerian lines have started producing clinker/cement. Sephaku Cement is already selling cement from Delmas. Zambia is on track for opening in 2014. Cameroon is to begin operations soon. Senegal plant commissioning has commenced. Ethiopia will commence before the end of the year. Sierra Leone will open in Q4 2014. We are reviewing scope of Kenya in light of finding good limestone deposits. South Sudan is on the hold owing to conflict."

Dangote Cement plc is the largest company on the Nigerian Stock Exchange (NSE), with $24billlion market capitalisation. It has 29 million tonnes per annum (MTPA) production capacity across its three state-of-the-art plants in Nigeria. In the six months to June 30, the company's revenue grew by 5.3 per cent to N208.9 billion from N198.5 billion in the corresponding half-year period of 2013. The company linked this to production constrained by disruption to gas supply. Its gross profit rose by 1.1 per cent from N132.1 billion in H1'13 to N133.5 billion in H1'14. Profit before tax declined by 0.6 per cent, from N107.7 billion in H1'13 to N107 billion in H1'14. Among other plans as contained in Dangote Cement Plc's outlook for 2014, was investment of $300million in additional coal facilities across all plants. Meanwhile, the stock market continued to trend southwards yesterday as the benchmark index closed 0.46 per cent lower than previous day. The All Share Index settled at 41,017.49 points as negative sentiments prevailed towards Guaranty Trust Bank Plc, Nestle Nigeria Plc and Dangote Cement while

renewed interests were seen in both ETI Plc and PZ Industries Plc. Following the same trend as the index, market capitalisation trimmed by N62.84 billion and closed at N13.54 trillion.(This Day)

Ecobank Transnational Incorporated (ETI) yesterday announced the acquisition of 12.5 per cent minority stake in the bank by Doha-based Qatar National Bank (QNB). The transaction was done through QNB's purchase of both ordinary and convertible preference shares of Ecobank. QNB, according to a notice from the bank, bought the shares from the Asset Management Corporation of Nigeria (AMCON) on the Nigerian Stock Exchange (NSE). QNB bought 1.77 billion Ecobank ordinary shares and 732.3 million preferred shares, valued at N35.6 billion at N17.01 per share, according to a statement by the NSE. "Following the transaction, Ecobank is discussing a strategic partnership with QNB, which will enable the two banks to forge business relationships of mutual interest to their respective customers," it explained. ETI Group Chief Executive Officer, Albert Essien said: "Ecobank is the bank with the largest footprint in sub-Saharan Africa. This strategic link with QNB, one of the world's strongest banks, will enhance Ecobank's reach in North Africa and the Gulf." Ecobank already has a strong strategic partnership with South African banking giant Nedbank, which makes it a dominant player in Middle Africa and South Africa. The deal is expected to enhance Ecobank's position as a Pan-African Bank.

QNB operates in 26 countries and three continents. It has a significant trading presence in Africa with branches, subsidiaries and associates operating in Algeria, Egypt, Libya, Mauritania, South Sudan, Sudan and Tunisia. QNB which is expanding abroad as domestic competition in its home market of two million people reduces the profitability of lending. The Qatari lender, which operates in 26 countries, bought 97 percent of Egypt's Qatar National Bank Alahly for $2.45 billion last year. It was recognised as "the Best Bank in the Middle East" by Euromoney Magazine and was voted as "one of the top 50 Safest Banks in the world" by Global Finance Magazine in 2013. On the other hand, Ecobank is presently one of the top three banks (by assets) in 14 of the 36 African countries where it is present. As of June 2014, the bank had $23.4 billion total assets and generated $255 million of profit before tax (for the 6 months to 30 June 2014). It operates across its unique network of 1,241 branches, 2,500 automated teller machines and 16,245 point of service terminals servicing over 10.8 million customers. With 20,114 employees, Ecobank is the largest employer in the financial sector industry in Middle Africa. "This is creating future growth options," the head of equity research at Arqaam Capital in Dubai, Jaap Meijer told Bloomberg in an interview. QNB is "building on their Middle East and Africa platform. Ecobank is the only one that gives you a platform in many countries." *(This Day)*

Economic News

Federally collected revenue from oil companies as petroleum profit tax (PPT), cmpany income tax (CIT) and value added tax (VAT) accounted for N2.5 trillion of the total money that entered the Federal Government's coffers for the first half of this year, BusinessDay investigations have shown. The amount represents 94.2 percent of the total revenue of N2.5 trillion from other sources, such as stamp duties, capital gains tax and stamp duties, among others. Analysts said yesterday that the development is positive for government, considering increasing complaints relating to doing business in Nigeria and vandalisation of oil pipelines, but emphasised the need for judicious application of these funds, in line with the 2014 budget expenditure.

They also see the level of the revenue being a result of improved efforts of the Federal Inland Revenue Service (FIRS) in increasingly blocking revenue loopholes. Further analysis by BusinessDay show that PPT accounted for N1.2 trillion, CIT, N751 billion and VAT, accounted for N406 billion. Petroleum Profit Tax (PPT) is paid by companies engaged in petroleum exploration and production operations in Nigeria (up-stream operations). Others that pay similar taxes are persons resident in Nigeria, employed in the management of the petroleum operations carried on by non-resident companies; and the liquidator, receiver, or agent of liquidator or receiver of any company carrying on petroleum operations in Nigeria. A breakdown of this revenue shows that in January 2014, N190.01billion came into the Federal Government's coffers as Petroleum Profit Tax; in February it was N268.207billion; while in March, it stood at N178.832billion. Also, in April, N177.2billion was collected by the Federal Government as Petroleum Profit Tax; in May it was N215.63billion; while in June, Petroleum Profit Tax revenue was

put at N246.43billion by the Federal Inland Revenue Service (FIRS). In addition to PPT, the Federal Government's spending power got boosted with N751.5 billion which companies paid as income tax. Details show that in the month of January, companies paid N80.609billion as income tax; while in February, the Federal Inland Revenue swelled the Federal Government's purse with N56.488billion it collected as companies' income tax.

Further checks show that in March, N58.121billion was collected from companies as income tax; in April, no fewer than N60.559 billion was collected from companies as income tax; in May, N280.63billion was collected by the FIRS from companies as income tax; while in June, N215.06billion was paid by companies as income tax. Companies income tax (CIT) applies to all companies incorporated in Nigeria, with the exception of companies engaged in petroleum operations; and all non-resident (foreign) companies that earn or derive income from Nigeria. In addition, its applies to all organisations limited by guarantee (institutions of public character or charitable organisations) engaged in profit making activities, other than the promotion of their primary objects; and the liquidator, receiver, or agent of liquidator or receiver of any taxable company or organisation. Some time ago, at the FIRS regional enlarged management meeting (REMM) held in Lagos, Kabir Mashi, acting executive chairman, Federal Inland Revenue Service (FIRS), insisted on its staff raising the ante in tax revenue collection, saying that such increase would help to narrow the gap between the tax revenue collection and Nigeria's Gross Domestic Product (GDP).

Also, the Federal Government raked-in in excess of N406.14billion as Value Added Tax (VAT) in the period under review. This includes: Nigeria Customs Service –import VAT, and non-import VAT. A monthly breakdown shows that in January, N78.773billion went to government coffers as VAT; in February, it was N66.801billion; while in March, N63.307billion was collected as VAT by FIRS. Value Added Tax is subjected to any individual, corporation sole, group, corporate body or organisation that consumes, buys, procures or imports taxable goods or services. During direct sales or open market transactions, the buyer or consumer of taxable goods pays the tax to the seller, along with the cost of the goods or services bought. In April 2014, the FIRS collected N65.43billion as VAT; in May, N65.415billion came into the Federal Government's revenue basket as VAT; while in June, VAT collected rose to N66.414billion. *(Business Day)*

Yields on Nigeria's 2024 bond shed 15 basis points to 11.89 percent on Friday, after JP Morgan added it to its Government Bond Index-Emerging Market (GBI-EM), attracting offshore funds, dealers said. The 10-year benchmark bond opened for trade at 12.04 percent. Last week JP Morgan said it add Nigeria's 2024 bond to its emerging market government bond index, in addition to five other bonds already listed, pushing its yield down 22 bps. Since then, some investors have taken profits, dealers said. The addition also lifted overall trading volumes on Friday to around 11.5 billion naira ($70 million) on Friday, compared with an average of around 8 billion to 9 billion naira, dealers said. JP Morgan valued Nigeria's outstanding bond issues on its index at $13.75 billion. *(Reuters)*

There was no respite for investors on the floor of the Nigerian Stock Exchange (NSE) yesterday as the bears sustained their grip on the market, sending major indicators southward. Stakeholders blamed the market situation on liquidity squeeze and the recent dumping of the Asset Management Corporation of Nigeria (AMCON) shares held in companies indebted to it. At the close of trading yesterday, the NSE All Share Index depreciated by 0.32 per cent or 133.40 points to close at 41,264.65 points from 41,398.05 points attained on Monday. In the same vein, the market capitalisation of listed equities decreased to N13.62 trillion from N13.66 trillion the previous trading day. Conversely, trading activities increased by 33 per cent as investors bought 296.09 million shares valued N6.48 billion made in 6,034 deals, compared to 222.43 million shares worth N2.27 billon made in 4,455 deals on Monday. Transcorp, Skye Bank Plc and Sterling Bank Plc were the most actively traded stocks on the exchange yesterday in terms of volume, while Dangote Cement and Transcorp, topped in terms of value.

The banking subsector of the Financial Services Sector remained the most active in terms of the number of shares traded. It led the equities sector with a total of 102.03 million shares valued at N1.04 billion executed in 1,928 deals. Volume of shares traded in the banking sector was largely driven by the activity in the shares of Skye Bank Plc Zenith Bank Plc, Sterling Bank Plc and Access Bank Plc. Trading on the shares of the four banks accounted for 71.4 million shares or 70 per cent of the subsectors' turnover. The price movement chart of the NSE

displayed a total of 20 stocks gained on the bourse yesterday while 33 stocks declined leaving 59 stocks unchanged. Zenith Bank Plc. emerged the toast of investors as it appreciated by 2.46 per cent to close at N6.43, followed by Livestock Plc with a 1.56 per cent gain to close at N3.25. Others on the gainers chart include; International Breweries Plc, AIICO Insurance Plc and United Bank For Africa Plc. Access Bank Plc topped the losers chart with a 4.91 per cent decline to close at N9.29, trailed by Wapic Plc which declined by 3.95 per cent to close at 73 kobo. *(This Day)*

Nigerian banks are gearing up to sell the most debt in four years to bolster cash reserves, taking advantage of a drop in borrowing costs. THISDAY had reported that the raising of dollar-denominated debts was being influenced by the designation of some banks as Systemically Important Banks (SIBs) by the Central Bank of Nigeria (CBN), which required them to hold more liquid assets and a liquidity ratio of 35 per cent. According to FBN Capital, the investment-banking unit of FBN Holdings Plc, Nigerian banks may raise as much as $2.5 billion this year compared to the $2 billion raised in 2013. Bloomberg noted that international debt sales are becoming more common as yields on Nigeria's Eurobonds due July 2023 declined 96 basis points this year through yesterday to a record. That compares with an average 35 basis-point drop in emerging-market yields, according to Bloomberg indexes. Last month, the central bank changed the way lenders calculate capital buffers to align with global standards and increase banks' ability to withstand losses five years after saving the industry from collapse. The regulator had ordered the SIBs to boost minimum capital ratios to 16 per cent last year, compared with 10.5 per cent for South African lenders, which control most of the continent's banking assets. "Capital adequacy for many of the banks will be close to the minimum" once the changes are taken into account, an analyst at Lagos-based Greenwich Trust Group Limited, Mike Nwanolue said.

"The capital adequacy levels for banks are expected to drop by about three percent across board, which will entail raising core capital." The Abuja-based central bank had removed some assets lenders can count as capital in preparation for the implementation of Basel II and III, while limiting tier-2 capital to 33 per cent of tier 1 capital. Minimum capital requirements, for lenders with operations outside the country was kept at 15 per cent and at 10 per cent for those with interests only in Nigeria. The changes will shave 100 to 400 basis points off the capital adequacy ratios of most banks, an analyst at Renaissance Capital, Adesoji Solanke had said. Wema Bank Plc would be most impacted among smaller lenders and United Bank of Africa Plc among the larger ones, Exotix Africa Equity Research analysts, Ronak Gadhia and Kato Mukuru had said. Wema's capital adequacy ratio will slip to 17.5 per cent this year from 26.7 per cent in 2013, and UBA's to 17 percent from 22.6 percent, Exotix said. "Banks want to show their capacity to protect depositors and absorb losses," an analyst at Lagos-based Sterling Capital Markets Limited, Sewa Wusu explained. He added: "A capital adequacy of over 20 percent is ideal." Nigerian banks with capital levels too close to the minimum will seek to raise tier-2 capital rather than equity to avoid diluting shareholders, the chief executive officer of UBA Capital Plc, Oluwatoyin Sanni had said.

Eurobonds are a cheaper option than local debt as the "Nigerian market currently does not have the required depth and breadth," she added. The central bank had increased cash reserve requirements on deposits made by government ministries and agencies and state-owned companies to 75 percent from 50 percent last year. It also raised requirements on private deposits to 15 percent from 12 percent in March to reduce liquidity and support the naira. The capital changes are making it "tougher for banks to generate profits to pay as dividends," Head of International Credit Strategy at Jefferies International Limited, in London Richard Segal said. Yields on Access Bank's $400 million of seven-year subordinated notes have dropped 78 basis points, or 0.78 percentage point, since they were issued in June to 8.72 per cent. FBN Holdings sold $450 million of securities due 2021 in July, while Ecobank last month issued $200 million of notes maturing in 2021. Rates on Nigeria's government bonds maturing in nine years rose by one basis point to 4.97 per cent yesterday, increasing from their lowest level on record. Speculation that the European Central Bank would boost stimulus amid signs of recovery in the US economy is boosting demand for riskier assets. "It is sensible for regulations to be prudent close to elections to ensure banks remain sound," Segal said. Banks that are ready will want to do it this year to take advantage of cheaper rates," Sterling's Wusu said. *(This Day)*

President Goodluck Jonathan has said it has become imperative for the federal government to ensure that the nation's economy works for all Nigerians. Jonathan said this yesterday, while speaking at the inauguration of the National Council on Micro, Small and Medium Enterprises (MSME) in Abuja. He noted that the inauguration marked a very important turning point in his administration's national

economic development drive, with regards to its efforts to place MSMEs, as core and essential elements of economic transformation. According to the president, the creation of this council is a testament to the commitment of his administration to all-inclusive economic growth. He added that the commitment is to meet the aspirations of all Nigerians and in doing so, ensuring rapid economic development, benefitting all the citizens—North, South, East, or West. "Our focus will remain to build an economy that works for all Nigerians, and the MSME council we inaugurate today, is essential to achieving this goal.

"The growth of MSMEs is one that is very important in any nation that aspires towards self-sufficiency. MSMEs are the innovators, the wealth creators, as well as employment generators. Every MSME today, has the potential of growing to the large corporation of tomorrow, and that is why we are now backing the initiative with the creation of this council. "Over these past few years, Nigeria has demonstrated its determination to the rest of the world that we are focused in becoming one of the leading world's economic engines. This, we have done by achieving a reasonable level of macro-economic stability even in the face of global recession. "We currently rank as the top most investment destination in Africa, the largest economy on the continent and amongst the top 10 fastest growing economies in the world. "As we build a strong economy and attract unprecedented investments, we must urgently address critical economic issues of inclusion and wealth distribution. I repeat, we must ensure that this economy works for all our people. That we indeed become a land of opportunity for all, and a land where hopes become reality regardless of who you are, where you hail from or what beliefs you hold," Jonathan said.

He added: "This our land must be where our youth have jobs and our people can take their economic destinies in their hands. It must be a land where poverty is eradicated, and our people can live in dignity. This is the Nigeria we all must work to make possible and the MSME council has a great role to play to make this a reality. "Nigeria is a blessed country and our people are some of the most enterprising in the world. We are a nation of 170 million people with a young population. We are a nation with the 9th largest workforce in the world, and some of the largest diaspora networks, which can be used to drive change and development. "A 2010 survey carried out by SMEDAN and the National Bureau of Statistics shows that there were 17.2 million MSMEs in Nigeria, employing over 32 million people. In addition, over 95 per cent of registered businesses in Nigeria are small businesses. "If each of these businesses employs one more person, we would create over 17 million extra jobs, which would indeed be a revolution in Nigeria's job markets. This is the unexplored power of small businesses.
"To actualise our dream of a robust MSMEs, I launched the Nigeria Enterprise Development Programme (NEDEP) early this year, to provide a National template to address critical issues faced by small businesses.

"NEDEP will henceforth provide a framework to guide all government interventions for Nigerian small businesses, and the creation of this MSME council is one of the principles on which NEDEP is anchored," he emphasised. The president stressed that the N220 billion MSME fund provided by the Central Bank of Nigeria (CBN), which he launched a few weeks ago for small businesses, will begin to address access to finance for small businesses. He noted that NEDEP would play a role by ensuring that MSMEs in the country are bankable and viable enough to access these funds, as well as other MSME funds available. The president charged the council to develop a detailed Financing Value Chain Intervention (FVCI) strategy for MSMEs, with a view to addressing the difficulties put in the way of small businesses in their strive to access finance.

"I have been informed that over 40,000 MSMEs cooperative societies have been registered at the Corporate Affairs Commission (CAC), to help tens of thousands of small businesses to have better access to finance and access to business support services. "This council shall have the mandate to develop, support, and grow small businesses in Nigeria. To underline the importance of this Council, I have asked the Vice-President to chair the council, because of its strategic importance on small business development and the economy of the country at large," Jonathan noted. He announced that a National Technical Implementation Committee, will be chaired by the Minister of Industry, Trade and Investment, Olusegun Aganga, to serve the national council on MSMEs and fast-track the implementation of its mandate. "I congratulate and commend you all for heeding the call to national service. Let me challenge you, that as members of this Council, you must expand the frontiers of your thoughts and ideas as you embark on this national assignment. In this task, I urge you to dream big for our country. "You were specially selected because of your unique capacity in your area of specialisation. My expectations and that of all Nigerians are high and I am sure, you will not disappoint," the president stressed. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

No Corporate News This Week

Economic News

Tanzania expects a bumper coffee harvest in 2014/15 thanks to good rain and plantings by farmers, the regulator Tanzania Coffee Board (TCB) said on Tuesday. State-run TCB said 25,693 60-kg bags were offered at the first auction of the season last week, with 25,560 bags sold. "We expect a bumper harvest this season, with production likely to be in excess of 55,000 tonnes, which is more than the previous season," Primus Kimaryo, director of quality and promotion at the coffee board, told Reuters. Tanzania, Africa's fourth-biggest coffee producer, yielded around 48,690 tonnes of coffee last season, behind the continent's top growers - Ethiopia, Uganda and Ivory Coast. "All the robusta coffee was sold at the first auction of the season and more than 90 percent of the arabica beans on offer were also sold," Kimaryo said. "We have started the new season with traders showing strong demand for coffee and the prices offered to farmers for the commodity are above the terminal market." East African coffee is normally packed in 60-kg bags but the prices are quoted for quantities of 50 kg.

The TCB said benchmark grade AA sold at $202.00-$259.00 per 50 kg at last week's auction and fetched an average price of $219.08 per 50 kg. Grade A fetched $198.00-$232.20 per 50 kg, with an average price of $214.55. Prices of Tanzania's arabica normally track the New York market while those of robusta take their cue from London. The TCB said New York markets rose by $9.03 per 50 kg, while London markets were up by $1.75 per 50 kg. "Average prices were above the terminal market by $7.61 per 50 kg for mild arabica and robusta were above the terminal market by $16.85 per 50 kg," the TCB said in its auction report. The auction was held last Thursday, and the TCB issued the results on Tuesday. The next auction will be held on Thursday this week. *(Reuters)*

Tanzania's energy regulator raised the price of petrol marginally in the east African country on Wednesday but cut diesel and kerosene prices, citing swings in international energy prices. The Energy and Water Utilities Regulatory Authority (EWURA) raised the retail price of petrol 0.05 percent and lowered the price of diesel 0.69 percent. Kerosene prices were cut 0.79 percent in the latest price caps, which take immediate effect. Fuel prices are the second-biggest driver of inflation in Tanzania after food. "To a large extent, these changes have been caused by changes in prices of petroleum products in the world market," EWURA said in a statement. EWURA raised the price of petrol in the commercial capital Dar es Salaam by 1 shilling to 2,267 Tanzanian shillings ($1.4) per litre while lowering that of diesel by 15 shillings to 2,091 shillings per litre. Kerosene prices in the commercial capital fell 16 shillings to 2,040 shillings per litre. *(Reuters)*

Tanzania aims to double its power production to 3,000 megawatts by 2016 at a cost of around $1.21 billion to meet rising demand by using its vast natural gas supplies, an official at the state-run utility said on Wednesday. Businesses say frequent power outages now are hurting productivity and are a barrier to economic growth. Decklan Mhaiki, deputy managing director for investments at Tanzania Electric Supply Company (TANESCO), said the country's installed capacity stood at 1,500 megawatts (MW), against a peak power demand of 900 MW. The full installed capacity is however rarely available due to power plant outages and drought. Mhaiki said demand for electricity was growing at a rate of 8 to 10 percent per year. A gas-powered plant located near the commercial capital Dar es Salaam would start producing 150 MW by the end of this year, he said, adding that the total cost of the additional power supply would be funded by private investors and public funds. "So it's also a challenge for us to make sure we increase generation capacity," Mhaiki told Reuters on the sidelines of an east African power conference. "We are taking advantage of gas to be able to bring more affordable power in the short term, and gas plants are quick to build. So all of the 1,500 megawatts will be gas-fired, except for only 50 megawatts that will come from wind." At present 24 percent of the 45 million population in East Africa's second-largest economy is connected to the power grid, and this would rise to 30 percent by 2016, Mhaiki said. Tanzania has made big natural gas discoveries off its southern coast and hopes to use its deposits to end chronic energy shortages. As of April, the government said Tanzania's natural gas discoveries stood at 46.7 trillion cubic feet. The

government has said the economy, which depends on agriculture, tourism and mining, is expected to grow at 7.2 percent in 2014, up from 7.1 percent last year.*(Reuters)*

Zambia

Corporate News

No Corporate News This Week

Economic News

THE Zambia Revenue Authority (ZRA) has amended Rule 18 of the Value Added Tax (VAT) General Rules of 1997 to safeguard Government revenue with effect from September 8, 2014. Meanwhile, ZRA withheld about K3 billion on account of tax-payers who declared zero-rated sales on exports but have not provided documents to the Authority as at July 31, 2014. ZRA commissioner general Berlin Msiska said Rule 18 affects exporters and the mining sector. This is according to a statement issued in Lusaka yesterday by ZRA corporate and communications manager Mumbuna Kufekisa. Mr. Msiska said Rule 18 ensures that VAT fairness in international trade is achieved by not subjecting exporters to VAT zero-rating while at the same time providing tax refunds of input taxes. Mr. Msiska said importers will also be taxed on the same basis and at the same rates as domestic suppliers. "ZRA is considerate of stakeholder concerns in the administration of taxes.

"Rule 18 of the principal Rules is amended by the deletion of sub-rule (1) and the substitution thereof of the following: 'Unless the commissioner general shall otherwise allow, a taxable supplier claiming that a supply is zero-rated under the second schedule to the Act on the grounds that the supply is an exportation of goods, shall produce to an authorised officer'," he said. Mr. Msiska said a taxable supplier shall be required to provide copies of export documents for the goods, bearing a certificate of shipment provided by ZRA and tax invoices for the goods exported. He said proof of receipt of payment for the goods and other documents will be required. Mr. Msiska also said that ZRA has paid out K762,747,465.47 in respect of tax-payers inclusive of the mining sector who have since provided the required documents. He said refunds withheld on account of non-compliance with the existing Rule 18 can only be made when the legal documentation has been provided to ZRA. Mr. Msiska, however, advised tax-payers to adjust their supplies from zero-rated to standard-rated and apply 16 percent VAT rate. "Consequently, non-compliance with the VAT rules on exports means that exporters are obliged to charge VAT at 16 percent on the supplies but will still be entitled to claim input VAT," Mr. Msiska said. *(Lusaka Times)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

Anglo American Platinum Ltd. (AMS) plans to almost triple production at its sole Zimbabwe mine even though it's still to be repaid for money seized from its bank accounts by the central bank and is being compelled to cede control of the operation. The company's Unki mine plans to boost production of ore to 350,000 metric tons a month through an expansion that's expected to last from 2016 until 2020, from 130,000 tons currently. That would equate to annual production of 180,000 to 200,000 ounces of platinum once shipped to neighboring South Africa and refined. Unki produced 63,000 ounces of the precious metal last year. "Studies are still in progress to determine the actual cost of the ramp up phase," Walter Nemasasi, Unki Platinum Ltd.'s general mine manager, told Bloomberg in an interview at the mine on Aug. 29, near Shurugwi, 335 kilometers (209 miles) southwest of the capital. "By end of the year, we'll know how much it would cost." Unki's expansion comes as Johannesburg-based Anglo American Platinum, known as Amplats, plans to sell assets in South Africaafter a five-month strike over pay earlier this year. Still, the mine in Zimbabwe has yet to complete an agreement to satisfy ownership laws that would see it ceding 51 percent control and is owed $109 million from 2006 to 2009, when the government seized foreign exchange from bank accounts.

Negotiations over the stake sale with the government are continuing even though a memorandum of understanding has been signed, said Nemasasi. "That package has not yet moved," he said. "Anglo American Platinum remains committed to complying with the legal requirements of indigenization and in its opinion, the heads of agreement remain valid." As part of the $143 million sale agreement signed in November 2012, 21 percent would be sold to the state-run National Indigenization and Economic Empowerment Board, 10 percent to the community around Shurugwi, 10 percent to employees and 10 percent to black Zimbabwean investors. The company may also be paid back the money it's owed after the government in June assumed the central bank's $1.3 billion debt which was owed to local companies and foreign creditors. Under the expansion plan, the mine would increase the number of sections it operates to 20 from 11 and increase its maximum depth to 1.8 kilometers from 1.5 kilometers. The mine's life will also be cut to 50 years from 80. Power supplies have been regular after an agreement was signed with the state electricity utility. Platinum for immediate delivery was little changed at $1,422.94 an ounce by 4:18 p.m. in London.

The metal, used for jewelry and to make devices that cut pollution from vehicles, has risen 3.8 percent this year. Unki is the last mining operation owned in Zimbabwe by Anglo American Plc, Amplats' controlling shareholder, after assets ranging from gold mines to ferrochrome producers were sold as the country struggled through a decade-long recession. Zimbabwe, with the world's biggest platinum reserves after South Africa, has three operating mines, including those run by units of Johannesburg-based Impala Platinum Holdings Ltd. (IMP) State-owned Zimbabwe Mining Development Corp. has several platinum joint-venture operations including Todal Ltd. and Global Platinum Resource Ltd. that have yet to start. While the government is pressuring platinum producers to build a refinery in the country and has threatened to ban exports of unrefined metal, output is not yet enough to justify such a plant, Caston Musa, the minerals marketing manager for Unki, said in an interview. "Unki has not reached sufficient scales to justify the construction of smelting and refining facilities," he said. "Unki will continue its engagement strategy with the government in seeking to reach a mutual beneficial outcome regarding local beneficiation." All of Zimbabwe's platinum is refined and processed in South Africa.*(Bloomberg)*

Meikles says the $49,6 million worth of Treasury Bills (TBs) it received from the Government are unattractive as they offer a 2 percent yield over 5 years. Meikles received the TBs as part settlement of a $90,8 million debt owed by Government backdating to 1998. Speaking before a thematic committee on indigenisation and empowerment last week, Meikles executive director Mark Wood said the firm is struggling to find takers for the Bills due to liquidity challenges in the banking and investment markets. "We were issued Treasury Bills by the Reserve Bank which attract interest at 2 percent, the first ones mature in three years, the second lot of $16 million in four years and the last lot of $16 million matures in five years. "It is a difficult task to find people that can buy that paper and turn it into cash given the liquidity challenges in the banking and investment markets. In addition, there are a lot of these Bills out there with the same terms and conditions.

"We have received ridiculous offers such as 10c for every dollar because they did not have confidence in the paper. "We have had better offers than that, but to convert them into cash is a difficult process because the yield is 2 percent over five years, that is not very attractive.

"People are really not attracted to the paper, which is why we are still engaged in talks with the Ministry of Finance to finalise the second part of the money and to make the settlement methodology more attractive so it will actually generate some cash for the company," he said. This comes as the Reserve Bank of Zimbabwe said it had issued a total of $406 million TBs since the beginning of the year with the bulk of the TBs pertaining to the RBZ debt takeover programme by the Government. "It is pleasing to note that Government has been able to settle all TBs ($213,13 million since 2013) timeously on maturity including capital and interest on TBs that were issued in 2012 in lieu of statutory reserves," the RBZ Governor Dr John Mangudya said in the Monetary Policy statement. Some of the TBs issued by the RBZ went towards clearing FCA and tobacco retention balances. Mr Wood said it is imperative that Government pays off the remainder of the debt as part of the money will be loaned to the Employee Share Ownership Trust for the purchase of 19 million shares to complete trust's 10 percent equity in Meikles. The trust currently holds 8,4 million purchased at 13c per share through a $1,4 million loan from the Meikles Staff Pension Fund which will attract a 10 percent interest on retention.

Once the trust has subscribed for the remaining shares, qualifying members will be allocated units which will entitle them to the equivalent number of Meikles Shares. Mr Wood however, said management may not hold more than 5 percent shares in the trust. Exiting members will be paid the value of their shares and new members will take up the units. However, Mr Wood said until such a time when the shares have been fully subscribed, exiting members will not benefit from the scheme. Speaking in the same committee, members of the Schweppes Employee Share Ownership Trust said they are not benefiting from the trust as they are not entitled to individual share certificates and leave the company empty handed at the end of their service. The trust which holds a 31 percent stake in the company has only benefited from two dividends in the last five years with employees benefiting $120 while middle tier managers earned an average of $500 per dividend declaration In stark contrast to Meikles, six directors at Schweppes hold a 20 percent in the company. *(Herald)*

Dairibord Holdings revenue for the interim to June 2014 retreated 11 percent to $43,7 million weighed down by a 6 percent decline in volumes. Revenues were also negatively impacted by the effect of product Dairibord's mix and price adjustments made in order to remain competitive in the market.Dairibord is battling to attain profitability since the business started showing signs of sneezing in its performance for the year to December 2012. Operating loss, although having declined now, remained negative at 627 000 from $3,1 million, translating to a net loss in the 2014 interim period. Growth appeared firm in the half year of 2012, with profit jumping 39 percent while revenue climbed 14 percent. But the growth in 2012 full year revenue eased to 11 percent while profit surged only 1 percent. Dairibord is now battling to buck the trend of declining revenue, profit and volumes through a series of cost cutting initiatives that include own milk production, retooling, staff cuts and new products.

While there was some improvement on the bottom line after the loss narrowed to $480 000 from $3,3 million in the 2013 interim, other indicators such as raw milk intake and sales volumes kept falling. In line with the 11 percent decline in revenue, raw milk intake eased by 4 percent while sales also caught a cold, sliding 6 percent. Dairibord says its loss would have worsened if it had not cut costs. As such, overheads declined by 8 percent after the cost cutting. Volumes sold were 6 percent down at 29,985 million litres. Liquid milk volumes recorded 2 percent growth, but foods and beverages declined by 14 percent and 11 percent, respectively. Dairibord said volumes sold for liquid milks in Zimbabwe were up by 9 percent. Weak performance in Malawi negatively impacted overall growth of the milk portfolio. In Zimbabwe, Chimombe 250ml line extension, Chimombe carton tetra, Lacto and Steri milk bolstered performance. Dairibord said declining disposable incomes negatively impacted sales volumes of products deemed non-basic include foods and beverages. The group has intensified investment into research and development to increase its share of consumers' disposable incomes. To that end, the group launched the Dairibord Pfuko-Udiwo Maheu, a traditional beverage, into the Zimbabwe market with sales volumes projections coming through above initial budget targets. Investments made during the first half and second half are expected to bring the dairy processor up to date with latest technology to enable introduction of new "exciting" products into the market.

In line with the objective to improve operational efficiency, a total of $4,872 million has been spent on the Maheu plant and filling equipment, aqua-lite plant, bulk yoghurt filing equipment and ice cream plant. The aqua-lite and filling equipment installed in July this year will increase the group's capacity to meet market demand for bottled water. The yoghurts and ice cream plants will also increase the dairy processor's support line extensions into larger stock keeping units. Dairibord said it will maintain focus on cost containment and prudent working capital management to remain viable. Initiatives undertaken include the heifer importation programme. The initiative to ensure self supply of raw milk saw 180 heifers being imported. Of the 26,8 million litres of milk produced during the interim period to June, Dairibord said its share of that local production was 40 percent. In Malawi raw milk intake fell by 35 percent due to quality issues. Strategies have been instituted to restore milk intake volumes. *(Herald)*

ZIMBABWE Stock Exchange-listed Fidelity Life Assurance's bid to raise $5 million through a bond has been oversubscribed with interest from investors totalling more than $10 million in a boost for the company's housing project. This has prompted the company to seek approval from the regulator to be able to raise twice the amount the group was seeking, according to people familiar with the matter. "The bond was oversubscribed. We have applied for regulatory approval to increase the bond to $10 million and are hopeful that it [approval] would be given any time soon," a source said. The bond has three-year tenure at a rate of 10% per annum. It has a prescribed asset status, meaning that it can be traded. Early this year, Fidelity went to the market to raise $5 million to finance its South View housing project along the Harare-Masvingo Highway. The housing scheme was launched last year on a 323-hectare piece of land. The money raised from the bond would be used to fund the installation of the 11km water pipe at a cost of $2,675 million and an elevated water tank with a capacity of 15 million litres at a budget of $2,325 million, a City of Harare precondition. The new suburb is also set to have a police station, six primary schools, two secondary schools, six crèches, 14 flats, two commercial stands, an open space and five churches. South View Park, according to the company, is Harare's first low-cost housing project in the country since 2000. Fidelity first embarked on housing development projects in 2011 and developed 317 stands in phase one of Manresa Fidelity Park in Arcturus. In his maiden monetary policy last week, Reserve Bank of Zimbabwe governor John Mangudya removed restrictions on foreign investors interested in participating in the bond market. He said investors would buy up to 100%. "In order to encourage foreign investment inflows and further develop the country's bond market, exchange control restrictions on the level of foreign participation on primary issuance of bonds and participation by foreign investors in the secondary market are removed, with immediate effect," Mangudya said. Before the announcement, foreign investors were allowed to subscribe for up to 35% of primary issues of bonds provided the purchase was financed by inward transfer of foreign currency through normal banking channels.*(News Day)*

FORMER Barclays Plc chief executive Bob Diamond's Atlas Mara is set to acquire the remaining 4,2 percent of the pan-African banking group ABC Holdings (ABCH) to complete its take-over, the chief executive said on Wednesday. Last week Atlas Mara took its shareholding of the group to 95,8 percent and wants to acquire the remainder. "The plan now is that for the balance of about 4,2 percent, there is going to be an offer that will open very soon so that the 4,2 percent will also be acquired, achieving a 100 percent ownership by the Atlas Mara group," Douglas Munatsi told journalists and analysts at a briefing on Wednesday. He said a prospectus will be issued around September 15, after which ABCH will become a private company and would be subsequently delisted from the Botswana and Zimbabwe stock exchanges.
Munatsi said the acquisition had received regulatory approvals from the central bank and other authorities, referring to the process as "very complicated." "There is still quite a few other things that need to be done within some jurisdictions but I think, by and large, we are pretty much now at the end of the transactions," he said. Munatsi said Atlas Mara would restructure and appoint directors to the board of the group, adding that two candidates had already been announced while the company was currently obtaining approvals. "We do expect that there is going to be some enhancement of some of our subsidiary boards but there is unlikely to be wholesale changes," he said. Atlas Mara, he said, had committed to invest an additional $100 million in the group and the plan was to utilise it to raise the capital levels of its three largest subsidiaries in Botswana, Zambia and Zimbabwe to $100 million apiece. "We have already complied in Zambia and our plan is to raise BancABC Zimbabwe capital and Botswana to $100m as well.

The balance is also going to be used to raise the capital levels of the remaining subsidiaries to at least $50 million each," he said. Since it listed on the London Stock Exchange last year, he said, Atlas Mara had raised around $800 million to grow existing businesses including in

Zimbabwe and Rwanda. "From the way we stand as BancABC, this transaction has offered us an opportunity to grow this business in the SADC region and to see how that will link up with the rest of the operations that Atlas Mara will acquire across Africa," he said. Munatsi said the group was in final stages of negotiating with a number of other funders for $300 million to be concluded before the end of the year. Asked whether the acquisition by Atlas Mara was in compliance with the indigenisation law which requires foreigners to cede 51 percent shares to black locals, Munatsi said BancABC remained indigenous. He said as part of the approval by government Atlas Mara would sell between 30 and 40 percent to indigenisation investors, adding that some of the Zimbabweans that held shares in BancABC had swapped them for shares in Atlas Mara. BancABC Zimbabwe will maintain its corporate identity and structure although the group is expected to comply with the London corporate governance rules, he said. Atlas Mara combines Diamond's Atlas Merchant Capital LLC and African entrepreneur Ashish Thakkar's Mara Group Holdings Limited. BancABC has presence in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe.*(New Zimbabwe)*

Economic News

Zimbabwe is pressing ahead with the adoption of Basel II with all banks expected to be fully compliant early next year. Local banks are expected to switch over to Basel II by the first quarter of next year as the Reserve Bank of Zimbabwe steps up measures to strengthen the banking sector. RBZ governor Dr John Mangudya in his maiden monetary policy statement last week said the central bank will seek to establish a level of compliance next year. "The Reserve Bank will conduct a final survey on the implementation progress during the quarter ending 30 September 2014 before banks go live using the Basel II compliant statutory returns beginning the first quarter of 2015," he said. To facilitate the adoption of Basel II the central bank has directed that the processes should now be part of Internal and External Auditors' work plans. "Banking institutions have made progress in implementing the revised capital framework. Observations made during on-going on-site examinations are that internal systems for banking institutions are showing greater stability as banks continue to upgrade their systems.

"However, the Reserve Bank noted the need for banks to involve independent review units such as internal auditors as well as external auditors in the validation of the Basel II related systems and processes," Dr Mangudya said. Basel II is a set of banking regulations which are used to regulate finance and banking internationally. It attempts to integrate Basel capital standards with national regulations by setting the minimum capital requirements of financial institutions with the goal of ensuring institution liquidity. To this end the RBZ has adopted a gradual approach to Basel II implementation in order to allow for a smooth transition from the current system to the new approaches. Basel II promotes the safety and soundness of banks and fosters sound risk management through improved risk sensitivity of capital requirements, convergence of regulatory and economic capital and a menu of approaches which can be varied across institutions to reflect differing risk profiles. It also encourages banks to improve further their internal risk management systems. The adoption of Basel II comes at a time when the local banking sector has been rocked by failures in some institution due to the interference of major shareholders in the running of the banks. In some instances the shareholders who were also involved in managing the banks tampered with client's savings by advancing themselves huge loans which they failed to repay resulting in the collapse of the banks. Some of the institutions include Interfin and Royal bank. The practice raised corporate governance issues and proposals to ensure that shareholders do not interfere in operation of the bank that they own. *(Herald)*

Turnover on the Zimbabwe Stock Exchange jumped 163 percent to $66,3 million in August despite a slower increase in volumes. This brought the total value of shares traded on the ZSE to $260 million this year compared to $319 million that changed hands in 2013.A total of 328 161 452 shares exchanged hands on ZSE last month, a slight increase in volumes from the 322 407 141 in July. About 2,1 billion shares were traded in the first eight months of the year against 1,79 billion traded over the same period last year. Foreign investors have maintained an appetite for the ZSE shares, buying $53,6 million worth of shares from $15,5 million last month. While the value of shares sold by foreign investors increased significantly from $4,7 million to $12,7 million in fell far short of the inflows. However, the volume of shares bought by foreign investors on the ZSE decreased significantly from 180,5 million to 94 million this month. Nonetheless, less shares

were sold by foreign investors on the ZSE, at 46,9 million compared to the 105 million shares sold the prior month. The sharp growth in the value of shares sold on the bourse reflected in market capitalisation, which shot to $5,1 billion from $4,9 billion. During the period under review, the industrial index gained from 188.08 to close the month of August higher at 196.43. Foreign investors continue to dominate value and volume of shares traded on ZSE due to the tight liquidity ravaging the local economy. The ZSE ended the first half of 2013 at 186.56, down 7,7 percent from its opening levels.

At one time, it was down by as much as 12 percent, but managed to recover some lost ground. The leading contributor to the ZSE's turnover in the half year was Delta, which received $66,7 million of the value invested on the ZSE. The biggest casualty, Cottco took 86,67 percent off its opening price. The leading contributing sector to half year performance was mining, followed by dual listed stocks, the worst, being insurance sector. June saw the best performing month for the half year, recording gains in 15 trading sessions, while recording losses in the 6 sessions. The biggest weekly gain was also recorded in June, after the main Industrials Index gained 3,68 percent for the week ending 20 June 2014. The market's biggest one-day gain was the 1,78 percent gain recorded on the 23rd of April. March was the worst month for equities, after the ZSE closed in the red in 17 trading sessions. By the end of March, the main Industrials Index had lost 6,93 percent, one of the biggest monthly losses since the beginning of the year. January 28's 1,97 percent loss was the first half's biggest one-day loss.*(Herald)*

Zimbabwe has potential to attract foreign direct investment if the country creates a conducive investment climate, ensures policy consistency and clarity on matters which affect investors. Mr Azvinandaa Saburi, head of the Reserve Bank of Zimbabwe's financial markets division said the liquidity constraints in the economy emanate from the deteriorating current account on the back of poor export performance against increased import demand. He said low FDI and portfolio inflows as well as low domestic savings due to low incomes and the general informalisation of the economy were behind the liquidity challenges. Mr Saburi said the country risk factor and the $9 billion debt overhang is forcing the country to attract unfavourable offshore facilities. The country's external debt position of around $9 billion as at December 2013 with payment arrears of $5 billion has resulted in very little support from international financiers worsening the liquidity situation in the country, according to Mr Saburi. "Any facilities availed to the country are at unfavourable conditions due to the perceived country risk," said Mr Saburi.

"The other contributing factor is that there is a lot of cash which is not in the banking system," he said. Export of goods and services amounted to $4,4 billion in 2011 while imports of goods and services were $7,6 billion. Between 2011 and 2013 exports of goods and services registered a decline of 19,1 percent while imports fell by 8,1 percent. The economy is importing more than it is exporting in terms of liquidity. It means that the economy is actually exporting liquidity as well as jobs and economic growth. In this regard, Mr Saburi said, the current account deficit worsened from $365 million in 2006 to $3,3 billion in 2011 and is estimated to be $3,7 billion in 2013. "The transitory nature of deposits in banks has significantly compromised the intermediation role of the financial sector as banks are forced to advance short term loans at a time when the productive sectors of the economy require long term financing," said Mr Saburi. He said the liquidity constraints the economy is facing is a result of the low production in the country, the low exports proceeds and failure to attract Foreign Direct Investment.

"Due to the abundance of resources in the country, the potential to attract FDIs is high, there's therefore need to ensure that the investment climate is conducive for foreign investors. "There's need for policy consistency and clarity on matters which affect investors," said Mr Saburi. He said the capitalisation of the RBZ is central in order to allow it to perform its function as the lender of last resort. "The absence of a well funded lender of last resort facility which is critical for banks' liquidity management for accommodation when an institution experiences mismatches has resulted in the current state of the market," said Mr Saburi. It is also important that the country deals decisively with the external debt overhang as it has forced the country to attract offshore facilities at unfavourable conditions. A quick resolution to the debt burden will allow the country to unlock medium to long term offshore facilities which are critical for industry which desperately requires such funding, he said. "The engagement of multi lateral and bilateral financiers is paramount in this regard," said Mr Saburi.*(Herald)*

The Reserve Bank of Zimbabwe has arranged a $50 million bond facility to back the issuance of special coins meant to ease change shortages in the country. According to the Monetary Policy Statement released last week, the central bank is plans to import special coins with similar value to US cents.RBZ Governor Dr John Mangudya told an RBZ Debt Assumption Bill breakfast meeting organised by Southern African Parliamentary Support Trust yesterday that a lot of concerns over the shortage of coins had been raised and the central bank is on the front foot to correct the situation. "The most notable reason given by the Retail Association of Zimbabwe, businesses and individuals across the nation for the discrepancy of prices in Zimbabwe and the rest of the world is the lack of change within the economy to the extent that sweets and tokens/vouchers are issued as change to the general public. "It has also made pricing of products difficult as goods have to be round off to the nearest dollar. We had to arrange a $50 million bond facility which is a United States dollar bond for coins. These coins are supported by the bond that we have secured to support the issuance of these special coins."

In order to ameliorate this problem of change and it's unintended consequences on the price levels in the economy, the Reserve Bank shall be importing special coins of 1c, 5c, 10c, 20c, and 50c whose values would be at par with the US cents. Dr Mangudya said the country cannot have a US dollar which cannot be divided into small units. He said RBZ could have imported pure coins from the United States but freight charges on the imported coins is much higher than the value of the coins. However, RBZ has been in negotiations with banks and the Bankers Association of Zimbabwe on whether to import the coins and then sell them. "We have been discussing with players in the banking sector and BAZ. We want to ensure that whatever we do, we do it well to avoid mistakes of the past," said Dr Mangudya. These coins are set to be distributed to business through normal banking channels from the Reserve Bank. The bank through its Bank Use Promotion Unit shall monitor the coins. However, it was reported a couple of years ago that banks were stuck with over R8 million in coins as retailers had shown reluctance in using them because of the purchase cost and the exchange rate prevailing at that particular time. Economists fear the same problem would also arise.*(Herald)*

Delta Corporation says taxing capital gains from the sale of shares acquired under share option schemes is inconsistent with the indigenisation and empowerment thrust. Giving oral evidence before the Parliamentary Committee on Indigenisation and Empowerment, Delta chief executive Mr Pearson Gowero said the company's employees hadso far paid about $7,1 million in PAYE with respect to capital appreciation of the shares. He said Delta has so far issued a total of 120 million shares to staff under the share schemes since 2009. This represents 10 percent of Delta's current issued shares. Currently 33 percent of the issued shares in the $1,6 billion beverages manufacturer is considered indigenous. "About 50-60 percent of the shares are sold to cover the purchase cost and 20 percent to cover PAYE. Any capital gain from sale of the shares of above $240 000 attracts PAYE at 51,5 percent. This appears to be inconsistent with the indigenisation and empowerment thrust," said Mr Gowero. "It has been recommended that share option schemes, just like employee share ownership schemes, should be considered for tax exemption as they promote both indigenisation and employee empowerment," he added. Indigenous Zimbabweans need a minimum of $300 million to pay for the 18 percent that is required to achieve the mandatory 51 percent shareholding under the indigenisation and employee empowerment schemes. "The Government entities do not have capacity to purchase significant shareholding in Delta.

We have periodically advised NSSA as and when significant parcels of shares are available for sale," Mr Gowero said. The Delta CEO noted that qualifying shareholding has decreased due to reasons which include the sale of POSB shareholding in 2009 to foreigners -2,5 percent, reduction in Old Mutual shareholding to 14 percent from 28 percent, employee trust shares sold -1,5 percent, individual employees share sales -3 percent; equivalent shares sold to fund PAYE -1,5 percent. This represents a total of 22,5 percent shares movement from locals to foreigners. "This demonstrates that the 51 percent indigenous shareholding remains elusive and can only be met at a specific point in time. This is typical of all listed entities," said Gowero. Once empowered through the share schemes, most employees prefer to sell the shares for cash to fund their personal needs. "The company has no control on how the employees deal with the shares they would have acquired through these schemes. Shares that are listed on the stock market are freely tradeable. "Foreign shareholders are allowed to buy shares on the ZSE subject to the limits placed by the Exchange Control Act.

There is no provision to reverse specific shares to indigenous buyers; neither is this desirable as it would create distortions in the capital

values of the companies," said Mr Gowero. Between April 1 2009 and March 31 2014 beverages manufacturer has so far realised $2,5 billion in revenue and paid $832 million to the Government towards various taxes. The taxes chewed 33 percent of the company's revenues during the period under review. It paid dividends of about $128 million, which is five percent of revenue and invested $353 million in capital projects -14 percent of revenue during the period under review. The company has paid in excess of $200 million to purchase locally produced agricultural products since 2009. In 2013 alone Delta purchased 47 000 tonnes of barley from local farmers and invested between $50 million -$60 million supporting farmers who produce specific agric products. Delta's top 20 shareholders include Stanbic Nominees, SABMiller Zimbabwe B.V, Rainier Incorporated (SABMiller), Old Mutual Life Assurance Co. Zim, Old Mutual Zimbabwe, Standard Chartered Nominees, Browning Investments NV (SABMiller) NSSA and the Delta Employee Participation Trust Company, among others. *(Herald)*

China will help Zimbabwe build special economic zones and industrial parks to jump-start exports and a struggling economy, its ambassador to Harare said on Thursday as a Chinese firm started expanding the country's largest hydro-power plant. The pledge by Beijing's top envoy to Zimbabwe, Lin Lin, comes days after 90-year-old President Robert Mugabe returned from a trip to China during which he sought financial help and investment from the world's number two economy. Lin told Mugabe during a ceremony to mark the start of work to expand Kariba hydropower station, 400 km (250 miles) northwest of Harare, that Beijing was ready to deepen bilateral relations. Investors in the zones will benefit from special tax breaks and officials said they would not have to comply with black economic empowerment laws that force foreign companies to sell majority shares to black Zimbabweans.

"China is ready to take part in the construction of Zimbabwe's special economic zones and industrial parks, lead the cooperation in infrastructure construction, mining industry, manufacturing industry and other fields and encourage more Chinese companies to invest in Zimbabwe," Lin said. Shunned by Western countries since 2000 over charges of human rights abuses and election rigging, Mugabe has increasingly embraced a "Look East" policy. However, during Wednesday's session of parliament, finance minister Patrick Chinamasa dismissed suggestions Mugabe had gone to Beijing to beg for loans backed up by promises of shares in future mineral resources. In January China's Exim Bank agreed to lend Zimbabwe $319 million to add 300 MW to Kariba hydropower plant, an upgrade that is expected to ease daily power shortages in the southern African country. *(Reuters)*

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