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	1-Aug-14	8-Aug-14	Local	USD	Local	USD
Botswana	DCI	9258.30	9409.27	1.63%	1.74%	3.93%	2.44%
Egypt	CASE 30	8826.28	9152.95	3.70%	3.68%	34.94%	30.80%
Ghana	GSE Comp Index	2301.05	2266.48	-1.50%	-2.85%	5.65%	-27.44%
Ivory Coast	BRVM Composite	238.30	241.84	1.49%	1.35%	4.23%	1.33%
Kenya	NSE 20	4942.28	5003.78	1.24%	1.14%	1.56%	0.04%
Malawi	Malawi All Share	13539.39	13539.73	0.00%	-0.49%	8.05%	14.93%
Mauritius	SEMDEX	2097.89	2106.17	0.39%	-0.15%	0.50%	-0.66%
	SEM 7	404.48	404.65	0.04%	-0.50%	0.25%	-0.91%
Namibia	Overall Index	1130.89	1118.77	-1.07%	-1.59%	12.21%	9.70%
Nigeria	Nigeria All Share	41934.40	42598.46	1.58%	2.32%	3.07%	2.72%
Swaziland	All Share	297.16	297.16	0.00%	-0.53%	4.02%	1.69%
Tanzania	TSI	3996.22	4007.27	0.28%	0.51%	40.93%	35.43%
Tunisia	TunIndex	4688.24	4664.71	-0.50%	-0.79%	6.47%	1.96%
Zambia	LUSE All Share	6138.15	6225.92	1.43%	1.22%	16.40%	4.61%
Zimbabwe	Industrial Index	189.31	194.91	2.96%	2.96%	-3.57%	-3.57%
	Mining Index	94.45	83.65	-11.43%	-11.43%	82.68%	82.68%

CURRENCIES

	1-Aug-14	8-Aug-14	WTD %	YTD %
Cur-rency	Close	Close	Change	Change
BWP	8.78	8.77	- 0.11	1.46
EGP	7.13	7.13	0.02	3.17
GHS	1.87	3.44	1.39	45.61
CFA	489.65	490.29	0.13	2.86
KES	86.29	86.38	0.10	1.52
MWK	386.00	387.89	0.49	- 5.99
MUR	29.20	29.36	0.55	1.17
NAD	10.67	10.73	0.53	2.29
NGN	161.25	160.08	- 0.72	0.34
SZL	10.67	160.08	0.53	2.29
TZS	1,623.70	1,619.89	- 0.23	4.06
TND	1.71	1.71	0.29	4.42
ZMW	6.10	6.12	0.20	11.27

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

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Egypt

Corporate News

Etisalat Misr, the Egyptian unit of Emirates Telecommunications Corp. (ETISALAT), is set to revive the nation's initial public offerings with a planned $500 million sale. The company asked banks for proposals to manage an IPO that may be the largest on the Egyptian bourse in almost five years, according to three people familiar with the situation. A successful sale would make Etisalat the only mobile operator listed on the exchange, fueling investor confidence in a market whose benchmark EGX 30 Index rose about 30 percent this year, according to Mona El Shazly, a Cairo-based senior research analyst at Pharos Holding for Financial Investments. "It would be a trigger for all postponed projects if they see a good market reaction" to Etisalat Misr, El Shazly said by phone yesterday. "This IPO has been delayed since before the revolution in 2011. For them to consider it again is very positive for the market." More than three years of political instability in the Arab world's most populous state has deterred investors and forced several of the benchmark index's biggest companies to leave the Cairo bourse. Etisalat Misr was considering an offering, Al Alam Al Youm newspaper reported, while private equity firm Citadel Capitalscrapped an IPO of its energy unit in 2011 because of instability. Hotel operator Travco Group also ditched sale plans as tourist numbers plummeted.

Etisalat Misr's proposed deal would follow Arabian Cement Co.'s $110 million sale in May, Egypt's first offering since the uprising in 2011 that toppled Hosni Mubarak's government after about 30 years. Companies including Edita Food Industries, a snacks maker part-owned by London-based buyout firm Actis LLP, and a subsidiary of Emaar Properties PJSC (EMAAR), the Dubai-based developer of the world's tallest tower, are also considering IPOs in Cairo. Egypt "has been lagging in terms of new IPOs coming into the market for almost four years now," Amr Elalfy, managing director of Mubasher Trade Research, a Cairo-based analysis company, said yesterday. The Etisalat Misr sale "would likely open the door to more IPOs in the future in other sectors," he said. A spokesman for Etisalat Misr declined to comment when contacted by phone yesterday.*(Bloomberg)*

Economic News

High revenues from Suez Canal and a drop in imports - freeing up dollars - boosts foreign reserves. Egypt's Net International Reserves inched up by 0.3 percent at the end of July, reaching $16.74 billion compared to $16.69 billion in June, the Central Bank of Egypt (CBE) announced on Thursday. July's slight increase came after two consecutive drops in foreign reserves in May and June. In January, the country's foreign reserves recorded $17.1 billion. Reserves fell sharply after the 2011 uprising that ousted president Hosni Mubarak, but were lifted last year when Gulf Arab states gave billions of dollars in aid to Egypt after Islamist president Mohamed Morsi was deposed by the military following mass protests against his rule. According to Al-Ahram's Arabic news website, the forex rise has been attributed to high revenues from the country's vital waterway the Suez Canal that registered $5.3 billion by end of the fiscal year 2013/14. Al-Ahram added that reducing Egypt's imports over the last two months has eased demands on dollars, which relatively pushed up the reserves. Official figures of Egypt's trade deficit for the period between May and June 2014 have yet to be released.*(Ahram)*

Egypt plans to build a new channel parallel to the Suez Canal in a 60 billion Egyptian-pound ($8.4 billion) venture to boost capacity at the vital global waterway, marking a new era of regeneration after the 2011 revolution. Construction of the new passage is scheduled to take three years, though President Abdel-Fattah El-Sisi has ordered it to be completed in a year, Mohab Mamish, head of the Suez Development Authority, said in a televised speech today. The project will reduce maximum waiting hours for ships to three hours from 11 hours, he said. "As global trade grows and the Egyptian economy needs to develop its sources of hard currency, we had to think about the project of digging a new Suez Canal," Mamish said. Work will be done by 37 Egyptian companies and the Egyptian army. The canal, opened in 1869 to provide a faster shipping route fromEurope to Asia, is a vital lifeline in the Egyptian economy, with about $5 billion in annual revenue. The new construction may be a landmark for El-Sisi's tenure, as the newly elected president heralds national development projects aimed at rebuilding an economy battered by political turmoil. "We will lift our country on our shoulders, we will not leave it or lose it," El-Sisi said

after giving orders for digging to begin. He urged Egyptians to invest, as funding for the project will come from local sources including banks and individuals.

The parallel waterway will be 72 kilometers (45 miles) long and will allow 46 ships to cross "at the same time" compared with an average of 49 ships crossing per day now, Mamish said. The project includes tunnels for motor vehicles and trains. The government is also poised to announce other projects to improve Suez Canal operations. Egypt will determine the winning bidder to design the master plan for canal development after the state council reviews contracts, Mamish said. Al Mal newspaper reported Aug. 3 that Egyptian and Saudi Arabian branches of engineering services firm Dar Al-Handasah have been chosen for the work, citing unidentified people at the Suez Canal Authority. The Suez, which connects the Mediterranean and the Red Sea, was nationalized by Egypt in 1956, leading to the Suez Crisis that resulted in the waterway being declared open to all countries. About 18,000 ships a year now pass through the canal. *(Bloomberg)*

Egypt is looking to borrow at least $1.5 billion from local and international banks in order to repay debt owed to foreign oil companies operating in the country, Oil Minister Sherif Ismail told Reuters on Sunday. Egypt wants to repay money it owes international firms as part of a scheme seeking to revive confidence in the economy after years of turmoil following the popular uprising that ousted president Hosni Mubarak in February 2011. Ismail said paying the debt will open the door to foreign investment. He said Egypt owed around $5.9 billion to foreign oil firms as of the end of June. The minister gave no details on which banks would be approached but said Egypt wanted to borrow money so as not to put pressure on reserves at the country's central bank, which has provided funds for debt payments this year. "We'll pay part of the debt in August and schedule the rest," he said. The country has previously said it would repay $3 billion in monthly installments until 2017 as an incentive to encourage foreign oil companies to increase exploration and production. The government's ability to pay oil companies and contractors has been hit by the political upheaval, which has disrupted investment and tourism and cut tax revenues. Egypt produced 5.1 billion cubic feet per day (cfd) of gas and 675,000 barrels of oil per day (bpd) during 2013-2014, Ismail said, and was targeting 5.4 billion cfd of gas and 695,000 bpd for 2014-2015.

Egypt is also experiencing its worst energy crisis in decades due to a continued decline in gas production. Ismail said a much-delayed tender put out in October for a floating terminal needed to import liquefied natural gas (LNG) will be finalised by the end of August. The country is "in the process of hiring a ship (floating terminal). We are in the final stages and will complete the contract before the end of August. "The vessel will arrive in December and also we have to import the first shipment of liquefied gas during the same month," he said. He said Egypt will also open a tender during August to import gas from abroad to ensure the needs of the country are met without problems. Egypt has been struggling to meet soaring energy bills caused by high subsidies on fuel products for its 85 million people, most of whom are poor. Last month it slashed energy subsidies, pushing up prices by more than 70 percent. Failure to find a solution to the energy crisis could frustrate Egyptians, who rioted over long lines at petrol pumps just before the army toppled elected Islamist president Mohamed Mursi. *(Reuters)*

Business activity in Egypt shrank in July, a survey showed on Tuesday, in a sign the economy remains fragile after cuts to energy subsidies last month led to lower demand and higher prices. 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. The HSBC Egypt Purchasing Managers Index (PMI) for the non-oil private sector stood at 49.0 points in July, down from a six-month high of 51.5 points in June. Readings above 50 indicate expansion, while those below 50 point to contraction. "It's a disappointing reading, underscoring the scale of the challenge policymakers face as they try to bring the Egyptian economy back to life," said Simon Williams, Chief Economist for the Middle East at HSBC. "The July numbers may also capture the first effects of last month's subsidy cuts which seem to have not just lifted prices but hit demand, too."

Egypt raised fuel prices by up to 78 percent last month in a long-awaited step to cut energy subsidies and ease the burden on the government's swelling budget deficit. Successive governments, fearing a backlash from a public used to cheap goods, had backed away from curbing food and energy subsidies which usually account for up to a quarter of state spending. Egypt's budget for the fiscal year that began

on July 1 seeks to use 40 billion Egyptian pounds in savings from subsidy reform to reduce the deficit to 10 percent of gross domestic product from an expected shortfall of 12 percent in the 2013/14 fiscal year. The government expects the economy to grow by more than 3 percent in the year to the end of next June, from an expected 2 percent for this 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.

The PMI survey of around 350 private-sector firms showed that output resumed its steady contraction after a month of growth in June, with the related subindex down at 48.7 points in July from 52.3 points the month before. The subindex for new orders dropped to 48.5 points from 52.3 points in June. New export orders declined to 49.1 points compared with June's 51.9 points. Employment stabilised in July, indicating a halting of the decline in employment observed at Egypt non-oil private sector firms since May 2012. Output prices rose, with that subindex at 50.5 points, up from 49.5 points in June. Input prices rose sharply, with the index at 67.8 points, squeezing company margins faster than in June when it stood at 59.3 points. *(Reuters)*

Egypt's central bank issued about twice the volume of three-year and seven-year treasury bonds on offer at an auction on Monday, as strong demand kept yields mostly unchanged two weeks after they hit a 10-month high. The bank had accepted only a fraction of the bids on the maturities at their last auction in July. Yields then jumped more than 1 percent, following a surprise 100-basis-point increase in interest rates. Egypt wants to reduce borrowing costs as it tries to revive an economy battered by more than three years of political turmoil. It also needs to reduce its budget deficit, which hit 12 percent of gross domestic product in the fiscal year that ended in June. The state is also trying to contain inflation, which is expected to rise this month after the government cut subsidies on fuel and electricity in July and sent energy prices surging.

Monday's auction results showed the government was "trying to compensate for the amounts they didn't raise because they're fighting yields," said one Cairo-based fixed income trader. Egypt accepted bids worth 3.67 billion Egyptian pounds(513.29 million US dollar) for three -year bonds, compared with 1.5 billion pounds offered. The average yield was down at 13.924 percent from 13.971 percent two weeks earlier. Egypt accepted bids worth 919 million pounds for seven-year bonds compared with 500 million pounds offered, with yields up slightly to 15.824 percent from 15.781 at the previous auction. The bid-to-offer ratio for the three-year and seven-year bonds was 2.97 and 4.61, respectively. Egypt had accepted binds for 5.98 billion pounds worth of 357-day treasury bills at their last auction on Thursday after offering 4 billion pounds. But it was not clear how long the government could maintain yields at similar levels. "Normally, it's effective in the very short term, but unless there's a change in fundamentals or a change in inflation expectations, it's not usually sustainable," the trader said. *(Reuters)*

Ghana

Corporate News

Access Bank Ghana has launched a series of capacity development initiatives for small and medium scale enterprises (SMEs) across the country. Known as the "Power Breakfast" series, it is intended to enhance SME operational efficiency and empower them with skills to improve the management of their businesses. At the launch of the series in Accra, which was attended by about 100 SME customers of the bank, the bank's Group Head of the Business Banking Division, Mr Fosuhene Acheampong, said the bank had created a full business division to support the needs of the SME sector through innovative banking solutions such as the Mpower Account, Payroll Management, Working Capital Finance and the use of other electronic channels and devices. He said the series, which would be monthly, was one of the ways in which Access Bank was demonstrating its commitment to the economic empowerment of entrepreneurs in the country.

"We will bring together small business owners to enhance their capacity, explore the challenges faced by today's entrepreneurs and identify promising solutions to addressing their needs,' he said. The Managing Director of the bank, Mr Dolapo Ogundimu, said the bank had entered the second phase of its transformational growth, which was anchored on sustainable business practices and economic empowerment. He said in line with the bank's five-year strategy, it was expanding its business and personal banking franchise, and that SMEs held huge promise for economic development. "At Access Bank, our aim is to deliver economically viable and socially relevant products and services for the advancement of the communities and economies we serve. We shall continue to look for innovative and cost-effective ways of helping your business to succeed," he said. *(Ghana Web)*

Fast moving consumer goods manufacturer, Unilever Ghana Limited, made a loss of GH¢6.5 million in the first six months of the year due mainly to the steep fall in the value of the local currency. According to an unaudited report from the company, the phenomenon raised the company's cost of operation but dampened consumer sentiments towards its products. The report signed by the Managing Director, Madam Maiden E. Arkutu, and the company's Brand Building Clarence Nartey, said the loss was in spite of a 17.9 per cent jump in Unilever's gross revenue, which rose from GH¢158.4 million in the first half of last year to GH¢186.8 million the same period this year. "Operating cost remains a challenge to the business in the face of the higher depreciation of the cedi and inflation," the company said in its half year financials, which was released the week ending August 1. The cedi has since the beginning of this year lost about 33 per cent of its value to the United States Dollar on the back of speculative demand which saw supply falling short of demand.

The situation has fuelled inflation, a measure of the rate at which prices of goods and services increase over time, to a 10-month high of 15 per cent as of June, this year, making it difficult for consumers to keep to their household budgets. Given that Unilever produce mainly for households, a weakened consumer sentiment, as confirmed by the Bank of Ghana (BoG) in its Monetary Policy Committee (MPC) report, on the back of rising inflation and a weaker currency, would lower demand for the company's products, while pushing its cost of operation to unbearable levels. The company's half-year results showed that while pre-tax profit suffered a 42.7 per cent decline, dropping from GH¢18.5 million in the same period last year to GH¢7.9 million in the period under review; cost of sales rose from GH¢112.2 million in the first half of 2013 to GH¢150.3 million in the first six months of this year. The increment in cost of sales was further compounded by similar increases in administrative and distribution expenses. Unilever, which deals in leading brands such as Lipton, Blue Band Margarine and Pepsodent, among other things, is not the only company suffering from the current challenges in the country.

PBC Limited, the biggest buyer of cocoa beans in the country, halted its moves to secure US$30 million loan from France, citing the impact of the declining cedi on interest payment as the basis. Although the BoG and the government have assured the people of brighter prospects in the coming months, Unilever said its business continued to worsen in the face of these challenges. "The operating environment continues to worsen for our business. This will translate into higher input cost arising from increases in oil prices, utility tariffs and depreciation of the cedi against major trading currencies," the company's results indicated. Going forward, the report said Unilever would "continue to align its strategies with the operating environment in order to create value for shareholders." *(Ghana Web)*

The Ghanaian subsidiary of Quantum Pacific, the industrial investment group owned by Israeli billionaire Idan Ofer, has signed a deal with Golar LNG to build a $500-million liquefied natural gas import terminal. The facility, to be situated offshore from the eastern port city of Tema, will provide gas directly to the state-run Volta River Authority (VRA) by mid-2016 to boost power generation, Don Ackah, chief executive of Quantum Power Ghana Gas told Reuters late on Saturday. West Africa's Ghana is grappling with a power crisis caused by the frequent breakdown of ageing equipment and shortage of funds to purchase light crude oil for thermal generation. The World Bank says the situation could worsen unless authorities overhaul the sector to attract new investors. Ackah said President John Mahama, who has instructed his economic team to provide cheaper alternatives to light oil for power generation, endorsed the Tema LNG project. The VRA says it spends around $20 million every fortnight on crude oil purchases, draining the coffers of a country already struggling to cope with a mounting budget deficit. "A lot of work has already been done with payments committed to parts of the Tema LNG project. We are now aiming to complete all government approvals and secure gas supply and sales agreements for a final investment decision in the last quarter of this year," Ackah said. Under the deal, Bermuda-headquartered Golar LNG will provide an offshore floating storage and regasification unit. Talks are also underway with French oil services firm Technip to construct subsea and onshore pipeline networks to deliver gas to Tema, he said. The floating unit, currently being constructed by Samsung Heavy Industries in South Korea, will have the capacity to deliver at least 250 million cubic feet of LNG per day, or 1.75 million tonnes annually, Ackah said.

He said Quantum Power Ghana was in talks with global oil firms, including BP, for the supply of natural gas. In addition, the Ghanaian government said it planned a state-to-state supply arrangement with Qatar for LNG to be delivered to the terminal. "The government is only playing a facilitating role to get gas at a cheaper cost for consumers," Ackah added. Ackah said the offshore production unit is expected to arrive in Ghana under a lease agreement by January 2016, adding that all subseas construction should be completed by December next year. *(Reuters)*

Economic News

Ghana will seek immediate talks with the International Monetary Fund to help stem the world's worst currency slide, ending four months of contradictory statements from the government about whether it needs emergency aid. President John Dramani Mahama has instructed his economic advisers to "open discussions" with the Washington-based lender, the Ministry of Communications said in an e-mailed statement on Aug. 1. Ghana wants to start a program with the fund to stabilize the cedi and rein in inflation, Finance Minister Seth Terkper told local broadcaster Joy FM on Aug. 2. The currency of West Africa's second-largest economy has plunged 36 percent against the dollar this year as investors lost faith in the government's ability to curb spending and rein in a current account deficit that's set to exceed 10 percent of gross domestic product this year. Since having most of its debt cleared in 2005 as part of a global debt-relief campaign for poor nations, Ghana has racked up borrowing, while failing to keep government spending under control. Conflicting statements from the government about whether it will seek IMF assistance has undermined the currency. The cedi dropped 6.2 percent against the dollar on July 30, a day after Deputy Finance Minister Mona Quartey said the government preferred a "home-grown strategy" to an IMF loan and planned to sell $1.5 billion in Eurobonds by the end of the month. "The decision to turn to the IMF is one which Mahama tried to put off for as long as he could and is still reluctant to take," Nicholas Spiro, managing director of Spiro Sovereign Strategy in London, said in e-mailed comments. "One senses that the government has yet to come to terms with the gravity of its financial predicament."

Terkper didn't specify this weekend whether the government will seek a loan or technical advice. "When you stabilize the cedi you are also looking at a situation where investors do see a more predictable economy," he said. The cedi fell as much as 2.3 percent to 3.75 against the dollar on Aug. 1. A weaker currency has spurred inflation to 15 percent in June, prompting the central bank to increase its benchmark interest rate by 1 percentage point to 19 percent on July 9. The IMF "stands ready to engage with the Ghanaian authorities and develop with them a fund-supported program to tackle Ghana's fiscal and external imbalances as soon as a formal request is received," spokesman Ismaila Dieng said in an e-mailed statement yesterday. Mahama's comments came days before he participates in the first U.S.-Africa Summit this week, an initiative from President Barack Obama that will draw more than 40 African heads of state to Washington to

hold talks with American investors seeking opportunities on the continent. The U.S. administration said it expects to sign more than $900 million in deals during the three-day meeting. Ghana's government is struggling to narrow the budget deficit as wages for state workers ballooned to almost 70 percent of tax income. Terkper last month revised the 2014 fiscal-gap target to 8.8 percent of GDP from 8.5 percent. The shortfall will probably exceed 10 percent of GDP for a third consecutive year, according to Fitch Ratings, which downgraded Ghana last year to B, five levels below investment grade, with a negative outlook. The current-account deficit may average 11.1 percent of GDP this year, according to the median estimate of five economists surveyed by Bloomberg. The shortfall was 12.3 percent in 2013. *(Bloomberg)*

Ghana is seeking to restore policy credibility by asking the International Monetary Fund to help rescue its currency, Finance Minister Seth Terkper said. The government's plan to narrow the fiscal gap last year was too ambitious because of a shortfall in revenue, he said in an interview yesterday in Washington, where he is attending the U.S.-Africa Leaders Summit. The IMF program will include support for balance of payments, he said. "We believe strongly that we are putting the right mechanisms into place," he said. "It is about the certainty of policy that comes with an IMF endorsement." Ghanaian President John Dramani Mahama said last week his government will seek talks with the Washington-based fund to bring stability to an economy battered by the world's worst performing currency in 2014. Rising prices for gold and cocoa, steps to reduce debt-financing costs and cutting the state wage bill are already working and the government will see the benefits later this year as the IMF plan kicks in, Terkper said. Ghana is the world's second-biggest producer of cocoa. The plan may be for two to three years and the government has yet to decide how much aid it will ask for, he said.

"The balance of payment support is the competence of the International Monetary Fund so they went to the right place in terms of getting macro-economic support," Donald Kaberuka, president of the African Development Bank, said yesterday in an interview. "What they're doing is right in the sense that they need to get the macro-economic framework right." The cedi dropped 36 percent against the dollar this year, as investors lost confidence in the government's ability to narrow its budget gap to 8.8 percent of gross domestic product from 10.8 percent in 2013. The central bank financed the entire shortfall in the first quarter and continued to fund some of it in the following three months, prompting warnings from ratings companies that the practice would fuel inflation, already at 15 percent. The currency strengthened 1.3 percent to 3.67 per dollar at 9:41 a.m. in Accra. Moody's Investors Service cut the nation's sovereign rating to B2, five levels below investment grade, in June and said the fiscal deficit will exceed 10 percent of GDP for a third straight year. Standard & Poor's, Fitch Ratings and Moody's all have a negative outlook on Ghana's debt, signaling the possibility of further cuts. Since having most of its debt cleared in 2005 as part of a global relief campaign for poor nations, Ghana has ramped up borrowing, while failing to keep spending under control. The government will go ahead with plans to sell as much as $1.5 billion in Eurobonds by the end of the month, Mahama said last week. *(Bloomberg)*

A large number of people who hitherto were trooping into the cocoa-growing belt of the Brong Ahafo Region to eke a living on cocoa farms are now engaged in illegal mining, an alternative "thriving economic activity" in the Ahafo community. Settlers predominantly from the three Northern regions who have flooded communities such as Kenyasi, Ntotroso, Hwidiem, Gyedu and other adjoining villages are mostly into illegal mining, also known as "galamsey". Paradoxically, many of those who used to travel to these areas in times were lured into cocoa farming. "Because of the ever-increasing challenges confronting the cocoa sector, it's no longer lucrative enough to attract the needed labour force. We are losing most of our labourers to galamsey while many others are also hesitant to take up cocoa farming," John Amankwah, Asutifi District Chief Farmer told B&FT in an interview.

He said the situation has compounded the reluctance of indigenous youth who are in search of alternative livelihood activities at the expense of inheriting cocoa cultivation -- the major traditional economic activity in the Ahafo part of the region to help neutralise the aging and fast-dwindling workforce. According to the International Cocoa Organisation's forecast, Ghana -- the world's second-largest producer -- could produce up to 900,000 tonnes of cocoa beans in the upcoming 2014/2015 crop season. But challenges including lack of a substantial labour force could negatively affect productivity rates at the various farms, thereby undermining the target. The District Chief Farmer said for Ghana to ensure long-term sustainability of cocoa production, government must institute pragmatic measures to subdue the mounting challenges affecting cocoa production. He mentioned inadequate and inconsistent supply of subsidised inputs, such as fertiliser and

pesticides. "The mass-spraying exercise is no more reliable; subsidised fertilisers are only accessible to a few farmers; and not many have the financial muscle to buy from the open market, leaving many cocoa farms to their fate.

"Notwithstanding our invaluable contribution as the sub-stratum of the cocoa industry, farmers are now the poorest and most vulnerable in the supply chain link. Access to reasonable credit is elusive; we are fast-losing our socio-economic competiveness in society, and this must be a cause of worry for the government," he lamented. The cocoa sector can only regain its rightful position to attract the youth if measures are put in place to make cocoa farming more lucrative, Mr. Dankwa added. Averagely, Ghana annually earns about US$2billion from cocoa. *(Ghana Web)*

The Bank of Ghana (BoG) is urging increased efforts in the development of tourism through the promotion of attractive sites to locals and the international community to help create awareness, increase arrivals and rake in more foreign exchange for the country. The bank is optimistic the increased foreign exchange through high tourist arrivals will help absorb the foreign exchange pressures that it has been struggling to contain since the beginning of the year. A significant reduction in the foreign exchange pressures through an inflow of sufficient forex to match demand would help ease the current pressures on the cedi, reduce the rate at which prices of goods are rising and also lower the cost at which government and businesses are servicing their foreign currency denominated loans and other payments.

Although the Central Bank is banking its hopes on tourism as one of the sectors that could help relieve the economy and the current forex related challenges, its Governor, Dr Henry Kofi Wampah, told the GRAPHIC BUSINESS in an interview that BoG would not rush to propose suggestions on how to fully exploit the nation's tourism potentials. The bank, he said, saw the tourism sector "as one with a strong potential for foreign exchange earnings" and would, therefore, table its concerns and suggestions on the sector to a wider group of experts capable of translating them into programmes that would result in more revenues for the country. That group of experts, the Governor said, included participants of the recently concluded dialogue on boosting the country's foreign exchange. The programme was initiated by the Ministries of Trade and Industry (MoTI) and Finance and Economic Planning (MoFEP) with support from the Central Bank. The Governor had, in his welcome address, praised tourism as one of the fastest growing sectors of the global economy of which most developing countries had recently shifted attention to as they search for increased foreign exchange beyond those earned from the export of their traditional commodities.

"There is no doubt about Ghana's potential as a tourism destination in West Africa and we must harness these advantages to increase our earnings," Dr Wampah said at the opening ceremony of the dialogue. The comments by the Governor are the first of their kind from a person of his stature and as a result of the forex squeeze that the bank and the economy in general has suffered over the last six months. The acting Deputy Executive Director in-charge of Finance and Administration at the Ghana Tourism Authority (GTA), Mr Samson Donkor, said the Governor's observations "are facts and things that we have been saying over the years." "However, tourism, as he said, still remains a potential in this country and as a potential, we can't earn maximum returns from it unless we master the courage to invest in developing it," he observed. The authority has been advocating increased government allocation to the sector to help upgrade tourism sites, promote them to the international community and build the capacity of adjourning businesses to be able to fully exploit the country's tourism potential. Although that advocacy has received some little attention through the introduction of the Tourism Levy and the incentives, Mr Donkor said more needed to be done if the country was to turn that potential into a money making venture.

International tourist arrivals to the country has been picking up over the years, rising from a handful of about 286,000 tourists in 1995 to 1.1 million visitors in 2012 before peaking at about 1.3 million visitors last year. The same applies to the earnings. Revenues from the sector in general rose from some US$237,200 in 1995 to US$1.87 billion in 2010 and then to US$2.5 billion in 2013, data from the Tourism Authority and the Ministry of Tourism, Culture and Creative Arts (MoTCCA) showed. The 2013 earnings meant that tourism had overtaken foreign remittances to become the third highest foreign exchange earner after gold and cocoa. However impressive that growth is, the acting Executive Director of the Tourism Authority said earnings from the sector could be higher should the sector receive the needed financial resources. As a result, Mr Donkor suggested that the BoG, which was the holder of the nation's purse to dedicate some funds to tourism

development. "They can ask for grants to finance specific tourism projects. They can also allocate some resources to the sector so that if the returns come by way of increased tourist arrivals and the money, the bank can rely on it to stabilise the currency," he added. *(Ghana Web)*

Kenya

Corporate News

Safaricom Ltd., East Africa's biggest mobile phone company, expects its joint acquisition of rival yumobile to be completed within months at a cost of about $120 million, Chief Executive Officer Bob Collymore said. Objections to the deal raised by Kenya's communications-industry regulator have been withdrawn and the Nairobi-based company expects to submit the transaction for approval to the country's competition authority soon, Collymore said today in an interview at the U.S.-Africa Leaders Summit in Washington. "I am hoping we can close this in a couple of months," he said. Safaricom, 40 percent owned by Vodafone Plc (VOD), and Airtel Kenya Ltd., a unit of New Delhi-based Bharti Airtel Ltd., announced plans in March to buy yumobile, Kenya's third-biggest network operator that's owned by Essar Telecom Kenya Ltd. Safaricom, which is based in Nairobi, will take over Essar's network base stations and transmission equipment. Safaricom announced the planned acquisition after it failed to meet the regulator's quality-of-service criteria in 2012-13, achieving a compliance level of 50 percent compared with the minimum of 80 percent, which the company had to attain to obtain a new license.

Airtel, the second-biggest operator, is set to take over Essar's 2.75 million subscribers and licenses. That would boost Airtel's Kenyan market share to 26.4 percent from 17.6 percent, according to Bloomberg Intelligence. Safaricom's share is about 67 percent, according to Communications Commission of Kenya data. Airtel is ratcheting up competition against Safaricom through a product its introducing with Equity Bank Ltd., the country's biggest lender by market value, that will offer mobile-phone banking. The service will compete with Safaricom's M-Pesa, a system that enables users to send money by mobile-phone and generated 26.6 billion shillings ($303 million) of revenue for the company last year. Orange SA (ORA), based in Paris, has said it may cut its holdings in Kenya, where it owns 70 percent of Telkom Kenya, the country's smallest operator. Viettel Corp. of Vietnam is among the bidders for the stake. A successful bid by Viettel would "change the game quite a bit" in Kenya, Collymore said. "The Vietnamese are fiercely competitive and very low cost," he said. "When we look at what they did in Mozambique, they changed the game. We're all going to have to knuckle down and deal with that." Shares in Safaricom have gained 16 percent so far this year to 12.60 shillings, outperforming the Nairobi Securities Exchange All Share Index, which has increased 14 percent over the period.*(Bloomberg)*

The High Court has stopped Dubai Bank from initiating the winding up of Kenya's biggest sugar miller Mumias over a Sh92 million debt. The bank claims that the debt accrued from a guarantee given to the sugar firm in November last year to help it secure release of sugar stocks that it had bought from Sudan's Kenana Sugar Company. This a reprieve for Mumias, which moved to court last month under a certificate of urgency claiming that Dubai Bank had threatened to initiate a winding up process in a bid to coerce the miller to pay the alleged outstanding debt. "To safeguard the subject matter of the application, an injunction be and is hereby issued forthwith to restrain the defendant from presenting to court or advertising any winding up proceedings against the plaintiff," ordered Justice Fred Ochieng. Mumias disputes the validity of the alleged guarantee agreement with Dubai Bank. On July 11, Justice Ochieng directed Dubai Bank to respond to the claim within two weeks and Mumias Sugar was given seven days to file a further affidavit if necessary upon receiving the bank's response. The judge extended the orders stopping Dubai Bank from initiating winding up until September 30, when the case will be heard. Mumias claims it received a letter from Dubai Bank in June demanding the outstanding amount in respect of the guarantee.

Dubai Bank alleges that Mumias agreed to pay an unspecified amount to guarantee release of some sugar stocks by the Sudanese miller. Coutts Otolo, who was appointed Mumias acting managing director in April, says he instructed internal investigations to ascertain the validity of the transactions since he is not familiar with the claim. Mr. Otolo says the investigations revealed that the letter of undertaking and guarantee was not properly issued since the guarantee was not issued under seal and the resolution to issue it was not passed by Mumias' directors. Mumias thereafter asked Dubai Bank to furnish it with the original copy of the agreements to establish its status, which the bank allegedly failed to avail. The sugar firm says having failed to confirm the validity from Dubai Bank, it instructed its auditors, KPMG, to carry out forensic audit of the account to establish validity of the agreement. On June 5, before the audit by KPMG was completed, Dubai Bank served Mumias with a winding up notice. Mumias claimed the petition was meant to force it to pay the debt. Mr. Otolo says Mumias

management "highly doubt this debt" and argues that issue of the winding up notice before the audit is completed is not justified and would be detrimental to business. He further argues that Mumias is not insolvent and has the ability to pay the bank if the forensic auditors confirm that the lender's claim is valid. *(Business Daily)*

East African Breweries Ltd (EABL) will focus on the spirits segment to make up for revenue loss from the low-end focused Senator Keg as hopes of the tax's reversal dimmed. Diageo, that owns 50.03 per cent stake in the listed brewer, said the tax had raised the price of Senator Keg resulting in poor beer sales. An investor presentation by Diageo chief executive Ivan Menezes indicated the decision to use spirits to target the low-end is based on doubts that the Treasury would review its decision to raise taxes on Senator Keg. "Senator's performance in Kenya was impacted by the excise duty levied in October. I don't expect any material improvement here until we lap the duty increase this October and the brand will have a new base," said Mr. Menezes' presentation. Senator Keg had a tax exempt status since 2004 when it was introduced in the market as an alternative to illicit alcoholic but the Treasury imposed a tax in 2013 to raise revenues and enhance tax equity. EABL says the taxes have resulted in some 5,000 Senator Keg retail outlets shutting down. Operations at its Ruaraka plant have also been scaled down and some 100 staff laid off. But the brewer is still banking on the segment using other products. "In East Africa we're using Jebel Gold to reach value-conscious consumers.

Accelerating the launch of the brand helped offset some of the weakness on Senator Keg as we rolled it out using our bespoke Senator route to consumers in Kenya," said Mr. Menezes. EABL is expected to release its full-year results next week. Its half-year performance shows as at December 31, 2013 revenues had increased by 3.9 per cent to stand at Sh31.8 billion against the Sh30.6 billion posted a year earlier while net profits increased by a similar margin to stand at Sh4.1 billion from Sh3.98 billion. Analysts, however, do not expect low Senator sales to greatly affect results since the move towards spirits has gradually been plugging the gap. "We have started seeing consumption moving towards spirits. It is a natural evolution towards that market," said Eric Musau, a research analyst at Standard Investment Bank. Mr. Musau says the harmonisation of tax laws in East Africa is likely to create stability for the industry bodes well for EABL. Analysts said the drive for spirits is influenced by better profit margins compared to beers. "The bottom-line growth despite the sharp decline in Senator Keg volumes signifies high-revenue margins in the spirit business of which both the Kenyan and Ugandan market present great growth prospects," said a report on EABL half-year results by Genghis Capital.*(Business Daily)*

Centum Investments made marginal gains at the stock market on Friday on announcement of plans to acquire a majority stake in microfinancier K-Rep Bank. Analysts however expect a bigger impact once the deal is completed. The Friday trading session was the first after the investment firm announcement of the deal estimated at Sh2.5 billion that could see it acquire a 66 per cent stake in the lender. Centum's share closed 1.6 per cent higher at Sh47.75 but did not match the all-time high price of Sh49. "It is a bit premature to expect it to affect the market much. Investors also consider that they already hold a sizeable stake in Platinum Credit and so are no strangers to the financial sector," said ABC Capital corporate finance manager Johnson Nderi. The counter has been among the biggest gainers over the past one year, rising 105 per cent. In the first seven months of 2014 the share has gained 33 per cent.*(Business Daily)*

Umeme, the Ugandan power distributor, was the biggest gainer at the Nairobi Securities Exchange (NSE) last month after liquidity improved on sale of shares held by Actis. The stock rose 54 per cent moving from Sh13 to Sh20. Umeme cross-listed on the NSE from the Uganda Stock Exchange (USE) in December 2012 at a price of Sh8.80. The share traded for the first time in July with the sharp rise in price indicating investor appetite for the stock.

Traders say when Actis started selling off in May a number of Kenyan investors bought and deposited units in local CDS accounts giving the market float which has spurred July trading. "We have also been seeing quite a few fund managers asking about the share in the local market in the past month," said Old Mutual securities analyst Geoffrey Maina. Data from the Standard Investment Bank shows the Umeme counter saw a turnover of Sh19 million in July, 45 per cent of it by foreign investors' activity.

The Umeme stock had remained unchanged at Sh13 for a year before the recent activity. It took seven months from its cross-listing for the

stock to register a trade at the NSE in July 2013 when the first 100 shares changed hands at Sh13. For long the available shares were largely held in the Ugandan depository, meaning local investors lacked sufficient float to actively trade through the NSE. They were forced to open Ugandan CDS accounts to access the stock. Trading in the stock in Kenya was also hampered by the lack of interconnectivity between the NSE and USE. Actis revived the stock's fortune in the Kenyan market through sale of the 60.08 per cent stake worth Sh12.6 billion in Umeme. Following the rise in price, Umeme's NSE valuation has risen 54 per cent to Sh32.5 billion for the 1.62 billion shares. The UK private equity firm said in a statement that 20 Kenyan and Ugandan institutional investors bought Sh7.5 billion worth of shares. South African and London-based firm Investec, which has 18.47 per cent stake, replaced Actis as the largest shareholder. Other large shareholders are the NSSF (Uganda) with a 14.27 per cent stake and Farallon Capital with a 7.82 per cent shareholding. *(Business Daily)*

Equity Bank has started the search for a new managing director of its Ugandan subsidiary in a fresh bid to turn around a business that has experienced a tough six years since being set up. The lender, which last week announced a 21 per cent jump in half-year profits to Sh7.66 billion, has advertised for the position of MD for its Ugandan unit after departure of the previous office holder. The new appointee will replace Francis C.G Mills who left the position in May this year, having headed the business since August 2010."….the role will provide overall day-to-day strategic guidance, direction and leadership to senior management team and oversee the bank's operations," said Equity in a notice. In the half-year investor presentation released last week, Apollo Njoroge, who has normally been listed as the Equity Uganda's executive director, was this time listed as the MD. Equity had not by the time of going to press responded to our queries regarding Mr Mills' departure and also whether Mr Njoroge was serving in an acting capacity. The incoming MD will be taking over a business unit of 31 branches, which in the year to December 2013 saw its profit-before-tax drop to Sh52 million from Sh57 million the previous year.

The Ugandan unit posted a pre-tax profit of Sh19 million in 2011 while in 2010 and 2009, it had posted losses of Sh798 million and Sh266 million respectively, a pointer to the rough patch the lender is experiencing in the market. In the six months to June 2014, the Ugandan unit contributed 3.7 per cent to the group's Sh22.33 billion revenue or Sh826.2 million. "(The new MD will) prepare and direct implementation of the bank's annual business plan and ensures that the bank attaints its objectives as cost-effectively and efficiently as possible," added Equity in its notice. Kenyan banks that have expanded into the region have had a tough time cashing in on their investments, with many of them posting successive losses. Last year, four of the nine Kenyan banks operating in Uganda reported losses. The banks that found the going tough include NIC, Commercial Bank of Africa (CBA), Bank of Africa (BOA) and Imperial. Other Kenyan banks operating in Uganda are KCB, DTB, ABC and Guaranty Bank, formerly Fina Bank. The Central Bank of Kenya (CBK) recently attributed this performance to Uganda's competitive market dominated by established local players. "Four of the subsidiaries that registered losses before tax were operating in Uganda, indicating stiff competition," said CBK in its annual 2013 Bank Supervision Report released in June. The International Monetary Fund has in the past warned Kenyan banks expanding into the region that common market risks in the different countries could put pressure on the parent companies as they diverted resources to sustain the subsidiaries. *(Business Daily)*

Acorn Group, a company partly owned by listed financial services group Britam, plans to develop real estate projects worth Sh40 billion over the next two years. The property management firm said the projects constitute a mix of shopping malls, commercial offices, residential properties and commercial hotels to be located within Nairobi and its satellite towns of Kitengela and Lukenya. The firm is rolling out the projects with Britam, which has a 25 per cent stake. Acorn chief executive Edward Kirathe said the partners are targeting the middle and lower ends of the property markets. "The highest demand for property, especially retail and residential, is going to be in the middle and lower income segments. In the commercial space, it is going to be in suburb retail malls and shopping centres, the mid-scale business, conferencing hotels and mid-sized commercial office buildings," said Mr. Kirathe. Each of the projects will be financed through different cash sources, with 60 per cent of the funding coming from commercial loans, 20 per cent through equity and the remaining 20 per cent from a mix of the two. Mr. Kirathe added that the developers will sell some of the properties and package others into Real Estate Investment Trusts (Reits). Construction is expected to begin between October this year and March 2015.

Some of the major projects include Elono Plains, a residential estate in Kitengela that will consist of 600 housing units, a public transport terminus, a recreational park, clinic, shopping centre, primary and secondary school. Arboretum Square in Kileleshwa, Nairobi, will have a shopping mall and an office block. Various property types have different returns, with residential estates on average having the highest at

between 10 to 12 per cent. Analysts said the project is significant for Britam though the impact on the bottom line will delay. "The impact will be felt maybe between two-and-half to three years from now," said Agnes Achieng, a research analyst at Sterling Capital. Acorn's expansion away from Nairobi is influenced by availability of bigger parcels of land and the growing demand for high quality housing in these regions. "The reality is that the vast majority of the developments is not investment grade at all," said Mr. Kirathe. Investors have increasingly targeted areas outside the capital. Longonot Gate is one of the mega projects being constructed in Naivasha on 2,400 acres and like Acorn's project, will have houses, hospitals, shopping malls and hotels. The project promoters have already signed Gems Cambridge International Schools and the Africa International University as anchor education institutions. Migaa, which is being developed by NSE listed-Home Afrika, is coming up in Kiambu County on 774 acres. It comprises 4,000 homes, hotels, schools, a hospital, offices, an 18-hole golf course and a commercial centre. Home Afrika has said it plans to issue a bond to partly finance the completion of Migaa. The government is also joining the private sector in going to the counties with its own set of resort cities in Isiolo County, Manda Bay (Lamu County) and Lake Turkana. *(Business Daily)*

KCB's recent share price rally has lifted its valuation above top rival Equity Bank, making it Kenya's highest priced lender with a market capitalisation of Sh174.5 billion. Equity Bank, which has held the position of highest valued bank in recent months, has been relegated to the second position with a market capitalisation of Sh171.2 billion. KCB's rapid rise has seen its price tag jump by 14.71 per cent in the past five days, following the release of its first-half results. "Being the only bank with loans-to-risk-weighted assets greater than 100 per cent, KCB stands out as the leading bank able to generate higher return on average equity without growing its total (loans) book," said Standard Investment Bank (SIB) in a research note prior to release of the half-year performance. KCB's net profit in the first six months of the year rose 13.6 per cent to Sh8.1 billion, staying ahead of Equity's which had jumped 21.4 per cent to Sh7.6 billion as both lenders benefited from higher interest and transaction-based income.

The two banks have been locked in a battle for supremacy, with investors assessing which institution offers the highest returns and a more efficient operation in the fiercely competitive banking sector. While KCB has a head start in the form of a larger asset base and loan book, various metrics have painted a mixed picture for investors seeking to choose one institution over the other. SIB noted that KCB could record growth by simply changing its mix of loan assets and correctly pricing additional risks, noting that the bank has signalled an intention to increase the share of credit to the more lucrative SME borrowers. KCB's loan book stood at Sh186.5 billion in June, raising its total assets to Sh439.7 billion while Equity's loans and total assets are Sh186.5 billion and Sh302.9 billion respectively. Equity runs a more efficient operation based on the cost-to-income ratio standing at 52 per cent, compared to KCB's 57.5 per cent. This means that KCB is spending more to generate earnings than Equity. KCB has in the past few years moved to cut down its expenses, including retrenchment of its large workforce to keep a lid on staff costs. This has seen an improvement in its cost to income ratio that peaked at 69 per cent in 2009. Equity's lower costs have been linked to its economies of scale, with the lender controlling the largest share of the retail banking segment with an estimated eight million customers. The bank's relatively higher efficiency has also seen it beat KCB in terms of return on equity (RoE), a measure of an institution's payback to shareholders. Equity's RoE in June stood at 14.3 per cent, leading KCB by 1.7 percentage points. *(Business Daily)*

Kenya Airways has ventured into the mobile telecommunications industry with the signing of an agreement that will see the airline offer phone connections to its customers. The national carrier will ride on Airtel's network to offer voice and data telecommunication services under the recently introduced Mobile Virtual Network Operator (MVNO) licence. Kenya Airways is targeting a fraction of the millions of incoming and outgoing passengers that it flies every year. "Through this partnership with Airtel, we are optimistic that our guests will soon be enjoying a service that allows them better calling rates while in Kenya or roaming within the wide Airtel network," said Kenya Airways CEO Titus Naikuni in a statement. He said the mobile communications service would help KQ improve customer experience while diversifying revenue streams. For the Essar Group-owned Airtel, the deal provides yet another opportunity to use its excess frequency capacity and add to its top line.

The carrier becomes the fourth non-telecommunications company to sign a deal with Airtel for provision of mobile phone and banking

services through the MVNO licence. Three other firms, including Equity Bank's subsidiary Finserve, ZionCell and Tangaza Pesa were issued with similar licences in April. "We are greatly encouraged by the shared vision with Kenya Airways and the common urgency to find solutions that will enable travelling customers connect to their loved ones and businesses throughout their travel, Airtel Africa CEO Christian de Faria said. The latest industry report released by the Communication Authority of Kenya (CA) late last month indicated that for the three months to March, the volume of roaming voice traffic declined by 33.2 per cent to 8.5 million minutes, from 12.7 million minutes posted during the previous quarter. The decline was also experienced in outgoing SMS that declined by 36.4 per cent during the quarter to 7.1 million messages down from 11.2 million messages. "This decline could be attributed to customers' preference to buy and use foreign SIM cards in order to avoid incurring high roaming charges," said the CA in the report. KQ and Airtel will, however, have to get regulatory approval from the CA before launching the telecommunications service. The CA director general Francis Wangusi Thursday told the Business Daily that the two have not yet filed their application.*(Business Daily)*

Safaricom has launched a mobile phone-based service that allows businesses to place orders for supplies, raise invoices for deliveries, pay and collect returns in real time, cutting the need for bulky paperwork. The retail supply service automates the distribution chain and allows payments for goods delivered via the Lipa Na M-Pesa service. Safaricom, in partnership with a local IT firm, Virtual City, Thursday launched the M-Distributr service targeting manufacturers and distributors of fast-moving consumer goods (FMCG) to eliminate use of cash in the supply chain. The Nairobi Securities Exchange-listed telecoms firm is banking on the app to drive earnings from M-Pesa as well as data, by connecting salespersons in the field to the office through the Internet. "This will definitely help grow M-Pesa and data, while helping companies cut down by half the time spent on processing transactions," said Sylvia Mulinge, general manager in charge of Safaricom Business. "M-Distributr automates the sales force processes; giving companies access to real time, accurate information on transactions in the supply chain from the agent in the field, distributors and manufacturers." Safaricom said it has already signed up companies such as PZ Cussons East Africa, Reckitt Benckiser, Vivo Energy, East Africa Breweries Limited (EABL), Unilever Kenya and meat processor Farmer's Choice.

Ms Mulinge said Safaricom had enlisted all its dealers countrywide to the platform, allowing them to make orders for stock such as airtime and devices online, and make payment via M-Pesa. A one-off set-up fee of up to Sh8,000 is charged and monthly user charges for M-Distributr ranges from Sh2,500 to Sh4,000 depending on the bouquet selected. M-Distributr is the brainchild of John Waibochi, the founder and CEO of Virtual City. The techie won the $1 million Nokia Growth Economy Venture Challenge to set up his IT firm which develops enterprise software applications specialising in agribusiness and supply chain solutions. Safaricom's M-Pesa raked in Sh26.56 billion in the year to March 2014.*(Business Daily)*

Kenyan investment firm TransCentury will invest more than $2 billion in building power plants, gas storage facilities and roads as it broadens its operations to include potentially lucrative infrastructure projects, its CEO said. Gachao Kiuna, 36, head of TransCentury since 2009, aims to capitalise on rapid economic growth and urbanisation in Kenya and other east African nations such as Tanzania, whose expanding populations need more energy, transport and other resources. TransCentury, founded in 1997 as an investment club by a group of wealthy Kenyan friends, is mainly focused on electrical equipment and engineering. But the company sees scope to grow as east African nations invest heavily in areas such as energy infrastructure, whose deficiencies are a key problem hindering local businesses which complain of high electricity costs and blackouts.

Access to mobile phones and the Internet for instance was growing but cooking technologies had not kept up, said Kiuna, interviewed at his seventh-floor office in downtown Nairobi, next to one of Kenya's oldest hotels, the Norfolk, a favourite haunt for white settlers in the colonial era. This shortfall was creating opportunities in areas like liquefied petroleum gas (LPG). "People are still trying to bring charcoal into the towns and cities," exposing the need for LPG storage facilities, terminals and pipelines, said the CEO, who joined from consultancy McKinsey where one of his assignments was helping prepare Kenya's economic blueprint called Vision 2030. Yet recent events have not all been positive for TransCentury and the company said in April it would take a writedown of about 1 billion shillings after it exited its loss-making investment in Rift Valley Railways.

Kiuna, who holds a PhD from Cambridge University, said the east African nation did not have a single LPG storage facility, driving up costs of gas cylinders to about 80 percent above what they should be. TransCentury was also about to start building a 35 MW power plant to be powered by geothermal steam at a cost of 5 billion shillings ($56.9 million), Kiuna said, due to be completed at the end of next year. TransCentury is also bidding with others to build a second 140 MW geothermal plant and plans to build gas- and coal-powered electricity plants, Kiuna added. Kenya is building new power plants to add 5,000 MW supply capacity to the existing 1,664 MW by 2017 in order to cut electricity tariffs and lower business costs. The government is also expanding the electricity grid to increase connections in a country where only about a third of households are connected to the grid.

"To bring Africa and to bring Kenya to the world you have to change that number to as close as 100 percent as possible," Kiuna said. Another area of activity for TransCentury is transport and Kiuna said the group was about to construct a toll road, bridge and border crossing point in the Democratic Republic of Congo, helping copper miners in Lubumbashi to move exports faster to the port of Dar es Salaam. Kiuna said the total cost of the DRC project and power investments was about $2 billion. He said plans to raise more capital were in the final stages and the fund-raising will have both debt and equity elements, with the possibility of the formation of a special purpose vehicle to handle the new projects. TransCentury's other lines of business are its electric equipment-making division, which generates annual revenue of between 7 billion shillings and 8 billion, and its engineering business, Civicon, generating 5 billion shillings a year in revenue.(*Reuters)*

Bamburi Cement's pretax profit slumped 28 percent to 2.3 billion shillings ($26.20 million) in the first half of 2014, the company said on Thursday, as it outlined plans to profit from Kenya's ambitious infrastructure spending plans. Controlled by French firm Lafarge SA, Bamburi is the biggest cement maker in east Africa's largest economy, where a construction boom driven by infrastructure projects and real estate has helped boost demand for cement. "We are optimistic that the business environment will progressively improve in the second half of the year," the company said in a statement, citing upcoming infrastructure projects in Kenya. Bamburi said it expects Kenya's planned infrastructure projects, including roads, railways and a new Indian Ocean port in Lamu, to improve sales. Kenya's government in June raised $2 billion through a debut Eurobond and said most of the proceeds would be used to finance infrastructure projects. Bamburi said profit in the six months to end-June took a hit due to the higher cost of power and imported clinker. Turnover grew to 17.3 billion shillings in the first half from 15.8 billion registered in 2013, buoyed by stronger sales both within Kenya and the region. *(Reuters)*

East African Breweries Limited's full-year pretax profit fell 6 percent to 10.41 billion shillings ($118.56 million), the company said on Thursday. Tracey Barnes, EABL's finance director, said operating profit for the period to the end of June fell 2 percent to 14.67 billion shillings, mainly due to a one-off item of 1.2 billion shillings spent on restructuring and job cuts at the company. *(Reuters)*

Kenya's Pan Africa Insurance Holdings first-half pretax profit fell by 42 percent due to a decline in investment income, triggering an 8 percent fall in its stock. The company, controlled by South African insurer Sanlam, said investment returns fell by 59 percent to 221 million shillings ($2.52 million) in the period ending June, leading to a decline in pretax profits to 495 million shillings. Pan Africa said the Nairobi Stock Exchange share index had fallen by 1 percent to 4,885 points by the end of June this year compared to a similar period last year, while property sales also fell eroding its investment income. By 0803 GMT, its shares traded down 8.59 percent at 117 shillings on the day. The company said its core life insurance business rose, pushing gross premiums up by 30 percent from the previous year. It also said it plans to start new products this year, having launched a life cover as well as an insurance policy that insures customers who lose their jobs. The insurer's earnings per share fell by slightly more than half to 4.07 shillings from 8.34 shillings. The group said its board did not recommend paying an interim dividend consistent with the company's dividend policy. *(Reuters)*

Economic News

Kenya plans to regain its position as the world's biggest exporter of pyrethrum, a flower used to make insecticide, by allowing private

producers to grow the crop, the Pyrethrum Regulatory Authority said. The authority is targeting output of as much as 15,000 metric tons of liquid pyrethrum, compared with 1,000 tons the East African nation produced last year, Managing Director Alfred Busolo said by phone from the capital, Nairobi, on Aug. 4. Legislators enacted a law governing the industry last year, spurring interest from domestic and foreign investors, he said, without identifying them. "Kenya grows the finest pyrethrum flowers on earth, which are in high demand throughout the world," Busolo said. "With the Pyrethrum 2013 Act in force, the country will once again become the world's top exporter." Kenya ranked as the world's third-biggest producer of dried pyrethrum last year, compared with 2009 when it was the world's largest grower, according to data from the Food and Agriculture Organization, which lists Tanzania and Papua New Guinea as the top two. Exports are shipped to countries including Australia,China, India, the U.S. and European nations, Busolo said. Kenya's share of the global pyrethrum market is currently about 2 percent, compared with about 70 percent in 1998, according to the state-run Pyrethrum Board of Kenya, the forerunner to the authority, which held a monopoly for licensing, marketing, growing and registering players in the industry.

The country produced a record crop of 17,710 tons in 1992, triggering a collapse in prices that left some farmers in financial ruin, Busolo said. Matters worsened as a result of "governance issues and stringent and outdated regulations including delayed or non-payment to farmers," he said. To support the industry, the Kenyan government has since 2006 injected 1.45 billion shillings ($17 million) to pay salary arrears and purchase factory inputs, including seedlings, according to the authority. Pyrethrum currently contributes about 200 million shillings to export earnings, compared with about 10 billion shillings in the 1990s, Busolo said. The plant was introduced in Kenya in 1928. The country currently has two pyrethrum-processing factories constructed in 1959 and 1962, respectively. Annual installed capacity is 30,000 tons. Agriculture accounts for more than a fifth of economic output in Kenya, which is the world's largest exporter of black tea and also produces coffee.*(Bloomberg)*

Foreign shareholders cut their stake in KCB stock by 19.9 percentage points in the second quarter of the year according to fresh Capital Markets Authority (CMA) data. The CMA statistical bulletin shows at the end of June, foreigners held 831.9 million shares of Kenya's largest bank by assets, down from 1.43 billion shares at the end of March. Their total holdings fell from 47.8 per cent to 27.9 per cent during the quarter, leaving the bank that was edging towards majority foreign ownership firmly in local investors' hands. CMA's data shows local institutional investors were the biggest beneficiaries of the reduced position of foreigners in the bank, rising 86 per cent from 731.8 million shares in March to 1.36 billion in June. The local institutions now hold 45.6 per cent of KCB's 2.98 billion issued shares from 24.5 per cent in March. "From the price rally of the past year, there is an aspect of profit-taking as well as the share having been deemed expensive in valuation, although from the first-half results this has been shown not to be the case with a price to earnings ratio of around 10 against the sector's 11.5," said Kestrel Capital analyst Kuria Kamau.

The changes in KCB's foreign investor holdings have come against lack of any major spike in foreign investor interest in other stocks, pointing to markets diversification by this class of investors. Other major counters that normally attract large foreign inflows such as Safaricom, Equity Bankand EABL saw much smaller changes in foreign holdings in the second quarter. Institutional investors such as pension funds and fund managers who have taken up the KCB shares have been looking more favourably at equities as an investment option due to the high returns. Pension funds in particular have increased their exposure to equities following rules that limited the amount they could invest in other sectors such as real estate. The 2013 industry report from the Retirement Benefits Authority shows that the pension funds held Sh23 billion worth of KCB shares by December, the biggest single stock they have invested in. In the past 12 months, KCB share price has risen 26 per cent to stand at Sh54. In the past three months, however, the bank has gained 10 per cent. KCB, which for the first five months of the year was the largest lender by capitalisation, is now second with a value of Sh161 billion to Equity's Sh167 billion.*(Business Daily)*

Kenya Commercial Bank (KCB), driven by good half-year results, closed at an all-time high of Sh58.50 as the NSE 20 share index broke through the 5000 psychological barrier Tuesday. KCB had earlier in the day touched a trading high of Sh60 and was the second leading mover in the market with 3.22 million shares worth Sh189 million. Safaricom topped moving 22.7 million shares worth Sh285 million at Sh12.60 each. The move has taken KCB gains this year to 23.8 per cent. The bank's revaluation and other big cap counters helped push the

Share index 48 points to a six-month high of 5003.3 points. KCB has maintained its position as the country's top earning lender following the announcement of half-year results showing a 13.6 per cent growth in after-tax profit to Sh8.17 billion, largely helped by non-interest income from forex trading, ledger, ATM, agency and mobile banking. Close rival Equity Bank's half-year net profits grew 21.4 per cent to Sh7.6 billion. Analysts said investor demand of stocks this year had been driven by financial performance and corporate actions, with bank and insurance shares boosted by positive results. "We expect to see further gains as more listed firms disclose half-year earnings growth," said Genghis Capital in a market analysis note. Centum also appreciated Tuesday as investors digested news of a plan to buy a majority stake in K-Rep Bank. *(Business Daily)*

Kenya's tea exports rose to 250 million kg in the first six months of this year from 246.7 million kg in the same period last year while output was steady, regulator Tea Board of Kenya said on Wednesday. Output for the same period dipped slightly by 0.2 percent to 225.2 million kg, the regulator said in a statement.*(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's President Peter Mutharika said he hopes the country will reach an agreement with the International Monetary Fund by November as the government struggles to pay its bills after donors cut aid. Mutharika, who was elected in May, said Malawi may seek a loan from the Washington-based lender at a later stage as he doesn't expect donors who have in the past financed 40 percent of the country's budget to resume aid this year. "We'll obviously need the IMF," he said in an interview in Washington at the U.S.-Africa Leaders Summit yesterday. Mutharika, 74, took over an economy struggling to recover from a suspension in donor aid in 2013 because of corruption concerns. He has pledged to prosecute anyone guilty of graft and make efforts to recoup money stolen during the "Cashgate" scandal, in which 13.5 billion Malawi kwacha ($34 million) disappeared from government coffers between April and the end of September 2013. Still, he says it isn't clear when aid will resume. "The conditions have never been clear," he said. "They say that when they are satisfied that there is prudent financial management they'll resume the aid, so that's very broad. I am sure they will do it fairly." Malawi has cut expenditure and aims to boost tax collection, he said. At the same time, the government is committed to cement, seed and fertilizer subsidies, which the president promised in the election campaign.

"It's socially responsible to assist people who cannot afford things," he said. "We are committed to subsidies." Mutharika was in Washington along with more than 40 African heads of state to attend the three-day U.S.-Africa summit. A business forum on Aug. 5 was hosted by Bloomberg Philanthropies and the U.S. Commerce Department. Bloomberg Philanthropies is led by Michael Bloomberg, the founder and majority owner of Bloomberg LP, the parent of Bloomberg News. Malawi's currency has declined 16 percent against the dollar since the end of 2012 and the central bank last month cut the key interest rate by 2.5 percentage points to 22.5 percent. "We'll try to protect the kwacha, I guess we have no choice," he said. An intervention would depend on "conditions," he said. The currency fell less than 0.1 percent to 396.74 to the dollar as of 3:47 p.m. in Malawi. The government hopes the central bank will cut the rate further within six months, said Mutharika, who is the brother of President Bingu wa Mutharika, who died while in office in 2012. The economy has improved and is currently growing at a rate of 4 percent to 5 percent this year, he said. Still, the burley tobacco crop, the low-grade variety of the leaf that's Malawi's main export, isn't "very good," he said. "We hope that in the end it'll be fine," he said. "We've turned around the corner, probably not completely." *(Bloomberg)*

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius' year-on-year inflation rate slowed to 3.1 percent in July from 3.3 percent a month earlier, its statistics office said on Wednesday. *(Reuters)*

Nigeria

Corporate News

Ecobank Transnational Inc. (ETI)'s unit in Nigeria sold $200 million of dated subordinated notes due in 2021 to join lenders in Africa's largest economy raising funds through debt sales. The issuance has a yield of 9 percent and a coupon of 8.75 percent, according to information from a person with knowledge of the offering, who asked not to be identified because they weren't authorized to speak publicly. Deutsche Bank AG and Standard Chartered Plc were the lead managers. The notes are expected to be eligible as Tier 2 capital by the Central Bank of Nigeria, according to the person. Austin Osokpo, a spokesman for Ecobank, didn't immediately respond to questions he requested be sent by e-mail. Access Bank Plc sold $400 million of subordinated notes in June with the yield falling 80 basis points since they were issued to 8.7 percent by 2:46 p.m. in Lagos. First Bank of Nigeria sold $450 million of bonds on July 18. The banks are raising money to help fund power, oil exploration and manufacturing projects in Nigeria, Africa's biggest crude producer. Ecobank Transnational, a lender based in the Togolese capital of Lome that operates in 36 African countries, said net income rose 15 percent to $194 million for the six months through June. The stock rose 4.6 percent to 18.33 naira as of 3:01 p.m. in Lagos, adding to its 13 percent advance this year. The 195-member Nigerian Stock Exchange All Share Index has gained 3.1 percent in 2014. Ecobank's Nigeria unit isn't listed on the bourse. *(Bloomberg)*

Skye Bank plc recorded a total asset of N1.131 trillion, second quarter ended June 30, 2014, representing a marginal growth of 1.3 percent compared with N1.116 trillion it reported during the corresponding period in 2013. Similarly, the bank's total liabilities including deposits grew to N1.016 trillion during the review period from N996.221 billion the previous year, an increase of 1.9 percent. In the International Financial Reporting Standards (IFRS) compliant result submitted at the Nigerian Stock Exchange, the bank attributed the growth in its total assets to its various business development activities in diverse sectors of the economy. However, the bank said its profit before tax dropped to N7.266 billion as against N10.545 billion during the corresponding period in 2013. Profit after tax also decreased to N5.786 billion as against N8.428 billion the previous year. Explaining the reasons for the decline in its profit, the bank attributed the development to its aggressive approach to loan provisioning in the earlier part of the year (an increase of 100% to N5.010bn from N2.511bn in June 2013), with a view to streamlining provisioning on a quarter by quarter basis for easier comparison, as well as marginal increase in operating expense of N30.882 billion compared with N30.877 billion in 2013. "Our half year 2014 results showed moderate improvement in the various performance indices.

The cautious growth of our business lines coupled with a continuous improvement in our operational processes and enhanced efficiency are signposts to a promising end to the financial year. With gross earnings of N63.9 billion, we reduced our interest expense by 24 percent year-on-year to close at N20.7 billion compared to N27.2 billion as of June 2013, in line with our operational strategy of increasing the volume of low cost funds in our deposit portfolio. "Our loan impairment charge increased by 100 percent year-on-year to N5.0 billion; being a deliberate policy of aggressive provisioning early in the year to enable a fairly sustained position and avoid high-figure concentration in the last quarter. Exchange earnings improved by 5 percent to N5.8 billion compared to N5.5 billion of the corresponding period in 2013. "The deliberate focus on cost reduction organisation-wide also paid off with a flat growth in operating expenses which closed at N30.8billion (N30.9bn in June 2013), and resulted into a profit before tax of N7.3 billion. "Asset size remained strong at N1.1 trillion with a 5 percent year-to-date loan growth (at N578.9bn), while our deposit volume reduced marginally by 0.6 percent YoY to N818.4 billion, reflecting our strategy of substituting term deposits with demand deposits and savings," according to the bank. *(Business Day)*

Diamond Bank's half year profit increased 9.03 percent on reduced tax as the Nigerian lender grapples with challenging operating environment, analysis of financial statement shows. For the six months through June 2014, the bank's net income increased by 9.03 percent to N13.78 billion from N12.64 billion last year, helped by a 53.5 percent decrease in income tax expense. Despite the regulatory increase in the cash reserve ratio (CRR) on public sector, the bank was able to increase interest income by 12.21 percent to N78.21 billion in

2014, compared with N70.05 billion in 2013. As a result of a 23.79 percent surge in operating expenses in the period under review, profit before tax (PBT) were down by 8.47 percent to N16.07 billion in HY 2014, compared with N17.56 billion last year. The inability of the bank to grow top-line moderately culminated in net profit margin remaining flat as 14 percent, while pre-tax margin reduced to 16.34 in HY 2014, from 20.1 percent as of HY 2014. Based on BusinessDay analysis, cost-to-income ratio jumped to 64.47 percent in HY 2014, compared with 59.17 billion last year buoyed by surging operating expenses. The bank has concluded arrangement to raise capital to support expansion and refurbishment of business location with a right issue of N50.37 billion. Based on BusinessDay analysis, an investor that holds 14,475 existing shares has the opportunity to buy up 8,685 shares at a discount price of N5.80, for three new ordinary shares of five held.

The value of shares bought up would be up to N50, 371.Additionally, the value of the share price immediately after the right issue will reduce to N6.14 (the ex- right price based on dilution of existing shares) from N6.35, which was the prevailing market price last Friday on the floor of the exchange. The gain on the right issue to investors will be worth 34k per share; this represents an increase to N6.14 from N5.80 right price. So, selling these rights will create a capital gain to investors. Risk assets and assets creation improved as loans to deposits rose by 9.69 percent to N755.95 billion in HY 2014 from N689.16 billion as HY 2013 as the bank seeks high interest earning assets with the goal of remaining profitable amid challenging environment. Loans-to-deposits were up by 8.45 percent to N1.31 trillion in HY 2014, as against N1.20 trillion as of HY 2013. The bank is less aggressive about lending as loans-to-deposit ratio remain flat at 57.1 percent. In terms of returns on bank resources, return on average assets (ROAA) and return on average equity (ROAE) were 1.81 percent and 20.64 percent, respectively. The ROAA of 20.64 percent is however lower than the 23 percent recorded in December last year, as a result of more growth rate in the bank's funding balance sheet. The bank's share price closed at N6.35 on Friday on the floor of the Nigerian Stock Exchange, while market capitalisation was N91.91 billion. *(Business Day)*

Africa's richest man Aliko Dangote has partnered Blackstone Group LP and Carlyle Group LP, the world's two biggest private-equity firms, to invest in energy infrastructure in Nigeria and Africa. "They want to invest heavily," Dangote said in an interview with Bloomberg news.
"They couldn't really find a local partner to work with and you are not going to move down here and sit here and make sure it is done, because you are doing business all over the world," he said. BusinessDay reported exclusively yesterday that the Federal Government was considering offering gas fields to power sector investors to boost electricity generation and end chronic power shortages in the country.
Dangote said in the interview that he struck separate agreements with the private-equity firms to invest a combined $5 billion by 2019 with New York-based Blackstone in power projects. It is estimated that Nigeria needs an annual investment of $3.5bn to achieve its generation capacity target of 40,000 megawatts (MW) by 2020. Nigeria's, current peak grid power generation stands at about 3,849 MW with a per capita electricity usage of 136 kilowatt hour (KWH). This compares with an average per capita electricity usage of 4,803 KWH in South Africa, which generates about 41,000 MW. Blackstone will commit half of the $5 billion in the next five years, with the remaining $2.5 billion coming from Dangote Industries Ltd. "We can change people's way of life, increase economic growth, and I think we will do very well for our investors too," Steve Schwarzman, Blackstone's chief executive officer said. Schwarzman said he expects returns from the Dangote venture to be in line with those produced by leveraged buyouts. Blackstone's private-equity funds produced internal rates of return after fees of 16 percent as of June 30. Dangote Industries and Blackstone will search for projects through Black Rhino Group, an African infrastructure developer in which Blackstone invested. Blackstone has done $25 billion globally in deals known as Greenfield, in which it constructs operational facilities. Carlyle which raised $698 million for its first sub-Saharan Africa fund, counts Dangote among its limited partners.

The IMF projects 7.3 percent growth for Nigeria in 2014, up from 6.4 percent last year. However, the country could sustain double digit growth rates if daily power shortages were to come to an end. Nigeria, home to the world's ninth biggest gas reserves, with about 187 trillion cubic feet (Tcf) of proven gas, has seen drastic drops in power supply in many parts of the country as it grapples with gas supply shortfalls. The Department of Petroleum Resources (DPR) plans to auction 31 fields in the next marginal fields programme, while several oil majors, including Shell and Chevron are divesting multiple assets onshore and in the shallow waters of the Niger Delta, which Nigeria could target for power investors, industry sources said. As part of measures to attract investment into the power sector, the government increased the domestic gas price to $2.50/1,000 Mcf from $1.50/1,000 Mcf over the weekend. Diezani Alison-Madueke, minister of petroleum resources who announced the new gas price, said the government also approved $0.80/Mcf as transportation costs for new

pipeline capacity, adding that the new prices reflect the current market value, which would now be benchmarked against US inflation annually. The new gas pricing regime – a key demand by investors in the gas supply chain, according to the minister, would help to accelerate new investments into gas projects analysts say. *(Business Daily)*

Improved margins have driven Ashaka Cement half-year profit as the unit of Lafarge SA is aggressively expanding operations with the aim of burgeoning growth. For the first six months through June 2014, pre-tax profit surged by 166.16 percent to N4.39 billion, from N1.65 billion the same period of the corresponding year (HY) 2013. Profit after tax followed the same growth trajectory as it also spiked by 201.41 percent to N3.51 billion in HY 2014, from N1.15 billion as of HY 2013. The improved margins could be attributed to the company's use of coal from the Maiganga Coal Mine in Gombe State, as alternative and cheap source of generating electricity for production purpose. As a result of the aforementioned, production costs reduced as cost-of-sales margin dipped to 58.13 percent in 2014, from 80 percent in 2013, while cost of sales also fell by 22.44 percent to N6.71 billion. Net margin, a measure of profitability and efficiency, spiked to 28.33 percent in 2014, from 9 percent in 2013. Earnings per share (EPS) increased to 157k in HY 2014, compared with 52k as of HY 2013. However, growth was slow at the top-line level as revenues grew by a single digit 4 percent to N12.32 billion in HY 2014, from N11.80 billion as of HY 2013. The slow growth at the top-line level may have arisen due to decline in the demand of cement caused by the rainy seasons, which may have impacted on second quarter sales.

The Nigeria 17 million housing deficits and burgeoning middle-class, according to analysts, are an immense opportunity lurking for Ashaka to tap into and bolster performance and also increase its share of the market. Ashaka has an aggressive expansion plans as the firm has secured N50 billion credit facility to support expansion activities across the country. It had in April revealed plans to pump N100 billion into capacity expansion, coal-fire captive power plant, among other projects. These are estimated to be completed within 24 to 30 months. The company however faces stiff competition in North East from Dangote Cement as most of its products are mainly distributed the region. The insecurity in North East, which has been slowing growth, could be heightened by the upcoming elections as observed by most analysts. Total assets were up by 6.33 percent to N71.69 billion in HY 2014, from N67.22 as of June 2013. Return on average equity (ROAE) was 10.14 percent in HY14, while return on average on assets stood at 7.44 percent.*(Business Day)*

Nigerian unit of South Africa's Standard Bank, Stanbic IBTC, plans to raise up to N30 billion naira in Tier II capital, a presentation on its website said on Thursday. CEO Sola David-Borha confirmed the capital raise during an analysts conference call on Thursday but said the actual amount would depend on market conditions and regulatory guidelines. She did not provide a timeline. "We will continue to focus on growing our client base across target segments and key sectors and maintain rigour in credit process," David-Borha said. Shares in Stanbic IBTC, which have gained 37.2 percent this year, were flat on Thursday at 29.34 naira each. The mid-tier bank reported a 50 percent rise in its first-half pretax profit to 19.62 billion naira two weeks ago and proposed an interim dividend payment of 1.10 naira per share. David-Borha said the mid-tier lender was aiming for a 15 percent loan growth for the second-half of 2014, targeting business customers, after it grew loans 18 percent in the first-half. The bank said it had a mix of between 30-35 percent of its loans in foreign currency and the balance in local currency. *(Business Day)*

Dangote Industries Limited on Friday announced a $1bn (N165bn) investment for commercial rice farming and modern integrated rice mills to be run by the firm in Nigeria. The President and Chairman, Dangote Group, Mr. Aliko Dangote, announced his firm's investment plan at the headquarters of the Federal Ministry of Agriculture and Rural Development in Abuja. Dangote, who led a delegation from his firm to the ministry, later proceeded to the Presidential Villa for the signing of a Memorandum of Understanding with the Federal Government. He told ministry officials and journalists that the decision to invest in rice production was aimed at developing Nigeria's economy through agriculture. He said the investment would further boosts the Federal Government's drive to attain food sufficiency in Nigeria, adding that in the next four years Nigeria would become an exporter of rice. Dangote said once his rice industry starts production, the price of locally produced rice "will be definitely cheaper than the imported ones and this will create room for a lot of investments in the sector." He added, "With rice as a major staple, we have placed total sufficiency in rice production as a major priority for our country and key value chain for

our economy. "Today's signing ceremony marks a revolutionary tipping point by the Dangote Group to make Nigeria a net exporter of rice within the next few years as well as boosting inclusive wealth creation and employment generation."

Dangote said his firm had acquired farmlands in Edo, Jigawa, Kebbi, Kwara and Niger states totalling 150,000 hectares to be used for the commercial production of rice paddy. He noted that his industry would establish two state of the art large scale rice mills each with a capacity to mill 120,000 metric tons of rice per day, bringing total capacity to 240.000MT, with plans to double the figure in two years. "With this installed capacity, the project will become the largest integrated rice mill in Africa," Dangote said. In his remarks, the Minister of Agriculture and Rural Development, Dr. Akinwumi Adesina, stated that the Dangote farms and mills were expected to significantly boost small-holder rice production in the regions through a nucleus and out-grower farming model. This, he said, would directly transform livelihoods in rural Nigeria as the sites selected were rice-growing communities that will be supported by Dangote's provision of agro-inputs, training and marketing linkages to improve community-farming. He said employment opportunities for at least 8,000 Nigerians would be created by the massive investment. Akinwumi said, "This investment by Dangote Industries is transformational for Nigeria and the rest of Africa. Nigeria has no business importing rice. Our goal is to become self-sufficient in rice and become a global powerhouse in food and agriculture markets. "Through this billion dollar commitment, Aliko Dangote, Africa's leading businessman, has clearly attested to the policies and approach that the Federal Government has undertaken to transform the nation's agricultural sector." The minister assured the delegation that the Federal Government would stop the smuggling of foreign rice into Nigeria from neighbouring countries. According to him, his ministry would ensure that no individual sabotaged the drive to make Nigeria an exporter of rice. "We will end smuggling because we cannot mortgage our future and I want to assure you that government is looking at this issue critically," Adesina said. *(Punch)*

Dangote Flour Mills Plc recorded a loss after tax of N4.322bn in the nine months ended June 30, 2014 as against the N2.708bn loss after tax it made in the same period of 2013. The company's consolidated statements of profit and loss and comprehensive income, which it filed with the Nigerian Stock Exchange, showed that it made a loss before tax of N6.282bn in the review period compared to a loss before tax of N6.575bn in 2013. Dangote Flour Mills also recorded a decline in its revenue with fully diluted earnings per share remaining negative. The results showed that its revenue fell by 3.7 per cent to N28.730bn in the nine-month period ended June 30, 2014 from N29.843bn in the corresponding period of last year, while fully diluted earnings per share remained in the negative at N88.89. The company had in an earlier filing with the NSE said its half-year loss before tax increased by 10.6 per cent to N4.74bn from a loss before tax of N4.28bn in the six-month period ended March 31, 2013. The company's results showed that in the first six months to March 2014, realised sales revenue of N18.58bn, indicating a 2.8 per cent decline year-on-year, compared with the N19.13bn it realised in the same period of last year. Its profit after tax had appreciated by 124.46 per cent to N4.14bn from the N1.84bn it posted in the corresponding period of 2013. Dangote Flour Mills is listed in the Food Products sub-sector of the NSE's Consumer Goods sector. Its market capitalisation, according to statistics obtained from the Exchange, is N36.850bn. On Friday, 271,737 million of its shares were traded with its share price at N7.37. *(Punch)*

FBN Holdings Plc says it made a profit before tax of N48.3bn in the six-month period ended June 30, 2014. The figure was, however, 12 per cent short of the N54.8bn it declared for the corresponding period of 2013. Apart from the drop in profit, FBN Holdings' unaudited results for the first half of this year showed improvements in several areas with the group noting that it had put measures in place to ensure sustainable improvement in the bottom line in the coming periods. For instance, its gross earnings rose by 7.9 per cent year-on-year to N212bn, net interest income rose by 2.2 per cent to N115bn, while operating income appreciated by 1.5 per cent to N157.8bn – from the N155bn announced in the first half of 2013. The group grew its total assets by 3.4 per cent from N3.9tn as of December 2013 to N4tn with customer deposits as well as customer loans and advances (net) rising by 5.9 per cent and four per cent to N2.8tn and N1.8tn respectively, year-to-date. Shareholders' equity amounted to N475.1bn, reflecting a 0.7 per cent rise year-to-date. The figure had stood at N471.8bn in December 2013 and N455.6bn in June 2013.

The Chief Executive Officer, FBN Holdings, Bello Maccido, was quoted in a statement by the group as saying it had delivered a resilient performance in view of the tough operating environment and regulatory headwinds. He said, "We continue to implement measures to ensure improved performance with a review of the current business model of our commercial banking business group and the investment

banking and asset management business in the coming period. This is geared towards harnessing our competitive advantage, delivering excellent service and consolidating our position as a well-diversified and leading financial services Group. "We remain confident in the future, building further traction from our non-banking subsidiaries, notably the investment banking and asset management as well as the insurance business group. FBN Holdings is on course to deliver improved performance over 2013 year-end PBT of N91.3bn and we are focused on ensuring our sustained leadership position in the industry." Reviewing the performance, the group said the rise in gross earnings was "mainly driven by interest income (+9.4 per cent to N164.9bn), and to a lesser extent by fees and commission income (+12.1 per cent to N35.1bn). Interest income increased on the back of loans and advances to customers (+14.5 per cent)." It observed that improved contribution from e-banking/transactions on alternative channels as well as income from other business groups resulted in an increase in other fees and commission (+22.8 per cent to N17.8bn).

According to FBN Holdings, overall, it has continued to unlock additional revenue streams to mitigate the impact of the increased reserve requirements, regulatory driven increase in interest rate on savings deposits as well as reduced charges relating to changes in banking tariffs. The Group Managing Director and CEO, First Bank of Nigeria Limited, Mr. Bisi Onasanya, who said its profit before tax declined to N46.9bn in the review period from N50.1bn, said the bank's operating model "continues to evolve in line with recent regulatory changes and the business environment." He said, "Our priorities include: the deployment of full-scale transaction banking capabilities (trade finance, cash management – payments and collections and liquidity management), a scaled-up and integrated cost-containment program; robust capital management; and further enhancement of our service. "These initiatives are expected to: drive our non-interest income; stimulate improved collections; grow low-cost deposits; and, retain funds by executing (trade) transactions through the offering of e-Payment and liquidity management solutions, while earning applicable revenues." *(Punch)*

The Nigerian affiliate of Etisalat , the Gulf's biggest telecommunications operator, said on Thursday it would sell 2,136 of its towers to Nigeria's IHS and lease them back as part of plans to expand its coverage in the country. The deal, for which a financial value was not given, is expected to close later this year, Etisalat Nigeria said in a statement. Banking sources told Reuters late last year that the deal might raise about $400 million. Under terms of the agreement, IHS committed to investing a further $100 million in the towers, on areas such as advanced generators and efficient batteries. The deal will leave IHS owning and managing over 6,540 towers in Nigeria. Building and maintaining mobile communications towers in Africa is typically more expensive than in other regions because of security costs and electricity shortages. That has increasingly prompted operators to sell or lease towers to specialist firms. *(Reuters)*

Dangote Sugar Refinery (DSR) Plc on Monday reported a profit before tax of N10.3 billion for the half year ended June 30, 2014, showing a decline of 5.5 per cent compared to N10.9 billion recorded in the corresponding period of 2013. Details of the results made available by the Nigerian Stock Exchange (NSE) showed that DSR ended the period with a revenue of N49.6 billion, indicating a decline of 9.8 per cent from the N55 billion recorded in 2013. The decline in revenue was attributed to a two-week plant upgrade which took place in May and gas supply disruptions for a couple of weeks in June. Low pour fuel oil (LPFO) provided an alternative energy source during that period. The company improved on its operational efficiency as cost of sales, distribution and other expenses declined as well. For instance, cost of sale fell by 7.6 per cent from N39.6 billion to N36.6 billion. Similarly, distribution expenses dipped by 55 per cent from N6.57 billion to N2.925 billion.

But, other income, which stood at N2 billion in 2013, was only N304 million in 2014, showing a dip of 84 per cent. Financial charges also stood at N75 million as against nothing in 2013. Consequently, PBT fell to N10.263 billion in 2014, as against N10.859 billion in 2013. Profit after tax witnessed a lower decline of 2.6 per cent, falling from N7 billion to N6.83 billion. Despite the decline in results, the shares of DSR closed positively at the stock market yesterday, appreciating by 10 kobo to close at N9.10 per share. However, in all trading at the stock market resumed on a negative note as the Nigerian Stock Exchange (NSE) All-Share Index fell by 0.31 per cent to close at 41,801.51. Similarly, market capitalisation shed N44 billion to close at N13.803 trillion. Dangote Cement Plc led the price losers chart with N3.65 to close at N226.35 per share. Guinness Nigeria Plc trailed with a decline of N2.70 to close at N191.30 per share. PZ Cussons Nigeria Plc depreciated by N1.65 just as Stanbic IBTC Bank Plc and Nestle Nigeria Plc went down by N1 apiece. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Increases in oil and gas production from project ramp-ups in the United States, Nigeria, Brazil and Argentina have boosted earnings of Chevron Corporation from $5.4 billion in the second quarter of 2013 to $5.7 billion in second quarter of 2014. In the results released at the weekend, the company's sales and other operating revenues in second quarter 2014 also increased to $56 billion, compared to $55 billion a year ago. The Chairman and Chief Executive Officer of Chevron Corporation, Mr. John Watson, said the company's second quarter earnings and cash flow were solid. Watson said the current quarter earnings reflected stronger market conditions for crude oil, adding however that some of these benefits were offset by lower production volumes as a result of planned maintenance activity at Tengizchevroil in Kazakhstan. According to him, gains on asset sales also contributed to the results, as the company completed important sales under the company's three -year divestment programme."We continue to make significant progress on our major capital projects which are expected to underpin a 20 percent increase in production by 2017 and enable significant growth in our cash flows. In the deepwater Gulf of Mexico, our production is expected to benefit in the near-term from start-up of the Jack/St. Malo Project later this year and the Big Foot Project in 2015.

"In Australia, our Gorgon and Wheatstone LNG projects continue to reach important interim milestones. Gorgon remains on track for expected start-up in mid-2015. We are also advancing the development of our liquids-rich, unconventional properties in the United States, Canada and Argentina," he said. Worldwide net oil-equivalent production was 2.55 million barrels per day in second quarter 2014, down from 2.58 million barrels per day in the 2013 second quarter. Production increases from project ramp-ups in the United States, Nigeria, Brazil and Argentina were more than offset by price and other production entitlement effects in several locations, normal field declines, and maintenance-related downtime at Tengizchevroil in Kazakhstan. One of the recent major highlights identified in the report by the company was the achievement of initial production of product at the company's Escravos Gas-to-Liquids facility in Delta State.

"We also completed work on several important downstream growth investments," said Watson. International upstream earnings of $4.21 billion increased $344 million from second quarter 2013. The increase between quarters was primarily due to a gain on the sale of interests in Chad and Cameroon and higher realizations and sales volumes for crude oil, partially offset by higher exploration and depreciation expenses. Foreign currency effects decreased earnings by $147 million in the 2014 quarter, compared with an increase of $275 million a year earlier. The average sales price for crude oil and natural gas liquids in second quarter 2014 was $101.15 per barrel, up from $93.71 a year earlier. The average price of natural gas was $5.98 per thousand cubic feet, compared with $5.93 in last year's second quarter.(*This Day)*

FBN Capital Limited and other parties have formerly sealed the $350 million (N56 billion) part funding deal of Onado's acquisition of Conoco Phillips Assets in Nigeria. Oando had last week announced that it has successfully completed the acquisition of Conoco Phillips interests in OMLs 60, 61, 62, 63, 131 and 145 (the Target Assets) located in a prolific oil and gas producing zone in the Niger Delta. The landmark deal of approximately $1.6 billion was financed with a combination of debt and equity. The debt portion comprised of a $450 million RBL facility provided by both Nigerian and offshore banks and a $350 million Corporate facility provided by Nigerian banks, leveraging OER's existing portfolio comprising OMLs 90, 13, 56 and 125/134. FBN Capital Limited acted as Joint Mandated Lead Arranger, Facility Agent and Financial Modelling Bank on the corporate facility. The funds were provided by First Bank of Nigeria Limited, Diamond Bank Plc, FCMB Group Plc, Ecobank Limited, Zenith Bank Plc, UBA Plc, Vitol and Enterprise Bank Limited. Other financial parties to the transaction include FBN Trustees as Security Agent; First Bank of Nigeria as Hedge Provider; and FCMB Capital Markets also as Joint Mandated Lead Arranger. In a statement, Managing Director of FBN Capital Limited, Kayode Akinkugbe, said: "We at FBN Capital are very proud of the instrumental role we played in assisting OER with structuring and arranging the financing for the acquisition." He went further to state that "We feel a strong sense of responsibility to support the development and growth of indigenous companies in the upstream oil and gas sector, and will continue to deploy our resources and expertise towards enabling these companies to meet their financial and strategic objectives." Speaking on the transaction, Director and Head Debt Solutions, FBN Capital Limited, Patrick Mgbenwelu, said: "We appreciate the responsibility and trust OER has placed with FBN Capital to advise and arrange the financing for the acquisition of the Conoco Phillips's assets in Nigeria. FBN Capital remains committed to further strengthening this relationship, and to supporting OER and Oando plc in realizing their future financing goals and objectives." On his part, Chairman, OER, Mr. Adewale Tinubu, said: "We believe in the significant potential that the Nigerian oil and gas industry holds and are privileged to play a pivotal role in its consolidation, growth and development. We will continue to seek strategic opportunities that provide a platform for enhanced growth and value creation for our stakeholders."

Also commenting on the deal, CEO of OER, Mr. Pade Durotoye, said: "This transaction represents a transformational leap forward for our Company and is in keeping with our overall strategy to grow our portfolio of Nigerian-based assets by focusing on those opportunities that deliver high quality growth in reserves and production. Our management team is familiar with these assets and possesses the managerial experience and technical expertise necessary to unlock their value for our shareholders." FBN Capital Limited is a subsidiary of FBN Holdings Plc, and is a full service Investment Bank and Asset Management company with a reputation as a trusted and respected financial institution. *(This Day)*

Africa's richest man Aliko Dangote has gone into partnership with Blackstone Group LP and Carlyle Group LP, the world's two biggest private-equity firms, to invest in energy infrastructure in Nigeria and Africa. "They want to invest heavily," Dangote said in an interview with Bloomberg news. They couldn't really find a local partner to work with and you are not going to move down here and sit here and make sure it is done, because you are doing business all over the world," he added. There have been reports that the federal government was considering offering gas fields to power sector investors to boost electricity generation and end chronic power shortages in the country. Dangote said in the interview that he struck separate agreements with the private-equity firms to invest a combined $5 billion by 2019 with New York-based Blackstone in power projects. It is estimated that Nigeria needs an annual investment of $3.5 billion to achieve its generation capacity target of 40,000 megawatts by 2020.

Nigeria's, current peak grid power generation stands at about 3,849 MW with a per capita electricity usage of 136 kilowatt hour (KWH). This compared with an average per capita electricity usage of 4,803 KWH in South Africa, which generates about 41,000mw. Blackstone will commit half of the $5 billion in the next five years, with the remaining $2.5 billion coming from Dangote Industries Limited. "We can change people's way of life, increase economic growth, and I think we will do very well for our investors too," Blackstone's chief executive officer, Steve Schwarzman said. Schwarzman said he expects returns from the Dangote venture to be in line with those produced by leveraged buyouts. Blackstone's private-equity funds produced internal rates of return after fees of 16 percent as of June 30. Dangote Industries and Blackstone would search for projects through Black Rhino Group, an African infrastructure developer in which Blackstone invested. Blackstone has done $25 billion globally in deals known as Greenfield, in which it constructs operational facilities. Carlyle which raised $698 million for its first sub-Saharan Africa fund, counts Dangote among its limited partners. The International Monetary Fund (IMF) projects 7.3 per cent growth for Nigeria in 2014, up from 6.4 per cent last year. However, the country could sustain double digit growth rates if daily power shortages were to come to an end.*(This Day)*

The Managing Director of Diamond Bank Plc, Alex Otti, yesterday urged shareholders of the bank to take advantage of the current Rights Issue to increase their stakes in the bank, assuring them of higher returns going forward. Diamond Bank is raising about N50billion by issuing 8.68billion shares at N5.80 for every 50 kobo share to existing shareholders. Speaking at the "facts behind the offer presentation" at the Nigerian Stock Exchange (NSE), Otti called on stockbrokers to prevail on their clients and to patronise the right issue. According to him, the N5.80 issue price is a huge discount considering the fact that market price of the stock is N6.38 as at yesterday. Otti noted that the share price of the bank is not where it ought to be considering its performance.

"Where the share price is today is not where it should be. We had a positive growth of about 15 percent in total assets in the half year ended June 30, 2014. Our balance sheet growth is strong. Loans grew by 10 per cent while deposits grew by nine per cent. We will continue to have a healthy coverage of our risk assets," he said. Otti stressed that the rights issue is a form of compensation for its existing shareholders because of the discounted price. "We may not have paid dividends for a long time, but you will soon be carrying the returns. We are keeping your money for you. That's why we are asking for more. This is our own way of compensating our patient shareholders. The issue is coming at a discounted price. We have chosen to be an international bank," he said. He disclosed that the bank's total assets were N1.7trillion as at June 30, 2014, adding that the bank was targeting 350 branches up from the current 260. According to him, the bank remains focus in delivering services to the retail segment of the market, saying that bank has one of the best set of staff members who are dedicated to delivery of quality customer services.

"We pride ourselves as having one of the best people in the industry. We believe that the way to grow is organic growth, though we are not closing our eyes to Mergers and Acquisition. "Today, we are known as one of the systemically important banks in Nigeria. The leadership of the bank is what I will leave you to judge. We are strengthening our risk management function. Every other thing is history," he added. "We are not just lending money to businesses, but we are providing support for their growth. 81 percent of our total deposits come from low cost deposits." The group's financial performance for H1'14 is a further confirmation of its resilience in sustaining profitability despite regulatory constraints. "We will continue to offer propositions that will enable us sustain our leadership position in retail banking space," Otti assured.*(This Day)*

Economic News

In spite of the activities of the extremist religious sect, Boko Haram, in Nigeria, foreign investors are showing increasing interest in the Nigerian Stock Exchange. Investigations by our correspondent showed that in the past few months, there have been increasing transactions by foreign investors in Nigerian shares and stocks. At the beginning of the year, analysts had raised concerns that the growing level of insecurity in the country might affect investments by the foreign investors, but the reverse seems to be the case. At the end of the first six months of this year, foreign investments in the NSE stood at N705.15bn, representing 60.84 per cent of total transactions in the period. The NSE said, "Foreign Portfolio Investments increased by 31.59 per cent from N89.67bn in January 2014, to N118bn in June 2014. This was just as domestic investors ceded about 4.64 per cent of trading to foreign portfolio investors as domestic transactions decreased from 50.72 per cent to 48.87 per cent over the same period." Between January and March 2013, the foreign transactions on the NSE totalled N217.57tn, representing 42.7 per cent of the total N510.1bn worth of transactions recorded in the three months under review. The April to June period in the same year witnessed a total of N365.07bn worth of foreign transactions, bringing the total investment by foreign investors as of June 2013 ending to N582.64bn.

A breakdown of the NSE data made available to our correspondent on Friday by the NSE showed that the lowest transactions by foreign investors occurred in January this year, as N89.67bn was invested by foreign investors that month. In February, N136.28bn was invested by the foreigners, while N130.55bn was staked March 2014. The data showed that in the months of April and May, N138.79bn and N91.86bn was invested, while N118bn was invested in June, bringing the total to N705.15bn as of the first half of the year. The amount is almost twice N453.91bn invested by domestic investors for the same period. The Chief Executive Officer, NSE, Mr. Oscar Onyema, confirmed that the foreign investors were showing increasing interest in the Nigerian market, notwithstanding the security challenges and other issues affecting the economy. This, he noted, was as a result of various steps taken by the market regulators to ensure that investments were protected. He explained that while the improved regulatory environment had impacted the market positively, retail investors were not as active as they were before the financial crisis. "We have seen strong and improved participation from foreign investors and local institutional investors, but local retail investors are not as active as they used to be," Onyema said. He said that the NSE was trying all it could to ensure that domestic investors also showed matching interest in the market. "In line with one of our core strategic pillars for enhanced market performance and growth, that is instituting a strong investor protection framework, we have reconstituted the Board of Trustees for the Investor Protection Fund to protect local investments," he said. The Chief Executive Officer, Lambert Trust and Investment Limited, Mr. David Adonri, explained that although foreign portfolio investors still dominated the market, domestic investors were also participating. "It is not that we are not having domestic investors coming in, it's just that we have more FPI coming in, and this is a good situation for us and for our market," he said.*(Punch)*

Nigeria's naira strengthened against the dollar on the interbank market on Monday, reaching its strongest in almost three months, as a unit of Royal Dutch Shell sold dollars and demand for hard currencies weakened. The local currency closed at 160.90 to the dollar, up 0.36 percent over Friday's close of 161.48 to the dollar. The last time the naira was that strong was May 5, when it closed at 158.75 to the dollar. A unit of Shell sold an undisclosed amount of dollars to some lenders, providing dollar liquidity and support for the naira. Month-end dollar sales by energy companies have supported the local currency for the past three weeks, keeping the naira within a band of 161.35-161.90

against the dollar ."We are still expecting a further gain in the naira value this week," one dealer said, pointing out NNPC, the state-owned energy company, and some other oil companies had yet to sell dollars. Most of the energy companies operating in Africa's biggest economy buy the local currency at the end of the month to fund domestic obligations. (Reuters)

Heavy rainfall and poor sunshine across Nigeria's eastern cocoa-growing region of Cross Rivers over the past week will delay harvesting the new season's crop by at least a month, the trade body and a farmer said on Monday. Farmers in Nigeria, the world's fourth-biggest cocoa grower, are growing increasingly worried about bean quality and black pod disease in the wake of heavier rains. Besides preventing mould, sunny weather is also needed for bigger bean size. Cocoa trees need a delicate balance of rainy and dry weather. Too little rain and they wither; too much and they become susceptible to insects or fungal black pod disease. Beans can also go mouldy if small farmers are unable to dry them outside. "We have delayed harvest because of the weather ... but from September we will start (to need) having sunlight to dry cocoa," Neji Abang, a farmer in the Cross Rivers region, which produces annual volumes of around 60,000 tonnes, said by phone.

The main-crop harvest is meant to start at the end of August, Abang said, but farmers are worried about harvesting pods without enough sunshine to dry them and are leaving them on the trees. Godwin Ukwu, a spokesman for the Cocoa Association of Nigeria, said some farmers had put off the harvest to September and that heavy rains had brought fungal black pod disease, because farmers were unable to spray their pods. "Output will likely drop (this season) if the rains continue and blackpod disease intensifies," Ukwu said, adding that he expected the rainfall to continue in August. No official figures for the 2013/2014 cocoa output have been released. The International Cocoa Organization has estimated the 2013/14 crop at 250,000 tonnes. Rainfall is spreading across Nigeria's 14 cocoa-growing regions, Robo Adhuse, a commodity analyst said. Ondo State, Nigeria's biggest grower, has had intermittent sunlight that is helping farmers dry the beans, but black pod is spreading, he added. Abang said farmgate prices in Cross Rivers had fallen around 8 percent to 440,000 naira ($2,700) per tonne due to mould. Mould levels were as high as 18 percent, compared with the 3 percent that is considered acceptable, he said. *(Reuters)*

Flour Mills of Nigeria Plc has announced a profit after tax of N5.36 billion for the year ended March 31, 2014, indicating a decline of N2.2 billion or 29.3 per cent over N7.53 billion earned in the corresponding year of 2013. The results released to the Nigerian Stock Exchange (NSE) showed that the company recorded a turnover of N332.1 billion, an increase of N30.2 billion or 9.72 per cent over N301.9 billion recorded in 2013. In the same vein, the company's gross profit went up by N5.8 billion or 15.3 per cent to N43.65 billion as against N37.89 billion earned in 2013. Meanwhile, Flour Mills's Q4 2014 (end-Mar) results show that the company's pre-tax loss narrowed to N123 million from N655 million in Q4 2013. Commenting on the company's Q4 performance, analysts at FBN Capital stated that although a gross margin expansion of 872bps to 21.0 per cent more than offset a 5 per cent y/y decline in sales to N92.0 billion and led to gross profit advancing by 63 per cent y/y, a combination of factors led to the pre-tax loss. These factors, they disclosed, include a burgeoning interest expense which expanded by 117 per cent y/y to N5.5 billion, a 71 per cent y/y decline in other operating income, a 25 per cent y/y reduction in investment income and a 5 per cent y/y rise in opex.

According to the analysts, "Despite the loss on the PBT line, PAT grew to N132 million compared with a loss of N1.2 billion in the comparable period of 2013, thanks to a positive result on the comprehensive income line which came in at N690 million (vs N488 million in Q4 2013). Sequentially, although sales were up by 27 per cent q/q, the pretax loss of N123 million was significantly lower than the PBT of N1.0 billion that the company reported in Q3 2014. "Despite the sequential weakness on the PBT q/q, the PAT of N132 million was an improvement over the post-tax loss of N352 million reported in Q3 2014 which was driven by an unusually high tax charge of 90 per cent during the quarter. Compared with our estimates sales were in line (-2.8 per cent) with our N94.6 billion forecast. However, PBT and PAT missed by a wide margin because negative surprises on the opex, associates and interest expense lines overshadowed a better-than-expected gross margin result." The company has however proposed a dividend of N2.10 per share and a bonus of one for ten. The dividend per share is 37 per cent higher than analysts N1.53 estimate and implies a dividend pay-out and yield of 95 per cent and 2.8 per cent respectively.*(This Day)*

Tanzania

Corporate News

Tanzania's Capital Markets and Securities Authority (CMSA) has approved Uchumi Supermarkets to cross-list shares on the Dar es Salaam Stock Exchange. CMSA is a government agency that regulates trading of securities. Uchumi chief executive Jonathan Ciano said in an interview the go-ahead was granted last month but the cross-listing could not have been undertaken as it occurred in the month of Ramadhan. The regional retailer, which already has four branches in Tanzania, said it will cross-list on the Dar es Salaam bourse on August 15. The listing is expected to increase Uchumi's market visibility and boost its rights issue plans. "We have made the necessary arrangements regarding the cross-listing and we are optimistic this will broaden our investment pattern and increase our activities in Tanzania," said Mr. Ciano. The retailer is already cross-listed on the Uganda Securities Exchange (USE), where it has subsidiaries, and on the Rwanda bourse.

Mr. Ciano said the retailer will seek to increase its presence in Tanzania by opening more stores to scale up its revenue, mainly in areas with few players in the retail market. Mr. Ciano did not disclose how many more stores Uchumi intends to open in the neighbouring country or the capital outlay for the expansion plan. He, however, said the expansion will be funded by a rights issue, which he said will be conducted in November. "We have already applied to the Capital Markets Authority informing them of the rights issue, but this can only be done after we publish our annual financial statements. We are optimistic this will play a key role in funding our expansion plans." The retailer plans to open stores in South Sudan and Rwanda too. Uchumi's cross-listing in Tanzania comes at a time when rival Nakumatt Holdings has closed a deal to buy out three Tanzanian outlets of South African retail chain Shoprite. Already, Nakumatt has occupied one of the shops and started operations two weeks back. Uchumi's cross-listing will see it join big leagues of Kenya's corporate heavyweights that include Nation Media Group, KCB Group, East African Breweries, Kenya Airways and Jubilee Holdings which are primarily . *(Reuters)*

Tanzania is set to import over 280,000 tonnes of oil products for delivery in September from Swiss trader Addax Energy, trade sources said on Monday. Tanzania's Petroleum Importation Coordinator, which represents oil marketing companies in the east African nation, bought the cargoes at a weighted average premium of $43.756 a tonne, the sources added. The importers bought 162,771 tonnes of gasoil, 107,096 tonnes of gasoline, 11,058 tonnes of jet fuel and 700 tonnes of kerosene through a bulk procurement system. Addax Energy had placed the lowest bid out of four other companies including Vitol, Gapco Kenya, Enoc Africa and Augusta Energy, one of the traders said. East Africa's second-biggest economy, plagued by power cuts and other infrastructure challenges, is fast becoming a regional energy hub, following huge offshore natural gas discoveries. *(Reuters)*

Economic News

YIELD rate hike in the 12-month treasury bills auction conducted recently failed to capture investors' appetite, ending up in under subscription. The Bank of Tanzania (BoT) auction summary shows that the average yield rate was increased to 14 per cent compared to 13.66 per cent of the previous session, but was not enough to draw investors' attention on the short term government security. A total of 135bn/- was offered to the market but managed to attract bids worth 98.11bn/- only and successful bids were only 52.67bn/-. According to Tanzania Securities Limited (TSL) weekly market commentary low liquidity among commercial banks that are among the most active players in the money market, is one of the reasons for the under subscription. The interest rates on the 364 days tenure increased to 14.72 per cent compared to 13.83 per cent of the preceding market and managed to hook investors to oversubscribe to 78.16bn/- against 55bn/- offered to the market. Similarly, the rate of return for the 182 days offer rose to 14 per cent compared to 13.34 per cent of the previous session but failed to entice enough investments thus managing to garner only 11.2bn/- against 45bn/- put on offer.

The yield rate for the 91 days offer declined slightly to 12.39 per cent from 12.57 per cent of the past session, the situation that made investors to inject only 5.72bn/- against 32bn/- offered to the market. The 7.35 per cent interest managed to attract bids worth 3.02bn/-

against 3bn/- put on offer. Treasury bills and bonds are among the instruments that the government uses to regulate liquidity level in the circulation. Over 60 per cent of the key players of long term maturities are commercial banks, with retail investors sharing only five per cent of the business. Other investors are pension funds, insurance companies and few micro-finance institutions.*(Daily News)*

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Zambia

Corporate News

FINANCE Bank Zambia (FBZ) Limited will offload 25 per cent shares on the London's Alternative Investment Market (AIM), Lusaka, Nairobi and Johannesburg stock exchanges by the end of this year. FBZ and Professional Insurance Corporation are subsidiaries of the Mahtani Group of Companies. FBZ chairperson Rajan Mahtani said the bank would be listed on the London's AIMs, Lusaka Stock Exchange (LuSE) Johannesburg Stock Exchange (JSE) and Nairobi Securities Exchange (NSE) by December 31, 2014. In an interview in Lusaka, Dr Mahtani said the company aims at diversifying the shareholding portfolio and empower investors. "By December 31, 2014, we shall list on JSE, NSE and LuSE and we have made the arrangement with the London's AIM and we are also trying to use the local broker to work with international stock brokers to finalise on the listing procedures," he said. Dr Mahtani said it was important to note that from the 40 per cent shares, 20 per cent would be reserved for Zambians including local companies. He explained that the bank would use the resources to boost the micro-financing and lending to Small and Medium Entrepreneurs (SMEs) consequently building the Zambian economy. Dr Mahtani said in the past, the bank had managed to raise over US$1 billion of credit lines internationally to support various projects. He said Professional Insurance Corporation was expected to be quoted on LuSE before September this year. Dr Mahtani said the bank had invested about $10 million to setup a branch in Malawi and plans were underway to open another one in Zimbabwe. "In this regard, new Finance Bank Limited is scheduled to open three branches in Malawi in the next six weeks. We are in advanced discussions with Zimbabwe for the acquisition of a bank. Plans are underway to explore opportunities in other countries within the region," he said. *(Times of Zambia)*

Economic News

THE Bank of Zambia (BoZ) has maintained the monetary policy rate at 12 percent, Governor Michael Gondwe has said. And the central bank says available indicators of economic activity suggest that Government is on track in meeting its growth objective for 2014, estimated at 6.5 percent. Speaking at a media briefing in Lusaka yesterday, Dr Gondwe said inflationary pressures have remained and the central bank decided to maintain the policy rate at the current rate of 12 percent. Dr Gondwe said measures taken by BoZ during the second quarter in tightening monetary policy have started bearing the intended results. "The stabilisation of the financial sector provides an opportunity for BoZ to normalise money market conditions," he said. Dr Gondwe said measures taken to supply liquidity to the market through open market operations have now seen the interbank rate fall to 14.5 percent.

"The wholesale funding costs rose sharply during the second quarter, and the Bank of Zambia adjusted the effective interest rate margin which raised the lending rate ceiling to 28 percent from 21 percent. With the interbank rate having returned to levels consistent with the policy rate, the maximum annual lending rate ceiling has been adjusted down to 24 percent from 28 percent," he said. Meanwhile, Dr Gondwe says most of the selected real sector development indicators recorded higher output during the second quarter of the year. Dr Gondwe said in the agricultural sector, the country continued to hold adequate maize stocks on the back of a bumper harvest. He, however, said the stock of maize held by the Food Reserve Agency decreased by 20.3 percent to 343, 581 metric tonnes from 431, 130 metric tonnes at the end of March, 2014 due to domestic sales.*(Daily News)*

AFRICA Export and Import Bank (Afrexim) has said Zambia's financial reforms and monetary policies are bearing fruit as evidenced by continued economic growth. Afrexim bank president Jean Louis Ekra praised Zambia for implementing sound financial reforms and prudent monetary policies that helped the country maintain a positive balance between inflation control and economic growth. He said Zambia's financial reforms coupled with prudent monetary policies were bearing fruits as was evident by the continued growth the country had achieved over the years. Mr. Ekra commended the Zambian Government and Bank of Zambia (BoZ) for maintaining sound growth over the years owing to the policies being implemented. He said this in his key note address on the role of China in Africa's development at the BoZ

Golden Jubilee gala dinner in Lusaka on Wednesday evening. "Zambia has continued to record sound economic growth over the years, I therefore, would like to congratulate the Government and the Bank of Zambia for implementing financial reforms and conduct monetary reforms that kept a positive balance between inflation control and economic growth," he said. On China's role in Africa's development, Mr. Ekra said there was need for Africa to accelerate its industrial agenda and become a fully-fledged participant in the global value chains. Africa has huge potential for industrial development but it is important for the continent to develop an industrial sector that uses mainly raw materials produced domestically. Speaking at the same function, BoZ Governor Michael Gondwe said the bank had undergone significant changes over the past 50 years and contributed to the economic management and global financial system. *(Times of Zambia)*

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TRADING

Zimbabwe

Corporate News

Zimplats plans to invest about $80 million towards the setting up of sulphur dioxide acid plant that will improve the company's environmental impact and compliance. An acid plant is used for the reduction of sulphur dioxide emissions from the smelter especially in platinum mining. Since the promulgation of the new air quality legislation in Africa, sulphur dioxide has been a pollutant of concern especially in the heavily industrial South African regions and the impact of these emissions have been exacerbated by the poor atmospheric dispersion by some companies. Zimplats parent company Implats group corporate relations manager Mrs. Alice Lourens confirmed the intentions of the company to set up an acid plant. "The SO2 acid plant is in the planning stage with an approximate cost of US$80 million and this plant is set to improve the company's environmental impact and compliance," said Mr. Lourens. Mr. Lourens said the two projects (The acid plant and the base metal refinery) will take around three years to complete and any possible expansion phases beyond these two initiatives are in the very early stages of technical consideration. The projects among other things will depend on the business environment and the state of the PGM industry," said Mrs. Lourens. She said the projects will be financed through internal cash flows. The Implats board has approved the $110 million base metals refinery upgrade and work has commenced. Beneficiating the platinum to matte enables producers to realise 88,5 percent of potential revenue, at BMR stage they get 89,7 percent, rising to 90 percent at precious metal stage. Zimplats was also working with fellow miner RioZim to rehabilitate and expand its Empress Nickel Refinery to process by-products from the BMR. Zimplats revenue in the quarter to June 2014 increased 21 percent to $166,9 million from $137,8 million in the previous quarter due to an increase in sales volumes and firming nickel prices. This saw the group achieving a 39 percent increase in operating profit at $50 million compared to last quarter $36,1 million.(Herald)

CAIRNS Foods is targeting a 35 percent growth in the market share of its chocolate business buoyed by improved capacity utilisation. The company's acting chief executive officer Mr. Jeremiah Kwenda told The Herald Business in an interview that the group also aims to increase capacity utilisation from the current average of 40 percent across its divisions. The snacks division is driving the company's performance with capacity utilisation topping plus 60 percent. Mr. Kwenda said the chipping business is facing stiff competition from imports from South Africa and called on Government to introduce policies to assist local companies. Potatoes are cheaper in South Africa at $5 per pocket compared to Zimbabwe where they sell at about $10 per pocket. Furthermore, the SA government gives subsidies to farmers pushing prices of produce down. Exporting companies in that country also receive incentives including a favourable exchange rate. The cost of the United States dollar, the prime currency of trade in Zimbabwe also makes local production more expensive than in South Africa.

The incentives and subsidies make SA produced goods cheaper than Zimbabwean produce. However, Mr. Kwenda says that Cairns Foods welcomes competition. "We are not afraid of competition. Our products are good quality and our flavours are preferred locally and in the region. There is however need for policy measures to assist companies to remain competitive," said Mr. Kwenda. He said Government introduced 25 percent duty and surcharge on imported chips but they still compete with locally made chips. "Our cost structure is higher than them and although we compete on pricing, we will be squeezing our margins," said Mr. Kwenda. He said Cairns Foods is engaging farmers and packaging suppliers to find common ground in a bid to lower costs. The food and beverages manufacturer is currently undertaking preliminary work on the upgrades of the cornflakes and chocolate business lines. "The idea is that we want to meet production efficiencies and we want to regain our market share in the chocolate business line," said Mr. Kwenda. In Mutare, Cairns Foods is upgrading the jam and bean line machinery while the company angles to purchase a new pasta machine for Bulawayo. *(Herald)*

Beverage manufacturer, Delta Corporation says it will invest at least $590 000 for the production of 2 000 tonnes of sorghum during the 2014/ 15 cropping season. Delta Community Projects manager Tsungie Manyeza said farmers in Muzarabani and Mukumbura would be contracted to produce the sorghum. "The company has an ongoing sorghum contracting scheme covering both commercial and communal farmers for both red and white (mafia) sorghum," she said. "The 2014/15 season contracted hectarage will be around 4 000 hectares targeting the communal sector in Muzarabani and Mukumbura." Mrs Manyeza said the envisaged hectorage would be an increase

from last season's 3 955 hectors. She said the contract schemes were an ongoing programmer and therefore would be maintained into the foreseeable future. "The committed hectarage will be driven by the business requirements.

The hectares to be committed for 2015 will depend on the anticipated volumes of sorghum beer and Eagle Lager but also depend on the yields achieved by the farmers and the rainfall patterns," she said. Small Grains and Cereal Producers Association chairman Basil Nyabadza also told The Herald Business that the country was still to break into the regional and international markets for the crop, which was still being sold on the domestic scale. He said white sorghum is a profitable crop and that there are ready markets locally with Ingwebu Breweries in Bulawayo and Delta Beverages contracting a number of farmers to grow it. The yields from communal farmers traditionally hovered around one tonne per hectare while the target for commercial was around 3, 5 tonnes to 5 tonnes per same unit area. Delta requires a total of 12 000 tonnes of red and white sorghum annually. *(Herald)*

The African Export-Import Bank (Afreximbank) successfully closed a US$150 million financing facility for Econet Wireless Global Limited, Mauritius, to enable the company to fund its expansion programme. Afreximbank, acted as global co-ordinator and mandated lead arranger while Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) was acting co-arranger, mobilising funding from European development finance institutions. African financial institutions participating in the syndication include the Southern African Trade and Development Bank and Stanbic Bank Zimbabwe Limited. Econet will use the proceeds of the facility for the expansion of new business areas, such as its mobile banking and solar energy and refinancing existing debt relating to its mobile telecoms network infrastructure. "The closing of this facility represents a clear demonstration of Afreximbank's commitment to partnering with African and international financial institutions to support the growth of African multinationals," said Jean Louis Ekra, President of Afreximbank, "Afreximbank is determined to continue working with leading African entities, like the Econet Group, which are making great strides in connecting Africa through their innovative telecommunications solutions and, enhancing intra-African trade, which is a cornerstone of the Bank's mandate," he said.

Econet Group chief executive Mr. Craig Fitzgerald said, "Afreximbank has again shown its leadership in enabling the expansion of African companies by leading this syndication which will provide Econet with the ability to further expand its product ranges and footprint across the African continent." The new syndicated facility is part of a multi-creditor security sharing arrangement co-ordinated and arranged by Afreximbank, which closed in May 2012. Under the arrangement, Afreximbank, as global security agent, holds security for Econet's various creditors, including the China Development Bank Corporation, Ericsson Credit AB and Industrial Development Corporation of South Africa. Econet Wireless Zimbabwe, a subsidiary of Econet Wireless Global, is undertaking a multi-million dollar expansion of its mobile money service, EcoCash, in response to dramatic and unexpected growth since September 2011. The expansion will make the EcoCash system four times bigger than it is currently, and also pave the way for the company to launch additional services. *(Herald)*

The country's largest bank, CBZ Holdings says it remains on solid ground in spite of the 20 percent drop in profitability for the half year to June. The group posted a net profit of $12,8 million from $16 million the comparative period last year but chief executive Mr. Never Nyemudzo is optimistic of a better showing in the second half. The banking group's total income rose just one percent to $69,6 million from $69,2 million the same period last year. Mr. Nyemudzo said the bank remains "firm". "CBZ and its subsidiaries remain firm in terms of capitalisation. The bank had $100 million in terms of core capital against the $25 million that is required by the Reserve Bank of Zimbabwe," said Mr. Nyemudzo. Asset management has four times capital cover, the CBZ Life $7 million compared to $2 million, the short-term insurance at $1,7 million compared to $1,5 million. "This gives us more room to be able to underwrite more business and also withstand any unplanned shocks," he said. The group reported that Non-Performing Loans have risen to 6,1 percent from 4,4 percent in December last year. NPLs are expected to be not more than eight percent by year end.

"We are enhancing our collection efforts especially on failed relationships," said Mr. Nyemudzo. Some of the new projects introduced include the medical aid cover, the Smartmoney mobile money service and land development. CBZ is developing 1095 stands in Nehosho Gweru, 284 in Chikanga Mutare and about 400 stands in Kwekwe. "We are largely funding this from a line of credit from Shelter Afrique. The stages of completion are encouraging with the Nehosho project expected to start selling before the end of the month. We are expecting

completion of the servicing before end of September and parallel construction of the units should also start soon," said Mr. Nyemudzo. The houses cost $213 per month over a ten- year period for a two-roomed unit at 15 percent interest rate, $276 per month for the three-roomed and $337 for the four-roomed house per month. "We are sitting at about $230 million from a number of development partners that we have. Once we have concluded our $200 million bond from the Afreximbank we expect to take that to $430 million," said Mr. Nyemudzo. CBZ Global fund has been set up in Mauritius and the group's executives were in Mauritius last week to finalise the paperwork for the new initiatives. *(Herald)*

Bindura Nickel Corporation nickel in concentrate production for the first quarter to June dipped 14 percent after mining was temporarily suspended due to maintenance work on the underground mobile equipment. Mwana Africa Plc in its first quarter trading update said the drop in concentrate production was also due to mining in lower grade areas. Nickel in concentrate production is, however, projected to increase in the second quarter on better efficiency following modification to the equipment. The Alternative Investment Market listed firm also owns Freda Zimbabwe biggest gold miner Rebecca, which registered a 1 percent growth in output weighed down by modifications to improve mill efficiency. After a record output was achieved in the 2014 last quarter, nickel concentrate in production was lower in the first quarter, but higher than the same period last year. "Nickel in concentrate production was 14 percent lower at 1 902 tonne (Q4 2014, 2,207 tonne) as underground mobile equipment was taken out of commission for refurbishment and due to mining of lower grade areas," Mwana said. The drop in concentrate output therefore means BNC missed out on a potential revenue windfall after nickel prices rose 26 percent to $17 745 per tonne. Head grade was 6 percent lower at 1,5 percent against quarter four growth of 1,6 percent. Recovery was down 4,7 percent to 84,1 percent against 88,8 percent in last quarter of 2014 while sales rose 17 percent at 1,87t. Ore production was only marginally up by 1 percent 13 503 ounces, reflecting an 8 percent increase in head grade at 2,07 grammes per tonne.

"This quarter was mixed as various modifications intended to improve efficiency at Freda Rebecca and Trojan Nickel has been undertaken and the result of these changes will not be reflected until our quarter two update," said Mwana Africa Plc chief executive officer Mr. Kalaa Mpinga. Freda's cash costs grew by 21 percent to $13 750/t compared to 2014 fourth quarter of costs of US$11 333/t while all-in-sustaining costs were up 29 percent to $15 750/t, increasing from $12 220/t in the last quarter of 2014, due to lower production and refurbishment of mining equipment. Gold production increased by 1 percent to 13 503oz from 13 380oz in the last quarter of 2014, reflecting an 8 percent rise in head grade to 2,07g/t compared to 1,91g/t in the last quarter of the previous financial year. This was due to improvements in the main production block feed grade. Recovery was 6,2 percent lower at 76,8 percent against 83 percent in last quarter of 2014 after brief power supply failures at two absorption tanks. Cash costs up 2 percent to $1 078/oz from $1 053/oz in 2014 quarter four while 4 percent drop was registered in all-in-sustaining costs to US$1 283/oz compared to US$1 324/oz recorded during the period under review. Slight improvement in gold price was received, with the average price coming in at US$1 310/oz against US$1 302/oz in the 2014 last quarter. There was a 92 percent increase in production to 23 750 carats at Mwana's diamond project in Klipspringer, South Africa, with a price of $20 per carat average price received against US$21 in the last quarter of 2014. Mwana also said steady-state production achieved at quarter-end. *(Herald)*

DELTA Beverages workers yesterday told Parliament that their employer has not yet complied with the indigenisation regulations which compel companies to cede 10% shares to employees. Delta Workers' Union chairman John Shumba told the Parliamentary Thematic Committee on Indigenisation that the company's top managers received hefty retirement packages while shopfloor workers got paltry payouts. "In 2008 during the economic hardships the company had to find a way to retain workers by giving them 5 000 shares in September 2008, which were going to mature in September 2013, but these shares were diverted to become indigenisation shares," Shumba said. "The company is yet to submit its indigenisation proposal to government and as workers we have not yet seen the proposal because the company secretary Alex Makamure has kept it a secret." Shumba added that workers were not privy to many decisions made on their behalf as members of management were the ones represented in the Employee Trust Fund which was formed in 2001. He said when Old Mutual released money from the pension fund demutualisation in 2008, employees who benefitted were given Z$21 000 each. "More than 2 450 workers benefited through demutualisation and were given Z$21 000, but now we demand that the workers who did not benefit should be given their money in United States dollars. We also demand that Delta should cede the 10% indigenisation shares that are supposed to be

for workers," he said. Workers' union secretary Crispen Chandata said some retired managers were offered to run Delta depots in Chivhu, Sanyati, Nyanga, Murehwa and Mandel Training Centre in Harare. "Retired managers got trucks and depots, while junior employees got paltry pensions of $3 000," Chandata said. The workers' union later told journalists after the Parliament meeting that they were mulling a strike over wages because their employer was reluctant to increase their salaries although the company was raking in huge profits. They said they wanted poverty datum line wages of $540 for the least paid employees who were receiving $272 per month. *(News Day)*

BARCLAYS Bank of Zimbabwe Limited's profit after tax more than doubled to $1,7 million in the half year ended June 30 from the same period last year, spurred by the growth in income. Total income grew by 9% to $20,8 million during the period under review. In a statement accompanying the bank's financial results, Barclays managing director George Guvamatanga said profit after tax increased from $844 217 recorded during the same period last year. "The profit after tax of $1,7 million was achieved compared to $0,8 million from the previous period resulting from pre-tax profit growth of 126% year-on-year. This performance was premised on income growth of 9%.This is against the backdrop of interest yields trending down and transaction activity being subdued," Guvamatanga said. Net interest income for the bank stood at $6,8 million during the half-year period up from $5,8 million recorded in the same period last year. Loans and advances to banks and individuals increased to $204 122 and $111 009 124 respectively. Loans and advances to banks were up from $160 998, while loans and advances to customers stood at $97 471 468 in June 2013. "Our loan book grew by 14% year-on-year as we extended facilities to businesses and individuals across most sectors of the economy.

The 4% decline from December 2013 levels reflects some seasonal trend on facility utilisation by some of our customers," Guvamatanga said. He said deposits grew by 3%to $238 million in 2014 without any changes to the bank's effective cost of fund. "Compared to December 2013, deposits came down by 4%, largely reflecting the seasonal nature of the part of the deposit base. Market deposits have grown marginally over the same period," he said. Impairment losses on loans and advances stood at $394 210 from $223 441 in June 2013. Non-funded income stood at $14,4 million compared to $13,6 million the same period in 2013. Operating expenses increased to $18,4 million from $18,1 million during the same period last year. Board chairman Anthony Mandiwanza said the bank's performance for the first half of the year showed an improvement although the growth momentum had been slower relative to the position as at December 31, 2013. In its quarterly report, the Reserve Bank of Zimbabwe showed that banking deposits continued to be dominated by demand deposits that accounted for 57,92% of total deposits. The central bank said during the first quarter of this year, 16 banking institutions posted profits for the quarter. The sector posted an aggregate net profit of $20,47 million up from $0,47 million. *(News Day)*

Economic News

ZIMBABWE realised about $240 million from gold exports in the six months to June, according to data obtained from the Mines and Mining Development Ministry. Gold deliveries to Fidelity Printers and Refiners, the country's sole buyer of the metal, hit six tonnes in six months through June, with large producers delivering the bulk of metal. Large gold mining firms delivered 4,7 tonnes, with the remainder coming from 71 small-scale miners. Gold miners pay 7 percent in royalties to Government of gross revenue realised from sales. Average realised international gold price for the first half stood at $1 290 an ounce, but is expected to drift lower in the second half of 2014, leading to a second yearly drop in the average price, according to analysts estimates complied Reuters. The survey forecasts an average price of $1 270 an ounce for the third quarter, down from the average first-half price. In the last quarter, prices are seen averaging $1 255. That will be the second year in which the gold price has fallen, following a 28 percent drop last year. Fidelity Printers resumed gold refining in December last year since 2008 and the country will soon be seeking re-admission into the London Bullion Market Association this year. Before resuming gold refining, all gold was being exported unrefined and this, among other things, negatively affected the local jewellery industry as it resorted to importing refined gold and silver. With national deliveries surpassing 10 tonnes in 2012 and 2013, coupled with the resumption of refining, the refinery should be on course for LBMA re-accreditation. This will be on condition that all the gold being delivered through the formal channels is refined prior to export. The resumption of refining comes with a number of positives for the country, including providing feedstock for the resuscitation of the local jewellery industry as well as increasing the cost competitiveness of local

products on both local and international markets.(Herald)

Government and its Russian partners, will inject more than $1,6 billion towards platinum mining through a joint venture, a senior minister has revealed. The partners are looking at putting up concentrators and a smelter at Ruschrome Darwendale, The first phase will see the consortium injecting between $400 million and $500 million for the development of the mine and the setting up of concentrators. The next phase will include the construction of a PGM smelter. Mining on the concession is expected to commence early next year and agreements with the members of the consortium will be signed next month. Mines and Mineral Development Minister Walter Chidhakwa in an interview said the consortium involving Russian firms Rostec and an investment bank, Vneshekonombank is pressing ahead with preparatory work at the concession. Minister Chidhakwa and Finance and Economic Development Minister Patrick Chinamasa were in Russia last week to meet the members of the consortium. The Russians are part of a consortium that snapped up a 40 percent stake in Ruschrome Mining, a Russian-African joint venture licensed to mine the Darwendale platinum fields.

The fields hold 19 tonnes in proven reserves and 775 total tonnes of metals including palladium, gold, nickel and copper. "I am confident that work on the Darwendale Concession will be increased particularly after establishing the reserve on the entire concession," said Minister Chidhakwa. "They have also started building the mine itself, houses at the mine, building office blocks and other basic infrastructure including roads. We are also confident that they will also start opening the pit because they will have about 2-3 years of open cast mining," he said. Minister Chidhakwa said discussions for the determination of the base metal and precious metal refinery are still ongoing. "The base metal and precious metal refinery is something that we are still in the process of finalising. But the mining aspect including the smelter is what we have finalised and in September we will be signing the agreements," said Minister Chidhakwa. Ruschrome is partly owned by the Zimbabwean Government and the Centre of Business Co-operation with Foreign Countries, an association of machinery and defence firms that will retain a 10 percent stake in the project. Earlier on Minister Chidhakwa told the Portfolio Committee on Mines and Energy that Government is sourcing funds for the setting up of a laboratory for testing of PGM concentrates. "We are pushing for a platinum refinery and for our own laboratory to do tests for platinum group metals." "Everywhere I am going, I am asking for resources to set up our own laboratory.

The Angolans have the same problem in different other minerals. We must do things that ensure that we are able to test our resources," said Minister Chidhakwa. "But more importantly we must not allow concentrates to go out of the country. We must move to the smelter, to the PGM base metal refinery where we take out the cobalt, copper and nickel and we must move to the precious metal refinery which separates 99,99 platinum, palladium, oridium and many others," he said. The Mines and Mining Development Ministry will soon approach Parliament to amend the Minerals Marketing Corporation Act to facilitate the absorption of the MMCZ into the recently formed Mining Promotion Company. "The money that is coming from the miners as levy, to me I think, should best be put into exploration. "We pick about $20-$25 million which we say we use for marketing and there's not much marketing because the companies do their own marketing," said Minister Chidhakwa. The MPC has a separate board of directors and administrative structure. *(Herald)*

Zimbabwe's tobacco prices which averaged US$3,17 per kilogram this marketing season were the second highest in the world among countries that produce the cash crop, an official said. Prices in the United States, which hovered around US$3,80 per kilogram, were the highest globally. The southern African country, which sold an estimated 210 million kilograms of tobacco worth US$672 million this marketing season, has registered a rapid increase in the number of small-scale growers following implementation of sweeping agrarian reforms in 2 000. Tobacco Industry and Marketing Board (TIMB) chief executive officer Dr Andrew Matibiri said Zimbabwe's market was lucrative, in part, due to the unique taste and flavour of the country's tobacco brand whose allure buyers cannot resist.

The Zimbabwean tobacco, he said, was of the highest quality. "Our average tobacco prices were the second highest in the world behind those of the United States. "This was driven by the fact that we produce a product that is full of flavour. Cigarette manufacturers are willing to pay a premium for our high quality tobacco," said Dr Matibiri. The soaring tobacco prices on the domestic market, said Dr Matibiri, were also propelled by the sharp increase in the number of growers. To date, 106 456 growers have since registered to grow the crop during the

2014/ 2015 season as compared to a cumulative 91 278 farmers who produced tobacco the previous season. "The increase in price is also very much linked to the increase in production," he said. Dr Matibiri dismissed reports that local tobacco growers were smuggling their crop into the region, particularly Zambia where it is reportedly fetching higher prices. "We did our investigations regarding reports that farmers are smuggling tobacco into the region especially Zambia and we did not find any truth to that. "There is no logic that farmers can sell their crop in Zambia where the average price is lower than the average price in Zimbabwe," he said. Last season, Zimbabwe raked an estimated $594 million in sales at an average price of $3,69 per kilogram. The country's tobacco output, which took a knock over the past decade of economic contraction, is now on a firm growth trajectory. *(Herald)*

Zimbabwe is importing cooking oil worth $220 million annually as the local manufacturers continue to use archaic and obsolete plant equipment making them uncompetitive in meeting local demand. Since dollarisation most local cooking oil manufacturing companies have struggled to meet local demand, paving the way for imports that have since flooded the local market. Imported cooking oil is generally cheaper and accounts for 40 percent of the local market requirements. Olivine industries managing director Mr Jonasi Mushangari said the lack of competitiveness among the local companies has increased cooking oil imports at the expense of the local industry. "The disparity between the duty rates applicable to tariff automotive batteries and deep cycle batteries and cooking oil has the potential to completely undermine local manufacturers who will be forced to compete on an uneven playing field. "The country is importing cooking oil worth $220 million annually at the expense of the local industry and it is surprising that even the army is importing cooking oil hence need for a vibrant public procurement support," said Mr Mushangari.

"Companies like Surface Cooking Oil combined with Olivine have the capacity to supply the local market." The slump in production in the cooking oil sector has been attributed to lack of working capital and the liquidity crisis that is affecting the economy. At the moment Olivine industries which has been the biggest manufacturer of cooking oil is in need of about $32 million to increase capacity and retool its plant in order to meet the local demand. In this respect Government plans to start introspecting and interrogating its spending behaviour, procurement systems and redirecting national resources towards production and supporting the local industry. Government is looking at preserving its national wealth by curtailing the spending mentality that has destroyed different parastatals and other public enterprises through use of corrupt procurement systems. Finance and Economic Development Minister Patrick Chinamasa speaking at the Buy Zimbabwe public procurement conference yesterday said an approach is being proposed that will address issues of public procurement and spending. "We want to address issues to do with local procurement where the country has been subjected to a dumping ground for imported goods.

It is high time that local companies and public enterprises should start to do their procurement locally. "We are importing consumptive products that account for at least 70 percent of our import bill and the problem has worsened by the nature of the products that the country is importing, "said Minister Chinamasa. "The spending on imports could have been channelled towards the recovery of the local industry." Captains of industry have been calling for the public procurement of goods to avoid unnecessary importation of goods that are produced locally arguing that public procurement systems are strategic tools that can capacitate the local industry. Minister Chinamasa said procurement systems are central to economic value chains, and it is the procurement function that can normalise or distort the cost structures, misallocation of resources in any economic system. "There is definitely need to embark on a massive campaign where we encourage Zimbabweans wherever they are domiciled to allocate about 60 percent of their budgets on locally produced products to ensure the recovery of the industry. He said Government currently is prioritising infrastructure development as a catalyst to increased investment in the country especially in the power generation sector. *(Herald)*

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