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	15-Nov-13	22-Nov-13	Local	USD	Local	USD
Botswana	DCI	8,788.19	8,825.74	0.43%	14.00%	17.52%	19.10%
Egypt	CASE 30	6,227.92	6,407.01	2.88%	16.82%	17.29%	17.35%
Ghana	GSE Comp Index	2,127.79	2,132.01	0.20%	14.60%	77.71%	74.41%
Ivory Coast	BRVM Composite	217.08	219.88	1.29%	-7.24%	32.00%	22.97%
Kenya	NSE 20	5030.76	5043.58	0.25%	3.19%	22.03%	26.58%
Malawi	Malawi All Share	12,160.93	12,363.18	1.66%	35.58%	105.52%	146.49%
Mauritius	SEMDEX	2,051.19	2,038.59	-0.61%	-3.93%	17.70%	17.89%
	SEM 7	400.81	398.61	-0.55%	-3.86%	18.18%	18.38%
Namibia	Overall Index	992.00	971.00	-2.12%	22.40%	-1.55%	1.46%
Nigeria	Nigeria All Share	37,921.28	39,119.88	3.16%	3.79%	39.32%	39.14%
Swaziland	All Share	294.04	294.04	0.00%	25.69%	2.93%	6.39%
Tanzania	TSI	2,558.30	2,603.20	1.76%	3.10%	75.23%	78.63%
Tunisia	TunIndex	4,512.32	4,496.34	-0.35%	2.64%	-1.82%	-5.60%
Zambia	LUSE All Share	5,021.73	5,101.96	1.60%	14.05%	36.96%	45.37%
Zimbabwe	Industrial Index	216.23	217.01	0.36%	0.36%	42.40%	42.40%
	Mining Index	46.03	49.20	6.89%	6.89%	-24.45%	-24.45%

CURRENCIES

Cur-rency	15-Nov-13 Close	22-Nov-13 Close	WTD % Change	YTD % Change
BWP	8.57	8.50	-0.76	11.15
EGP	6.87	6.87	-0.02	13.48
GHS	1.87	2.26	1.97	18.82
CFA	486.94	487.29	0.07	-1.63
KES	84.93	84.78	-0.18	-0.95
MWK	356.94	378.12	5.93	17.79
MUR	29.48	29.48	-0.01	-3.50
NAD	10.28	10.15	-1.29	19.78
NGN	157.25	158.12	0.55	1.30
SZL	10.28	158.12	-1.29	20.04
TZS	1,565.40	1,576.15	0.69	0.07
TND	1.66	1.68	1.06	8.26
ZMW	5.48	5.49	0.16	5.93

SECURITIES AFRICA

WEEKLY AFRICAN FOOTPRINT

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Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's headline consumer inflation slowed in October to 4.8 percent year-on-year from 5 percent in September, Statistics Botswana said on Friday. On a month-on-month basis, CPI braked to 0.2 percent from 0.3 percent in September. *(Reuters)*

Botswana said it had granted two companies permission to explore for underground gas in the Kalahari national park, raising concerns about the environmental impact on the world's second-largest game reserve. The government of the desert-covered southern African country also denied charges from a governance group that it was secretly allowing the controversial process of "fracking" or hydraulic fracturing. Gaborone issued prospecting licences for coal bed methane within the Central Kalahari Game Reserve to Australia's Tlou Energy and to African Coal and Gas Corp, the environment and mineral ministries said in a joint statement on Tuesday. Coal bed methane is natural gas extracted from coal beds. "While concessions for energy prospecting have indeed been granted over wide areas of the country, there are currently no mining licences for gas extraction ... And thus no commercial production involving so-called fracking," the ministries said. Fracking is a technique used to extract underground shale gas by digging deep wells and pumping in large amounts of water mixed with chemicals under high pressure to crack the rock. Critics of the process say it could contaminate water sources. The Open Society Initiative for Southern Africa, a governance group, has said Botswana's government has been quietly pushing ahead with plans to produce natural gas and that drilling and fracking are already under way. *(Reuters)*

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt has granted licences allowing exporters to sell 102,000 tonnes of white rice, the head of the rice committee of Egypt's Agricultural Export council said on Tuesday. "The licences have been granted through a tender to 39 exporters," Mostafa el-Naggari told Reuters over the telephone. Egypt has an exportable surplus of around 800,000 tonnes of white rice this year, he added. "We have to wait and watch the market and see whether other tenders will be issued for more licences," Naggari said. *(Reuters)*

Ghana

Corporate News

Airtel Ghana's Chief Executive Officer Philip Sowah says the biggest challenge to the telecom company's operations this year is depreciation of the cedi. Mr. Sowah told the B&FT that since the company reports to its mother company Bharti Airtel in dollars and imports a lot of its inputs, any drastic depreciation of the cedi against the dollar affects its finances. "The cedi's depreciation has affected our operations because a lot of our inputs are dollar-denominated, so our cost has risen and the value of the money we make has also dropped," he said. Ghana's cedi has overtaken the South African rand as the worst-performing currency in Africa this year against the dollar, according to Ecobank Research. It has lost 17 percent to the US dollar on the forex market, compared to 16.2 percent depreciation by the South African rand. This has happened in spite of the US$1.5billion Cocobod syndication loan and the Eurobond sold by government -- both of which have boosted the Bank of Ghana's reserves. Analysts say the currency will remain under further pressure from large fiscal and current account deficits. Since Airtel will not close its books until March 2014, Mr. Sowah said he could not give figures on how the depreciation has impacted its financials. But the Chief Executive, who was speaking at the presentation of a third BMW car to the latest winner of the company's "Supa Star" promotion, remained optimistic about prospects for next year, saying the company will target expansion in two critical areas -- data and mobile money -- which are seen as the future of the business. "Moving forward, for us, we are quite excited about the business. Our data business is doing really well, and we are really putting a lot of investment in there and beginning to see some returns."

He said Airtel is testing higher data speeds of 42 megabits per second, which will help to boost its already high speeds of 21 megabits per second. "Another area of focus is Airtel Money," he said. "We believe that Airtel Money is very important to the future of our business, so we are pushing it aggressively." Twenty-five year old Gladys Baffour, a native of Kintampo in the Brong Ahafo Region who resides in La, Accra, won the third BMW car in the "Supa Star" promotion. Several Airtel users also won Samsung phones, cash, shopping vouchers, and trips to Brazil. Airtel has extended the promotion by eight more weeks into the festive season to give its customers a lot more to celebrate, Mr. Sowah said. "We have over the years had one promotion or another during the yuletide, and we don't want this year to be any different." *(Ghana Web)*

Fidelity Bank has stated that its ongoing savings mobilisation campaign, the Big Fat Promotion, is part of a wider goal of ensuring that more people have access to financial services in the country. The bank is, thus, optimistic that more people will take advantage of its Big Fat Zero Promotion to open bank accounts with the bank, as well as increase their deposits. The Deputy Managing Director of the bank, Mr Jim Baiden, disclosed this at the second draw of the promotion in Koforidua in the Eastern Region. The draw coincided with the inauguration of the Koforidua branch of the bank. Three participants in the promotion – Mr Obed Annan of the KO Methodist Branch, Kumasi, Madam Martha Afra of the Atonsu Branch, Kumasi, and Madam Reginald Ankamah of the Osu Oxford Street branch in Accra – emerged winners and received various prizes. Mr Baiden said Fidelity Bank was inspired by the fact that for the country to rise to a middle-income status, a critical mass of consumers needed to play an active role in the country's financial system.

"Driven by this vision, Fidelity Bank is pursuing a programme of financial inclusion, with a number of initiatives that are geared to promote active participation by consumers in banking. These long-term initiatives are critical components of the bank's national development agenda," the Fidelity Bank deputy managing director stressed. He said it was through that initiative that the bank recently expanded branch networks to help give easy access to those wishing to transact with it. With 49 branches, Fidelity Bank currently has the fourth largest branch network in the country. Mr Baiden explained that the purpose of the promotion was to attract new customers into the bank and also give existing customers the chance to be rewarded for their continued custom and faith. *(Ghana Web)*

Economic News

Oil and gas service providers have been asked to petition the Central Bank to address the challenge they have with a law which prohibits them from receiving payments for their services in foreign currency. The Ghana Oil and Gas Service Providers Association says the law which restricts them from receiving payments for services rendered in foreign currency makes it difficult for them to sustain their operations. The GOGSPA made this disclosure to Joy Business on the sidelines of a workshop on Local Content organized by the Petroleum Commission. Members say they obtain their supplies in foreign currency for which reason they should be allowed to charge in dollars, pounds sterling or euros. However, Chairman of Parliaments select Committee on Mines and Energy Dr. Kwabena Donkor tells Joy Business there were good reasons for the enactment of that legislation. "It's an existing regulation in our books as a country that we do not pay for goods and services in dollars. The Bank of Ghana did this in reaction to complaints from the Petroleum Commission where landlords were forcibly demanding payment for rent from International Oil Companies in dollars." The former Chief of the Petroleum Commission stressed "the nation must benefit from its resources. If GOGSPA have implementation challenges, they should dialogue with Bank of Ghana, the Energy Ministry and the Ministry of Finance". *(Ghana Web)*

The country risks losing massive oil tax revenues if it continues awarding contracts to companies assess their tax liabilities themselves without checks, the Africa Centre for Energy Policy (ACEP) has said. In the first of a series of policy briefs on Ghana's oil governance, make it mandatory for all oil companies to disclose their beneficial owners before they are given contracts, and then hire independent auditors to verify the tax liabilities of the companies. "The tax havens first of all they promotes corruption, in the sense that beneficial owners of the companies are hidden, [and] people award contracts to themselves because they own companies that are registered in countries compelled to disclose the owners," Mohammed Amin Adam, Executive Director of ACEP, said. "And because we are not allowed to know that they are behind those companies, they get away with it; and this is what rich countries where politicians have companies and they award contracts to their companies because you cannot tell that those politicians are behind those companies since you have no access to their registration documents." Most of the companies operating in the country's oil industry are registered in tax- havens. Tullow Oil is incorporated in the British island called Jersey, a tax- haven that has just been blacklisted by France in a move to impose heavy penalties on thousands of French individuals and businesses. Kosmos Energy and Anadarko Petroleum are incorporated in the Cayman Islands, another tax-haven. Government has also just recently approved a petroleum agreement in respect to the South Deep Water Tano oil block with AGM Petroleum Ghana, a company fully owned by AGM Gibraltar - another tax-haven. "Our Petroleum Income Tax law allows any company that finances its project by debt financing to deduct the interest at cost, which means that the higher the interest the higher the cost - and the lower the revenue that will come to the state because revenues are shared after costs have been deducted. "So companies registered in secrecy jurisdictions will finance their operations and the interest that is deducted goes back to the same company, and so it is the same company that is circulating revenues around at the expense of the state," Mohammed Amin said.

"If we have to solve this problem, first of all we must have in our law that all owners, all the people behind companies, must be known - and Ghana would not be the only country asking for this. South Sudan just passed a new law, and they have made it a requirement that unless the owners of a company are known, that company will not be given a contract. Peru and Liberia have also put the same in their new bills," he added. On assessing the tax- liability of oil companies, Mohammed Amin said the country cannot rely solely on companies for that information, since they do not always tell the truth about such matters. If the country's tax authority does not have the capacity to do its own assessment of how much companies owe the country in taxes, then an independent audit agency needs to be hired, he added. Countries that allow companies to assess their tax liabilities, he said, have laws to punish the companies when they misreport. "But we do not have that provision in our tax laws yet. And therefore if you are asking companies to do self- assessment, it is on the premise that they will provide correct information. But in the oil and gas industry, it is not true that companies provide correct information all the time. Most of the time they massage their figures and they increase their costs," he said. "If you do not have the critical skills that will unearth some of these critical challenges through self- assessment, then the country is the loser. In Angola they have found a way that when the companies do self- assessment, they hire a competent auditor to determine whether the company has provided the right information.

"Therefore nothing prevents Ghana, if we do not have that capacity, from hiring specialised audit companies to audit the self- assessment

done by oil companies in order to establish the true value of their tax liability." For the 2013 fiscal year, the country expects a total of GH¢ 1.12billion from the oil sector, including GH¢107.8million as corporate tax. In 2012, government projected that a total annual revenue of over GH¢1billion would accrue to the country, but the corporate tax component of GH¢384 million was not received. In 2011, government projected to receive GH¢1.2 billion from oil, including corporate taxes of about GH¢600 million. The total amount earned, however, came down to GH¢667 million, representing a shortfall of GH¢ 583 million. *(Ghana Web)*

The Electricity Company of Ghana (ECG) started the 25 per cent reduction in electricity tariff yesterday. It has, therefore, reprogrammed its system for the implementation of the new tariff which has been reduced because of the government's subsidy for consumers. The new subsidy will apply to all consumers of electricity in the country including prepaid or cash-based, unit-based and post-paid customers of ECG. The government announced a review of the electricity tariff from 78.9 to 59.18 per cent following calls by the labour front for it's reduction The new price showed a 25 per cent downward review of the tariff which was expected to take effect from October 1, 2013. This was done to change the previous tariff announced by the Public Utility Regulation Commission (PURC) on Wednesday, September 18 in which there was 78.9 per cent upward adjustment in electricity and 52 per cent in water tariffs with effect from October 1, 2013. To cushion the effect of the tariff increases on consumers, the government agreed to pay about GH¢410 million to the utility companies to ensure a steady supply of electricity. The Divisional Manager of the ECG in charge of Regulatory and Government Affairs, Mr Daniel Azu, told journalists in Accra that a revised reckoner would be published to help customers understand the application of the subsidy when they bought recharge units at the vending points. "Customers should note that all statutory levies including VAT, National Health Insurance Levy and street light levy, as passed by parliament, shall continually be paid by the customer as applicable," he said.

For the prepaid customers who deposit money through e-cash, or the BXC smart cash meters, Mr Azu said the subsidy for their consumption of electricity for the month of October 2013 would be refunded. "Consumption will be refunded to the customer at the deposit of cash from November 18, 2013. Beyond the first deposit, other subsequent deposits will be refunded at the beginning of the ensuring month." Explaining further, Mr Azu said, for instance, a consumer whose monthly consumption was 70 units, which corresponded to a deposit of GH¢ 25, a subsidy of GH¢5.32 would be credited to the account at the first deposit of cash. Such a consumer, he added, would receive a receipt at the vending point which would indicate the amount deposited, the subsidy applied and the total amount or credit. Though the ECG was phasing out the unit-based prepayment metering system, the company acknowledged that few customers were still on the system. For such customers, Mr Azu said when they made new purchases on or after Monday, November 18, 2013, the subsidy for October 2013 would be refunded in full, in the form of units. "For example, a customer whose consumption is 70 units would have to pay GH¢25 but due to the subsidy of GH¢5.32, the customer will now pay GH¢519.68." Customers on credit metering who were also referred to as post-paid consumers, would have the subsidy reflecting on their monthly bills. Mr Azu said the monthly bill would apply to the tariff and further adjust it downward in line with the subsidy. "The bill will show what the customer is required to pay, less the applicable subsidies". *(Ghana Web)*

Ghana plans to present a mining windfall tax bill to parliament, Finance Minister Seth Terkper said on Tuesday, in a move likely to set up a clash between a hard-pressed industry and government's need for increased revenue. Ghana is Africa's number two gold producer and the commodity accounted for 27 percent of the country's foreign exchange in 2012 and contributed more than $700 million to state coffers, according to data from Ghana Chamber of Mines. But the government of President John Mahama is under pressure to show investors it can control a budget deficit forecast at 10.2 percent by the end of 2013 and which the government wants to reduce to 8.5 percent next year. Terkper's announcement came during Tuesday's annual budget speech to parliament in which he described how government could raise revenue and curb spending. "A committee is reviewing all stability agreements, incentives and the windfall profit tax that could not be passed in 2012," Terkper said. "In due course, government will re-introduce the bill in parliament after completion of the consultations with all stakeholders," he said. A previous bill that sought to impose a 10 percent mining windfall profit tax was introduced in 2012, Terkper said, but it was not considered by parliament and later withdrawn. The West African state's economic boom is often attributed to its new oil wealth but its gold exports were worth $5.6 billion last year, nearly as much as oil and cocoa combined.

Even so, the industry is feeling the strain this year as a result of a slump in gold prices. Two of its leading mines, AngloGold Ashanti's Obuasi

and Gold Field's Demang mine, operate at a loss. Other mines have closed while the level of mining exploration has dropped, industry leaders say. To redress the situation, mine executives have urged the government to reduce corporate taxes from 35 to 30 percent and assess royalties on a sliding scale related to profitability so companies that do not make a profit don't pay royalties. The announcement will hurt an industry that already faces a heavy tax burden because of royalties, income tax, Value Added Tax increased on Friday by 2.5 percentage points to 15 percent, and steep power prices, one mining executive said. "It would be a disaster. Nobody would come to open a mine in Ghana," said one industry executive who declined to be identified because he is not authorised to speak publicly. Razia Khan, head of Africa research at Standard Chartered, described Terkper's announcement as "positive" for the overall economy, though she wanted to more detail about its implementation in the context of lower gold prices. "Ghana has long grappled with how to improve the fiscal take from the mining sector, given the stability agreements in place," Khan said in an email. *(Reuters)*

Kenya

Corporate News

A plan by the government to add 5,000 megawatts of electricity to the national grid in the next 40 months is likely to send utility companies to the money markets in search of fresh financing. Already, the Kenya Electricity Generating Company (KenGen) has announced that it plans to raise nearly half a trillion shillings during the 40-month period to finance construction of its power generation plants. At an investor briefing held a week ago, KenGen's acting managing director Simon Ngure said the company would raise the targeted Sh467 billion ($5.5 billion) through both debt and equity. He said KenGen was likely to go back to its shareholders through a rights issue to get 30 per cent of the required amount from the bourse. "KenGen needs to look for additional financial resources — in the region of $5.5 billion — in the next 40 months when we expect to be undertaking various projects. The debt component will be 70 per cent while the rest will be equity," said Mr Ngure. Early this year, the company announced that it would be issuing a 20-year bond, backed by its assets, such as the geothermal steam produced in Olkaria, in a move that is expected to help the company tap into additional capital from the market to build electricity generation plants. KenGen posted a 86 per cent growth in net profits to Sh5.2 billion during the year to June 2013, helped by a Sh1 billion tax credit the company received for investment in four power generating plants completed during the period. The positive financial results are likely to draw investors to the stock, making it easy for the company to acquire the desired finances. Of the government's target, KenGen is expected to generate up to 2,500 megawatts of electricity through joint ventures with interested investors.

In a telephone interview, the Kenya Electricity Transmission Company Ltd (Ketraco) said it was awaiting results of a study to determine the extent to which the company would have to increase its investment in construction of high voltage transmission lines. These will be used to transfer electricity produced under the project from generators to substations for onward distribution by Kenya Power. "We advertised for a feasibility study whose results will inform our search for funds. In about three months, we will be able to tell which of the projects lined up for the 5,000MW plan are viable," said Mr Raphael Mworia, Ketraco's head of corporate communications. Ketraco was incorporated in 2008 and is tasked with developing high voltage electricity transmission infrastructure that constitutes the national grid. Since its establishment, the company has spent an estimated Sh180 billion on various projects, sourced from both the government and development partners. According to Mr Ben Chumo, Kenya Power's acting managing director, the company will be sourcing for funds to enable it to meet its targets, spelt under the 5,000MW electricity programme. Kenya Power has unsuccessfully petitioned the government to review its base tariff and fees for new meter connections, attempts the company has made to generate revenue to finance its projects. Through the 5,000MW programme, the government hopes to triple the country's total installed capacity for electricity generation and increase the population's access to electricity from the current under 30 per cent. *(Daily Nation)*

British Oil explorer Tullow has announced a fifth oil discovery in Kenya raising the country's prospects of becoming an oil producer. In a statement, Tullow said the discovery, stretching to 100 metres of net oil pay was made at the Agete-1 well located in Block 13T in Northern Kenya, which has been drilled to a depth of 1,930 metres. "A fifth consecutive oil discovery onshore northern Kenya highlights the emerging world class exploration and production potential within our rift basin acreage. An intensive campaign for 2014 includes appraisal and exploration within the first basin and pioneering wells targeting the prospectivity throughout the entire chain of similar rift basins," said Angus McCoss, Tullow's exploration director. The well is operated by Tullow at 50 per cent interest while the rest is held by Africa Oil Corporation. According to the British company, the discovery mirrors earlier finds that have been made at Ngamia, Twiga and Ekales wells, raising confidence for planned prospects in the Lokichar basin. Tullow recently resumed work in its wells after it suspended operations for a period of two weeks following protests by angry residents of Turkana County who demanded jobs from thee company.

The company signed a memorandum of understanding with the government that among other things requires the British firm to establish a liaison office in the north and set aside funds to finance scholarships and training for locals so as to enable the secure employment in the company. In its half year report released mid this year, Tullow estimated the Kenyan oil resources to run in excess of 300 million barrels and

hinted that the discoveries made so far have hit the threshold for exploitation. The company has already discovered oil in commercial quantities in Uganda and is waiting to commence production. It says that Uganda shares a similar geological structure as Kenya, an indication that Kenya's oil deposits could be viable for commercial exploitation. The company is planning to start drilling the Amosing-1 well in Block 10BB before the end of this month. *(Daily Nation)*

Economic News

President Uhuru Kenyatta is targeting to attract investments and financing of development projects in the third Africa-Arab summit Tuesday in Kuwait. The President will also separately hold talks with the leaders of Kuwait, Qatar, United Arab Emirates, Saudi Arabia, Bahrain and Palestine to discuss joint financing mechanisms for development projects to promote trade and investment, global fight against terrorism, human trafficking, and piracy. Africa continues to lag behind in attraction of investments compared to other continents and hence the Arab world is expected to help bridge this gap together with Asia even as the developed economies struggle to emerge from recession. Late on Monday, President Kenyatta met executives from the Kuwait Fund for Arab and Economic Development and discussed loans and grants already approved for a hospital in Wajir and schools in Nyamira, in the Nyanza region. President Uhuru Kenyatta in talks with Kuwait's Emir Jaber Al-Ahmad Al-Jaber Al Sabah at the Kuwait International Airport. The President is in the country to attend the two day 3rd Arab-Africa Summit. PICTURE REBECCA NDUKU/DPPS. Construction of the new Sh900 million Wajir District Hospital and Sh1.4 billion of the construction of infrastructure for schools in Borabu, Nyamira, will go ahead at a faster pace, the President assured the Fund. The Fund will also put nearly $50 million (Sh4.25 billion) in two road projects in eastern and northern Kenya.

The African leaders are also expected to discuss the Africa-Arab migration so as to help immigrants. Kenya, is one among other African countries whose citizens are illegal immigrants in the Arab world and face arrest and deportation. The State of Kuwait, in the Arabian Gulf, has the fifth largest oil reserves on the globe, and petroleum products account for nearly 95 per cent of export revenues and 80 per cent of government income. The President will also meet a host of his African compatriots, including Presidents Paul Kagame of Rwanda, Alassane Ouattara of Cote D'Ivoire, Macky Sall of Senegal and Ethiopian Prime Minister Hailemariam Desalegn. President Kenyatta is expected to speak strongly about the damage wrought by terror on African economies. *(Daily Nation)*

Critical sectors of the economy face higher electricity bills over the next 12 months after the energy regulatory body reviewed power tariffs, resulting in the cost of energy going up by as much as 13 per cent. The new power tariffs were released yesterday after more than five years by the Energy Regulatory Commission (ERC) and will be applicable in the next three years, starting next month to June 2016. In the announcement, ERC directed that Kenya Power charges Sh15.51 per unit of electricity as a base tariff starting December 1, 2013 to June 2014, down from Sh15.59 per unit that has been charged before this review. "As a regulator, our work is to ensure that Kenya Power charges prudent tariffs and, during the review, we have thoroughly discussed these figures with them. If they (Kenya Power) charge anything more than that, they will be in complete violation of the law," said Mr Fredrick Nyang, acting director general of ERC. However, despite the cut in tariff, only domestic consumers spending up to 50 units of electricity per month and small commercial enterprises will get a reduction of 7.9 per cent and 2.5 per cent, respectively. Other users — middle class, high income consumers and heavy industries — face a power bill increase of between 3 and 12.8 per cent increase. Low power users will, however, feel the impact of the high tariff in other sectors through high prices as manufacturers are expected to pass on added costs through the price of manufactured goods. The Consumer Federation of Kenya (Cofek) has expressed dissatisfaction with the impact the new tariff will create in the current financial year, saying the decisions undertaken by ERC did not represent consumers' views as the latter do not hold any seat in the regulator's board. "It is welcome news for domestic consumers who use less than 50 units and small commercials. Any adjustments upwards affecting industrial consumers will affect small consumers in several other ways. We have tasked a team to study the tariff in more detail and we will have a firm position within a week," said Mr Stephen Mutoro, Cofek secretary general.

Kenya Power could not immediately comment on the new tariffs as it requested for additional time to "consult". By June 2015, the tariff will drop to Sh13.44 and Sh12.66 per unit of electricity in the two subsequent financial years to June 2016. The 2015 and 2016 review will result in a general decline in cost of power across the board, with heavy industries enjoying the largest cut of up to 16 per cent. The last tariff review was carried out in 2008. Even though ERC is required by law to carry out the exercise every three years, in 2011 the regulator declined to review the tariff due to a need to protect consumers from escalating inflation and a deteriorating exchange rate. The review comes as a result of an application by Kenya Power for a review of the base tariff that was submitted to the ERC on February 11, 2013. In its application, Kenya Power petitioned the ERC to increase the electricity tariff in order to allow the company collect more revenue to finance its plans to increase efficiency of power distribution infrastructure. According to Mr Nyang, Kenya Power's request was declined on grounds that during the tariff control period, the company would be able to purchase "cheap" electricity, generated from renewable sources such as hydro, wind and geothermal in power plants that are scheduled to be set up under the government programme to develop 5,000 megawatts of electricity in 40 months. "The project 5,000MW is to reduce the price of electricity by lowering the tariff due to increased generation. The current tariff is high because of the generation mix that is heavily dependent on expensive fossil fuels. The aim of the 5,000+MW programme by the government is to reduce reliance on fossil fuels and increase generation from renewable resources," said Mr Nyang. The Ministry of Energy and Petroleum has already ended its contract with UK emergency power producer Aggreko for the generation of 90 megawatts of electricity using diesel-driven generators and has plans to decommission the remaining 30 megawatts from the company's generator. *(Daily Nation)*

Kenya has awarded a Ksh1.2 trillion tender of building the Mombasa-Malaba Standard Gauge Railway line to a Chinese firm. Transport and Infrastructure Secretary Michael Kamau on Thursday said the decision was in accordance to the terms given by the China government when Nairobi signed a loan agreement with Beijing. Mr Kamau appeared before a parliamentary committee to address concerns raised on the manner in which China Bridges and Roads Company was awarded the contract. "We had to follow their (China's) procurement procedure," said the cabinet secretary. The options, the committee heard, were limited to picking China Bridges and Roads Company, which signed a memorandum of understanding with the Kibaki government in 2011. In the memorandum, the firm promised to assist in a government-to-government deal supported by concessional loans from the China Export Import (Exim) Bank. In August, President Uhuru Kenyatta visited China and signed a Sh425 billion loan, a large portion of which is to fund the new railway line. National Assembly Speaker Justin Muturi last week directed the parliamentary Transport committee to investigate claims raised by Nyali MP Hazron Awiti on whether the government followed due process. The Transport cabinet secretary said that after due diligence was done by both governments, the firm was found competent. "This money has been guaranteed by the Chinese government and they cannot channel Sh1.2 trillion to a briefcase firm," noted Mr Kamau.

China Bridges and Roads Company, Mr Kamau said, has branches in 40 countries globally and has the financial and technical capacity to construct a high scale railway line. The company will have a major role in the Northern Corridor Transport and is currently building the northern by-pass road. Mr. Awiti called for government to provide evidence of the due diligence on the Chinese firm as well as other big projects it had handled. "We need to know if the company has the professional qualification for railway construction awarded by the ministry of Housing and Urban Rural Development of the People's Republic of China," said Mr Awiti. Mr Kamua, accompanied by his permanent secretary Nduva Muli, added that China Bridges and Roads listed 14 railway projects and was deemed fit to carry out the work. The government intends to construct the new railway between Mombasa and Malaba in the next three years to ease movement of goods and services, and is set to commence on Thursday next week. *(Daily Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's headline consumer inflation quickened to 22.2 percent year-on-year in October, from 21.7 percent in September, the National Statistics Office said on Wednesday. *(Reuters)*

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Nigeria

Corporate News

Following the indication that the eight financial institutions designated as Systemically Important Banks (SIBs) would be required to raise their liquidity ratio, a report has shown that the United Bank for Africa Plc (UBA) has exceeded the likely threshold of 35 per cent for the SIBs. The Central Bank of Nigeria (CBN) had in a draft document, designated First Bank of Nigeria Limited, Guaranty Trust Bank Plc (GTBank), Zenith Bank Plc, UBA, Access Bank Plc, Skye Bank Plc, Ecobank Nigeria and Diamond Bank Plc as the SIBs owing to the fact that their failure could pose a systemic risk to the banking industry and the larger economy. But a report showed that UBA's liquidity ratio in its recently released third quarter 2013 results was approximately 60 per cent, almost twice the likely minimum liquidity ratio for the eight banks. A US-based investment bank, JP Morgan, in its latest report on the Nigerian banking industry recommended the bank's shares to investors stating that "UBA offers an attractive 45 per cent upside potential over 12 months." The report cited UBA's "significant balance sheet liquidity" as one of the strengths of the bank which makes its shares a good buy, noting that the bank's loan to deposit ratio of 37 per cent as at half year 2013 was the lowest among the Central Eastern Europe Middle East and Africa (CEEMEA) banks covered by the investment bank. "UBA's valuation is an opportunity to buy into what may be the most attractive risk-reward in CEEMEA banks," the JP Morgan report stated. UBA pan-African presence was also seen as strength in the bank's operations.

UBA has the highest number of subsidiaries in Africa among the top-tier Nigerian banks with positions in 18 African countries outside Nigeria and potential to drive future revenues on rising intra-Africa trade. Speaking during at the bank's quarterly investor conference call with analysts, the Group Managing Director/Chief Executive Officer, UBA, Mr.Phillips Oduoza, said loan growth was in line with strategic positioning in power, upstream oil and gas and telecoms sectors of the economy. "Our bank remains resilient and our focus is on delivering a set of full year results that will be able to adequately reward our shareholders. We are already reaping the benefits of operating an African strategy that is anchored on our in-depth knowledge of every market we operate in," Oduoza had explained. *(This Day)*

Heritage Bank Limited has announced the establishment of an initiative to support small and medium scale enterprises (SMEs) in the country. Specifically, Heritage Bank in conjunction with the RSL Derivatives recently set up a club called the 'Paris Club SMEs' whereby customers that qualify are given a certificate of membership and with which they would be able to approach the bank to finance their business. Speaking on the initiative, the Group Head, Heritage Bank Limited, Mr. Bayo Ogunnusi, said in a statement, that the major reason why banks were not funding SMEs was because of risk. Ogunnusi added: "What we have done is to bring up an innovative idea of how to finance SMEs without collateral. We are partnering with some organisations like RSL Derivatives and what we are doing is to identify the SMEs. We offer advisory services to them, we help them structure their business and also with their cash flows.

"Now, if you qualify, you are given a certificate of membership and with that, you can approach Heritage Bank and we finance your business. Now, once we finance your business, it doesn't end there, we are going to be working with you, there are advisors that are going to be checking on your business on a weekly basis. Continuing, Ogunnusi said: "So, it is not going to be business as usual, where people get loans from a bank and do whatever they like. We are going to work with you. "Now, if we give a customer a N20 million facility, we withhold 10 per cent, which is put in an investment protection fund that is insured by Leadway Insurance Plc and managed by Stanbic IBTC nominees. This 10 per cent investment protection fund is like the collateral. "For RSL Derivatives, their job is to ensure that the customers are fit to take monies from the bank, to monitor their performance on a monthly basis and give us the report and also recover bad loans." *(This Day)*

Afren Plc and partner, Lekoil Limited, Tuesday said drilling results at the OPL310 site offshore Nigeria were almost four times higher than previous expectations. The two junior oil and gas exploration and development companies said the OPL310 site showed a gross recoverable P50 resource estimated at 774 million barrels of oil equivalent, almost four times more than their originally targeted 202 million barrels. Afren holds a 22.86 per cent participating interest and 40 per cent economic interest at the site, while Lekoil holds a 17.14 per cent participating interest and 30 per cent economic interest. The Ogo-1 well was drilled to a total measured depth of 10,518 feet and

encountered a large hydrocarbon area spanning 524 foot with 216 foot of net stacked oil pay, while its side track reached a total depth of 17,987 feet and encountered hydrocarbon intervals in the same region. Both companies said they intend to drill the OPL310 appraisal well in the second half of 2014, ahead of their original development plan, on the positive results. Lekoil also announced that it had decided to terminate the binding conditional sale and purchase agreement with Pan Petroleum Aje Limited, Pan-Petroleum Nigeria Holding BV and Pan-Petroleum (Holding) Cyprus Limited for its OML113 site offshore Nigeria due to an inability to agree final terms. Lekoil also said the parties have the right to call a USD3 million bid bond entered into as part of the agreement, which the company will finance out of its cash reserves, allowing the company to focus on its discovery at OPL310. In early trading Tuesday, Lekoil shares were up 22 per cent to 60.45 pence, making them the leading AIM winner, while Afren shares were up 8.6 per cent to 161.70 pence, making it the biggest FTSE 250 winner. Meanwhile, Heritage Oil Plc yesterday said it had continued its positive momentum into its third quarter with vastly increased production and sales on the ramp-up of its OML 30 licence in Nigeria.

The exploration and production oil and gas company said its sales increased to USD49.1 million for the three months ended September 30, compared with USD2.1 million in the same period the previous year. Heritage said the majority of its sales came from Shoreline Natural Resources Limited in Nigeria after its acquisition of interest in the OML 30 licence transformed company finances. The company said its production ramped up to 11,649 barrels of oil per day average during the three months, compared with 617 barrels the previous year, which also represents a 60 per cent increase on the first half of the year. Heritage Oil said its Uzere West Field in Nigeria will commence production shortly and is expected to reach gross production of 5,000 barrels of oil per day within the next few weeks. The company also said it is currently planning a drilling programme for 2014/2015. Heritage Oil shares were up 5.9 per cent to 183.75 pence as at Tuesday. *(This Day)*

First Bank of Nigeria Limited, the School of Media and Communication (SMC) of the Pan-Atlantic University (PAU) and the Nigerian Guild of Editors (NGE) have called on financial journalists in the country to be professional and ethical while reporting business activities. They also urged media houses to support journalists in capacity development. This call was made at the recently-concluded training for select journalists in Uyo. First Bank which sponsored the four-day training expressed its willingness to promote and develop journalists on capacity and human development. The President of NGE, Mr. Femi Adesina, urged media houses to constantly train their employees, even as he call on journalists to always uphold professionalism. Adesina said: "These training become your own and with the support of organisations and collaboration with the school of media, we have decided to continuously support our own, being that not too many employers have training in mind." He further explained that if journalist were better informed on what was happening, they would have helped to avert the 2007 global financial crisis affected a lot of financial institutions.

Also speaking on ethics, the Dean SMC, Prof. Emevwo Biakolo, said: "Being biased in reporting shows unprofessionalism. It is also important to conduct yourselves in an ethical manner as ethics is about fulfillment. "It is also important to investigate in reporting as the desire to know the truth, courage and diligence is necessary." On his part, the Head of the Centre for Leadership in Journalism of PAU, Mr. Richard Ikiebe, said: "There is nothing that beats capacity development and this institution is committed to educating media practitioners with support of First Bank we encourage you as business editors to be guided by the profession." The Head of Media First Bank, Mr. Tunde Lasaki assured journalists of the bank's continued support. *(This Day)*

Goddy Egene writes that the N1.189 billion interim dividend declared by Nestle Nigeria recently is timely as it will provide liquidity for shareholders this yuletide. Some shareholders of Nestle Nigeria Plc have described the interim dividend recently declared by the company as a Christmas gift considering the fact it will be paid in December. Directors of the company, which has the highest priced stock on the Nigerian bourse, last month, announced an interim dividend of N1.50 per share. The interim dividend, which amounts to N1.189 billion and will be paid to shareholders on December 9, 2013. Although the interim dividend is in line with the company's tradition of paying dividend twice every year, shareholders have hailed the timeliness of the dividend, saying it would provide liquidity for them during the yuletide.
Nestle, which has Mr. David Ifezulike as chairman and Mr. Dharnesh Gordhon, a South African as the managing director/chief executive officer, is part of the Nestlé Group. The nutrition, health and wellness company renowned world-wide for its high quality products. Nestlé Nigeria Plc began simple trading operations in Nigeria in 1961 and has today grown into a leading food manufacturing and marketing

company in Nigeria. Nestlé Nigeria Plc was listed on the Nigerian Stock Exchange on April 20, 1979. Nestlé Central & West Africa (CWA) Limited is the major shareholder of the Company. As at December 2012, Nestle CWA had shareholding of 59.59 per cent. Nestlé manufactures and markets a range of brands: Infant cereals(Nestlé Nutrend, Nestlé Cerelac); family cereals (Nestlé Golden Morn); beverage drink (Nestlé Milo); confectionery(Nestlé Chocomillo) and Maggi range of seasoning.

Considering the profit level of Nestle for the nine month-ended September 30, the N1.189 billion interim dividend is an amount that can easily be absorbed by the company. Nestle ended the period with profit after tax of N17.1 billion, as against N18.281 billion. But for the high cost of finance and operating costs, the net profit would have been higher. The company posted revenue of 95.416 billion in 2013, up by 12 per cent from N85.029 billion. Gross profit rose by 17 per cent from N35.523 billion to N41.675 billion. However, profit before tax recorded a lower growth of 11 per cent, while profit after tax posted the same growth margin from N15.391 billion. The moderation in the bottom line resulted from high operating cost and financing cost, which rose by 60 per cent. While distribution and marketing expenses rose by 21 per cent, financing cost jumped by 60 per cent from N1.224 billion to N1.961 billion. Before the declaration of the N1.50 interim dividend, Nestle Nigeria had similarly put smiles on the faces of its shareholders for the year ended December 31, 2012. The company had paid a final dividend of N11.05, bringing the total dividend to N12.55 per share. The 2012 results was seen by operators as most impressive in recent years. Unlike the nine-month performance where financing cost rose significantly, the 2012 had the financing cost extremely reduced. A look at the results again, showed that the proportion of equity funds to total assets improved from 30 per cent to 38 per cent. The proportion of long-term liabilities to total assets dropped from 38 per cent to 33 per cent while current liabilities amounted to 28 per cent of total balance sheet size in 2012 as against about 32 per cent in 2011. The company's total assets increased by 14.5 per cent from N77.73 billion in 2011 to N88.96 billion in 2012, while long-term assets increased by about 13 per cent from N55.5 billion to N62.61 billion. Current appreciated by 19 per cent to N26.36 billion as against N22.21 billion in previous year.

Total liabilities stood at N54.78 billion in 2012 compared with N54.52 billion in 2011.In same vein, current liabilities stood at N25.18 billion as against N24.82 billion while long-term liabilities slipped from N29.70 billion to N29.60 billion. The company's profit before tax rose by 38 per cent from N18.2 billion to N25.05 billion while profit after tax increased by 28 per cent from N2.08 billion to N2.67 billion. The improved profit translated into equally significant increase in cash distributions to shareholders. Total turnover rose by 19 per cent from N97.96 billion to N116.71 billion. Cost of sales increased by 16 per cent from N57.37 billion to N66.54 billion, providing impetus for 46 per cent increase in gross profit from N40.59 billion to N59.17 billion. Total operating expenses, however rose by 27 per cent from N19.08 billion to N24.18 billion. With about 72 per cent reduction in interest expenses from N3.32 billion to N939 million in 2012, earnings per share stood at N26.67 in 2012, representing an increase of 28 per cent on N20.81 recorded in 2011. Gross dividend increased by 59 per cent from N9.95 billion for 2011 to N15.85 billion for 2012, representing dividend per share of N20 for 2012 as against N12.55 distributed for 2011. Net assets per share also improved by 47 per cent from N29.28 to N43.13. In a similar vein, the underlying profitability indices improved considerably. Gross profit margin increased from 41 per cent to 51 per cent. Profit before tax margin also improved from 18.6 per cent to 21.5 per cent. Return on total assets stood at 28.2 per cent in 2012 as against 23.4 per cent in 2011. Return on equity however dropped from 71 per cent in 2011 to 62 per cent in 2012. Sustainable dividend outlook diminished slightly with a dividend cover of 1.3 times in 2012 as against 1.7 times in 2011.

Nestle's cost efficiency saw some improvement in its average cost of sale per unit decreased in 2012, providing early headroom for profit growth. While average cost per staff increased from N5.21 million in 2011 to N6.08 million in 2012, average contribution of each employee to pre-tax profit improved from N8.39 million to N11.50 million. The company ended with stronger liquidity, indicated by positive working capital and better financial coverage for immediate liabilities. Current ratio, improved from 0.90 times in 2011 to 1.05 times in 2012. Working capital/turnover ratio stood was at 1.0 per cent in 2012 as against negative rate of 2.7 per cent in 2011. The nine-month performance is not coming as a surprise to many stakeholders, the stiff competition notwithstanding. The immediate past Chairman of Nestle, Chief Olusegun Osunkeye, had told shareholders last May that the firm would ensure better performance this year given the strategies already in place. "We will continue to build our brands and create a sustainable competitive edge to accelerate Nestle's growth.

We envisage that 2013 will likely be difficult. Nevertheless, we are confident it will be a successful year due to our proven ability to deliver innovative growth in our businesses while at the same time delivering value to all our stakeholders. We shall continue to leverage our scale and structure to ensure profitable growth, improve our operational efficiency to enable us to be more focused on opportunities for growth with our customers and consumers." He said some of its products had already been fortified with iron in line with commitment and leadership to play an important role in the daily life of the country.

"Already fortified with iodine, Nestle's development of iron-fortified Maggi cube is a reflection of the company's ongoing commitment and leadership to play an important role in daily life of Nigeria," he said. Osunkeye noted that one of the company's created share value (CSV) initiative was the Nestle/ IITA cassava starch project, on which Nestle would spend $750,000 over a two- year period. He said: "The goal of the cassava project is to replace imported maize starch with cassava starch in the company's culinary manufacturing process. The initiative is aimed at increasing productivity per hectare in cassava through multiplication and dissemination of high yielding varieties and ensuring small holder framers benefit from improved cassava management practices." Osunkeye, who is also a former CEO of the company said Nestle brands and products were the focus of continuous innovation so that they meet and exceed our consumers' expectations. "The company seeks to achieve clear-cut advantage over competitors' products and to ensure that its products are available. *(This Day)*

Nedbank Group Limited the South Africa lender controlled by Old Mutual Plc plans to exercise an option it has from next month to buy one-fifth of Ecobank Transnational Incorporated (ETI) in a deal valued at more than $500 million. THISDAY had reported about a fortnight ago that the move by the South African bank to increase its stake in ETI was causing anxiety in the market. But Bloomberg quoted Nedbank's Chief Executive Officer, Mr. Mike Brown, yesterday to have said his financial institution intends to take up its right to convert a $285 million loan made to Ecobank in 2011 into an estimated 11 per cent stake. A second subscription right allows Nedbank to increase its holding in Togo-based Ecobank to as much as 20 per cent, he said, without giving a time frame for the plan. "It is our current intention to exercise our rights," Brown wrote in an e-mailed response to Bloomberg, saying the bank hasn't taken a formal decision to proceed. He added: "We have always anticipated that the total cost to get to a 20 per cent shareholding will be greater than the original loan." The Public Investment Corporation (PIC), which manages more than 1 trillion rand ($99 billion) mostly on behalf of South African government workers and has considerable interest in Nedbank, also bought about 20 per cent of Ecobank in April last year, making it the lender's biggest shareholder.

THISDAY had gathered that in order to finance its acquisition of former Oceanic Bank Plc, Ecobank Nigeria, through its parent company, ETI, had secured convertible loans from Nedbank of South Africa. ETI also took another convertible loan from PIC. Ecobank, which trades on three African exchanges and operates in 33 nations on the continent, reported last month that profit increased 65 per cent to $250 million in the nine months through September as its business in Nigeria and Ghana expanded. While Ecobank has the reciprocal right to buy a stake in Nedbank, its Chief Executive Officer, Thierry Tanoh, had said in May that the lender may delay taking this option to focus on its African businesses. Nedbank has a 12-month window, starting in December, to convert the loan into Ecobank shares. Nedbank formed an alliance in 2008 with Ecobank. The Togolese lender, founded in 1985, also operates in France and has representative offices in Beijing, Dubai and London. Ecobank Chairman, Mr. Kolapo Lawson, who retired last month, plans to step down on December 31 amid allegations of fraud that are being investigated by the Securities and Exchange Commission. *(This Day)*

Economic News

Nigeria's economic growth quickened to 6.8 percent year-on-year in the third quarter, while oil output in Africa's biggest producer recovered but remains well below capacity, statistics showed on Monday. Africa's second largest economy grew faster than the 6.18 percent in the second quarter this year due to a strong performance in the agriculture, construction and telecommunication sectors, the national bureau of statistics said in a report. The OPEC-member's crude oil output rose to an average of 2.26 million barrels per day (bpd) in the third quarter, up from 2.11 million bpd in the second quarter, but down on the 2.52 million bpd produced in the third quarter last year.
Widespread oil theft and pipeline outages in the restive Niger Delta have cut up to 400,000 bpd from oil production this year. Oil exports

account for 80 percent of government revenues and 95 percent of foreign exchange earnings. Nigeria is growing as an investment destination due to its huge potential consumer population of almost 170 million and improved fiscal and monetary stability. *(Reuters)*

The Debt Management Office (DMO) has stated that the federal government is committed to its fiscal consolidation programme aimed at reducing domestic borrowing to make room for the private sector, Head, Policy, Strategy and Risk Management, DMO, Mr. Joe Ugoala, who stated this at the Capital Market Correspondents of Nigeria (CAMCAN) forum in Lagos, said the government plan is to reduce budget deficit financing by about 75 per cent in 2016. According to him, "The succession of large budget deficits in the recent past has resulted in the rapid growth of public debt. Mindful of this, government has instituted a regime of fiscal consolidation, which envisages a reduction in government's domestic borrowing over time. "The federal government through the DMO is doing what it can to sustain the fiscal consolidation programme. In 2010 our budget deficit financing was over N1 trillion; in 2011,we reduced it to N856 billion. The government reduced it further and the following year (2012) by scaling down to N774 billion. In 2013, we have also reduced it significantly to N577.07 billion. The government's ultimate aim is to reduce it to a little over N200 billion." Ugoala, who represented the Director General of DMO, Dr. Abraham Nwankwo, stated that the current practice of financing part of the country's fiscal deficit by borrowing from the market had led to the development of the domestic debt market.

"It has brought other salutary benefits for monetary policy operations and the economy, these include: Removal of conflict of interest - clear separation of debt management functions from monetary policy operations - thereby allowing each agency, especially the CBN, to concentrate on its core mandate; Subjecting government's borrowing to market discipline; Use of long-term as against short-term funds to finance long-term projects – a clear case of optimal asset-matching; Significant reduction in refinancing risks through tenor elongation," he said. He also disclosed that the federal government had concluded arrangements to issue $100 million Diaspora bond targeted at Nigeria abroad who want to invest in Nigeria's infrastructural development and reap return at the end. "The DMO is to sustain its initiatives in the market, by further diversifying the debt instruments available in the market and the investor-base, through the issuance of Diaspora Bond and FGN Bonds in Global Depository Notes (GDN) Format. "Arrangements are being finalised for the installation of an Automated IT Platform for the FGN Debt Securities Market, which is expected to further enhance market efficiency in the domestic debt market. "The focus of public debt management in Nigeria will remain maximising benefits from the domestic market and ICM, to motivate the private sector to mobilise stable capital for funding of real sector and infrastructure projects," he added. *(This Day)*

The President of the Lagos Chamber of Commerce and Industry, (LCCI), Mr. Goodie Ibru, has called on the Central Bank of Nigeria (CBN) to reverse the new foreign exchange policy and return to the wholesale Dutch Auction System (DAS). The call was made at the quarterly press briefing on the economy by the chamber held in Lagos at the weekend. According to Ibru, the Naira suffered significant deprecation in parallel market on the back of the new policy as the dollar sold for between N166 – 168, adding that the parallel market premium also widened considerably. He said, "There is a high risk of round tripping in the foreign exchange market as the official and parallel market rates widen. There's heightened risk of inflationary pressures as the exchange rate in the parallel market depreciates drastically. This is significant because the Nigerian economy is characterised by a large informal sector that source foreign exchange mainly from the parallel market. "There is a risk of over-regulation in the market, which could create further distortions and breed corruption within the regulatory system. There is also the challenge of excessive documentation and bureaucracy, which will slow down the tempo of economic activities and create transparency problems." Ibru focused on the general business conditions and investors' confidence, monetary policy issues, real sector issues, structural issues, the credit crisis, ethical issues, the power sector reform, the new Common External Tariff, Global Competitiveness Report, Unemployment, the Petroleum Industry Bill and many more.

On the GDP Growth, he said the second quarter numbers released showed a decline to 6.18 per cent from 6.56 per cent it recorded in the first quarter being the fifth consecutive quarter of GDP growth below 7 per cent, which is well below the 6.55 per cent growth forecast by the National Bureau of Statistics (NBS) for the quarter, adding that the cause was a decline in oil production to 1.88mbpd below the budget benchmark of 2.54mbpd. He however said the agric sector staged a strong performance of 4.52 per cent, surpassing its first quarter growth of 4.14 per cent, and it was the highest growth performance of the sector in the last seven quarters; suggesting a positive impact of the on-

going agric transformation programme of the government. On inflation, Ibru said the inflation rate moderated to 8.2 per cent in August from 8.7 per cent in July on a year-on-year basis. "The moderation is attributed largely to decline in food price such as potatoes, yams, and other tubers due to the onset of harvesting season. Food inflation moderated from 10 per cent in July to 9.7 per cent in August. It is a good development that we now have single digit inflation for the past few months", he said. The President also announced that the ECOWAS Council of Heads of States recently approved the new Common External Tariff (CET), which shall come into effect on January 1, 2015, saying that the move is expected to consolidate the region as a customs union and create a market of an estimated 500 million people and it offers great opportunities for investors through the advantage of economies of scale. According to him, the highlights of the new policy regime include scrapping of import prohibition list, scrapping of Export Prohibition list, abrogation of Import duty waivers, abrogation of import levies, and loss of sovereign authority on tariff policy. He however, said the policy has a downside which includes high energy costs, high costs of funds, high regulatory charges, and high ports charges and other related charges, and high cost of logistics amongst others.

The President commended the government on the progress made so far on the power sector reform, particularly on the privatisation of the sector but harped on the severe challenges operators in the period under review is facing, saying that it is taking a toll on the bottom line of investors in the economy. On the market access for domestic investors, Ibru said the manufacturing enterprises in the economy are still grappling with the problem of unbridled importation of consumer products into the country. On credit conditions the LCCI said the Credit crisis, which was triggered by the banking sector reforms persisted in the period under review and most investors still face challenges in accessing credit just as worries over high interest rate persist, adding that risk assessments and criteria for credits have remained stringent and rigorous. On debt profile of the country the LCCI said data from the Debt Management Office indicate that the current debt profile of the country is $53.4 billion as at September 2013 out of which domestic debt is $45 billion; while external debt (federal and state governments) is $8.3 billion. The LCCI however submitted that an urgent need to moderate the growth of domestic debts and free resources for investors in the economy with full compliance with the provisions of the Fiscal Responsibility Act with regard to debt management. At the end of the conference, Ibru announced that he would be stepping down as the President of the LCCI and Alhaji Ismail Remi Bello would take over from him from next quarter. *(This Day)*

The federal government plans to begin the privatisation of four of its state-owned oil refineries before the end of the first quarter of next year, the Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke has said. "We would like to see major infrastructure entities, such as refineries, moving out of government hands into the private sector," Alison-Madueke said in an interview with Bloomberg TV Africa in London. Speaking further, she said: "Government does not want to be in the business of running major infrastructure entities and we haven't done a very good job at it over the years." A presidential audit of the facilities led by a former Minister of Finance, Kalu Idika Kalu, had last year recommended the sale of the refineries due to inadequate government funding and "sub-optimal performance." The refineries, which have a combined capacity of 445,000 bpd, should be privatised within 18 months, according to the report submitted to President Goodluck Jonathan in November 2012. Nigeria, a member of the Organisation of Petroleum Exporting Countries (OPEC), produced 1.99 million barrels per day (bpd) of crude in October. The refineries are 124,00bpd Warri Refinery, 60,000bpd Old Port Harcourt refinery, 150,000bpd new Port Harcourt refinery and 110,000bpd Kaduna refinery. A previous attempt in 2007 by the Olusegun Obasanjo administration to sell the Kaduna and Warri refineries was reversed by the next government headed by the late Umaru Musa Yar'Adua.
While Nigeria is also Africa's top crude exporter and the most populous with more than 160 million people, it relies on fuel imports to meet more than 70 per cent of its needs.

Its state-owned plants operate at a fraction of their capacity because of poor maintenance and aging equipment. The West African nation exchanges 60,000 bpd of crude for products with Trafigura Beheer BV and a similar amount with Societe Ivoirienne de Raffinage's refinery in Cote d' Ivoire, according to Nigerian National Petroleum Corporation (NNPC). "We are right now undergoing a major turnaround maintenance programme of the refineries," Alison-Madueke said. Improvements to the two-unit, 210,000-bpd Port Harcourt refinery, the country's biggest, would be completed by the end of the year, to be followed by enhancements at the Warri and Kaduna sites in 2014, according to the NNPC. Warri has a processing capacity of 125,000 bpd and Kaduna, 110,000 bpd. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

The National Coordinator of the Sustainable Food Security in Nigeria (SUFOS), Mr. Patrick Imo, at the unveiling of the SUFOS awards logo held at the National Theatre, Iganmu, Lagos at the weekend announced that Nigeria has been grappling with low agricultural production with over 40 per cent post-harvest loss, which has led to an unprecedented hike in food importation in the country. Imo said most worrisome is the importation of foodstuff that is far below acceptable global standards as in the case of rice that are usually stored for over 15 years in the countries below they are imported into Nigeria. He continued by saying that sustainable food security in Nigeria would require programmes and policies that would outlive various governments, adding that various campaign over the years like the Operation Feed the Nation (OFN), the Green Revolution and various naira-guzzling river basin development authorities nationwide, as well as costly irrigation projects in the north, did not yield positive results. Imo said, "It is in this light that SUFOS seek to galvanise the efforts of the Federal Ministry of Agriculture and its states counterparts, relevant institutions, donor agencies and private stakeholders towards the restoration of Nigeria's lost glory in agriculture, in sync with the governments transformation agenda to institute a sustainable food security award to be called SUFOS award".

According to Imo, the award is the grand finale of a two-day conference billed for December 11-12, 2013 at the Michael Okpara University of Agriculture, Umudike, Abia State designed to honour institutions and individuals, locally and internationally, who have shown outstanding commitment towards agricultural development, sustainable food production and conservation with its attendant value chain development as well as corporate and political institutions that have created the needed enabling policies. SUFOS is the brain child of Azure Consult in conjunction with NTA and Michael Okpara University of Agriculture. *(This Day)*

Foreign investors' holding in the Federal Government Bonds has continued to grow, hitting $5.112billion as at the end of 2012 following the transformation of the market by the Debt Management Office (DMO). Prior to the establishment of DMO in 2000, debt management operations in Nigeria were undertaken in an uncoordinated fashion by various agencies of government leading to inefficiencies and less positive impact on the economy. However, through the transformation efforts of agency, the debt management system has improved leading to many benefits. And one of the benefits, according to Director-General of DMO, Dr. Abraham Nwankwo, is the increase in foreign exchange inflows that had led to growth in external reserves and stability of the naira through the participation of foreign investors in bond market. Nwankwo disclosed that as at the end of December 2012, foreign investors' holding in FGN securities amounted to $5.112 billion, compared to about $500 million as at the beginning of 2012. He added that the share of foreign investors had been rising consistently moving from 1.66 per cent as at the end of 2011 to 10.26 per cent as at the end of 2012. This has improved to an average of 16.1 per cent and has been averaging 16.1 per cent between January and June 2013. Nwankwo, who spoke through Head of Policy, Strategy and Risk Management, DMO, Mr Joe Ugoala, at the annual workshop of Capital Market Correspondents of Nigeria (CAMCAN) in Lagos, said the transformation of the bond market had facilitated market-based funding of appropriated budget deficits and bail-out/special borrowings. "The current practice of financing part of the country's fiscal deficits by borrowing from the bond market has not only led to the development of the domestic debt market, it has brought other salutary benefits for monetary policy operations and the economy," he said.

The DMO boss said the transformation had removed conflict of interest by making clear separation of debt management functions from monetary policy operations, thereby allowing each agency, especially the CBN, to concentrate on its core mandate. "The transformation of the bond market and raising funds from the market has subjected government's borrowing to market discipline, using long-term as against short-term funds to finance long-term projects, which is a clear case of optimal asset-matching; significant reduction in refinancing risks through tenor elongation and establishment of a sovereign yield curve and benchmark for private sector borrowing," he said. Going forward, he said the focus of public debt management in Nigeria would remain maximising benefits from the domestic market and International capital market to motivate the private sector to mobilise stable capital for funding of real sector and infrastructure projects. *(This Day)*

The Securities and Exchange Commission (SEC) has restated its determination and commitment to protect investors patronising the Nigerian over-the-counter (OTC) securities market. The OTC market, comprising equities market and fixed income market, has been operating with little or no transparency and strong corporate governance. However, SEC have licensed the NASD Plc, which is a platform in

the OTC market for equities and the FMDQ OTC Plc, which is a platform meant for the trading of fixed income financial instruments. Speaking on safety of investments on these platforms, at a forum organised by the NASD Plc in Lagos, Head, Exchanges Division, SEC, Mr. Agama Emomotimi, said one of the major reasons the apex regulator of the capital market is in existence is to protect investors. According to him, the commission attaches high premium to investor protection; hence the decision to license platforms that would allow investors to enter and exit the market through many platforms. "There are many ways to get into the market and if you provide only one way into a market, you can imagine what will happen. There will be serious jamming and many people will get injured. All this while, we had only the Nigerian Stock Exchange (NSE) fully functional. And the aspiration of the SEC is to provide opportunities for investors and shareholders to have access to platforms where they can actually exchange their shares, that is sell or buy as the case may be," he said.

Emomotimi noted that SEC is very happy with the existence of other platforms that are now functioning, adding that investors should make good use of the platforms. "The SEC is the apex regulator, we are existing because of investors; we will do our best to protect investors in as much as we do exist, that is our duty. "And that is the reason NASD and FMDQ were licensed to provide platforms for investors to trade their securities. If the SEC does not think about it that way, it probably would not have given licences. But because it is part of job to protect investors, SEC licensed these platforms and we hope that you will make very good use of them," he said. *(This Day)*

Tanzania

Corporate News

No Corporate News this week

Economic News

Tanzania's arabica coffee prices fell at auction last week as supply of the commodity increased, regulator the Tanzania Coffee Board (TCB) said on Monday. The state-run TCB said 29,457 60-kg bags were offered at the latest sale and that 24,095 bags were purchased. At the previous sale, a total of 22,265 60-kg bags had been offered for sale, with 18,973 bags sold. "Overall average prices at the Moshi exchange were down by $3.37 per 50 kg for mild arabica compared to the last auction," the TCB said in its auction report. "Average prices at the Moshi exchange were above the terminal market by $7.95 per 50 kg for mild arabica." No robusta coffee beans were offered for sale at last week's auction due to limited harvests. Tanzania, Africa's fourth-largest coffee producer after Ethiopia, Uganda and Ivory Coast, produces mainly arabica and some robusta coffee. Prices of its arabica normally track the New York market while those of robusta take their cue from London. The TCB said New York markets rose by $1.49 per 50 kg, while London markets were also up by $0.55 per 50 kg. East African coffee is normally packed in 60-kg bags, but the prices are quoted for quantities of 50 kg. Benchmark grade AA sold at $107.00-$121.40 per 50 kg, down from $112.00-$180.00 previously. The average price was $114.81, from $120.85 at the previous auction. Grade A fetched $110.40-$131.00 per 50 kg, compared with $105.00-$135.00 at the previous sale. The average price was $116.96, from $116.41 previously. The TCB says it expects the 2013/14 (June/April) crop to fall to 45,000 tonnes from around 71,600 tonnes in the previous season, which was the highest output in 20 years. *(Reuters)*

Tanzania's cabinet has approved a long-delayed natural gas policy part of new rules for the country's fast-growing gas industry that will impose tough conditions on foreign companies and ensure the domestic market gets priority over exports. East Africa has become one of the world's most sought-after oil and gas provinces after a string of vast discoveries attracted foreign companies seeking new gas sources to supply energy-hungry Asian markets. Tanzania estimates it has 42.7 trillion cubic feet of gas following big finds off its southern coast. "The final natural gas policy was approved by cabinet ... and we are now in the final stages of drafting a new law to regulate the industry," Eliachim Maswi, the energy ministry's permanent secretary, told Reuters on Tuesday. Maswi said the policy was approved on October 10. The Tanzanian government rarely announces decisions made during cabinet meetings. "The government's goal is to have the natural gas legislation in place next year," he said. Similar to other east African countries, a debate in Tanzania has focused on how much of the nation's hydrocarbon reserves should be used locally and how much can be exported. The regulations are in line with tough conditions outlined in the model production sharing agreement of 2013 document, published by the government on November 4. Tanzania has signed 26 production sharing agreements with several majors such as BG Group, Ophir Energy, Exxon Mobil and Statoil. The "Natural Gas Policy of Tanzania 2013" document seen by Reuters regulates mid and downstream activities of the industry, which include gas processing, liquefaction, transportation, storage and distribution. The policy document states the government would "ensure that the domestic market is given first priority over the export market in gas supply."

The government said a separate policy would be drafted to guide upstream activities such as exploration, development and production stages of oil and gas operations. Tom Savory, analyst at consultancy Africa Practice, said the document was an important step for the Tanzanian gas industry and would be welcomed by investors who are likely to see it as a sign of political progress on a tricky issue. "In the long run, however, the devil is in the detail and there are still many unknowns." The policy also said the government would ensure natural gas processing takes places on shore, contrary to calls by the international oil and gas firms who would prefer to build off-shore plants. Government officials said they want oil companies to build joint liquefied natural gas (LNG) terminals to speed up the recovery of their investments so they can start paying taxes as soon as possible. The policy also calls for the establishment of a natural gas revenue fund to ensure transparency and accountability over collection, allocation, expenditure and management of all natural gas revenues. *(Reuters)*

Zambia

Corporate News

No Corporate News this week

Economic News

The Tanzania-Zambia Railway Authority has suspended the transportation of freight and passengers between the two countries for at least week after an accident dislocated a rail line, a company spokesman said on Wednesday. The TAZARA line is a key route for copper exports through the Tanzanian port of Dar es Salaam from Zambia, Africa's top copper producer, and the neighbouring Democratic Republic of Congo. Cross-border operations were halted on Monday after a truck hit a railway bridge in Tanzania, Zambia's privately owned Post Newspaper reported. "The rail line was dislocated and tentatively declared impassable for the next seven days," TAZARA spokesman Conrad Simuchile said. In March, the national railways of Zambia, Democratic Republic of Congo and Tanzania signed an agreement to make it easier to transport goods such as copper by rail between the countries. *(Reuters)*

Zimbabwe

Corporate News

ZIMBABWE Stock Exchange listed African Distillers has received a shot in the arm from its major shareholders as the company looks to finish the installation of a new bottling line by June next year. It has emerged that shareholders Delta Beverages and Old Mutual are going to provide shareholder loans of US$5 million to Afdis for the acquisition of equipment that will see the company locally producing cider brands. Local production of ciders is expected to commence around June next year. Managing director Mr Cecil Gombera at the group's annual general meeting held two weeks ago said the group was currently putting together the equipment and all the feasibility studies have been done. "We are on a modernisation drive to meet the demands of both the regional and international market, because we don't want to be caught unaware by global trends," he said. Mr Gombera said the ready to drink market was the future in terms of the growth of the business. Also at the AGM, the group said it was on course to achieve a 20 percent growth in turnover at the end of the financial year while a 16 percent volume increase is also expected. Mr Gombera said notwithstanding the challenges of the diminishing disposable income, the business was on a growth trend after turnover in the first quarter increased 9 percent against the same ago period. Volumes had grown 6 percent mainly boosted by locally produced products. Brown spirits had grown by more than 30 percent as had the whiskies in particular the Gold Blend brand. "Viceroy and Chateau are performing well and are in line with group expectations."

White spirits continued to face stiff competition from cheaper products at the end of the market but the group was moving at addressing this. Well placed sources said should Afdis require further funding down the line by way of a rights issue, then one of the two shareholders will be the underwriter and would most likely increase their respective shareholdings in the counter. Delta currently accounts for Afdis as an associate company. Afdis is currently trading under a cautionary statement which analysts speculate relates to a recapitalisation drive to improve productivity and profitability. *(Herald)*

ZIMBABWE Stock Exchange-listed Colcom Holdings has invested $1,5 million in new factory equipment as the company seeks to improve operating efficiencies and revenue, a company official has said. The new plant will be commissioned in January 2014. Speaking at the group's annual general meeting on Friday, Colcom chief executive officer Theophilus Kumalo said the funding for the plant will come from borrowings and the companies' resources. "Aged equipment is eroding the company's efficiency and has resulted in high maintenance costs. Consequently, we have purchased a new emulsification line, smoking, cooking and cooling equipment and a packaging line at a cost of $1,478 million," Kumalo said. According to the Confederation of Zimbabwe Industries, most companies have struggled due to capital use which has resulted in the use of antiquated equipment with high overheads. The equipment, according to Kumalo, will improve production of smoked and cooked products to an excess of 200 tonnes per week. He said the market demand was significantly below production capacity and the factory was currently operating at 66% capacity. "We commissioned a refurbished 8 tonne-boiler and steam production has been stabilised. This installation has resulted in reduced coal consumption from 8 to 5 tonnes per day," he said. Kumalo said the group turnover increased by 14% for the first four months from July to October as compared to the same period last year due to growth driven by wider distribution channels.

Kumalo said turnover for the Colcom Foods Division which includes Triple C, pigs and the pies business declined by 10% as compared to prior year due to the discontinuation of frozen pies and the reduced production tonnage of pork pies and low cost sausages. "Gross profit margins continue to be squeezed by the requirement to heavily discount sales across all product lines into the market and the inability to pass on these raw material cost increases to our customers, due to depressed market conditions," Kumalo said. "We expect that the trend of volumes and turnover growth will continue at about 14% over prior year and that profitability will be enhanced by managing all operational costs downwards in an environment of declining margins." He said currently most categories of protein were in an oversupply resulting in low margins. "With the stiff competition and market resistance to pricing, we reduced the producer pig price significantly and this has eroded the Triple c farm profitably to breakeven levels," Kumalo said. *(News Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

ZIMBABWE Stock Exchange-listed manufacturing concern Delta Corporation has engaged Treasury over the current excise duty on lager beer amid concerns that the upward revision in tax has resulted in softened spending. Despite posting a 9,5% growth in half year earnings driven by rising sorghum beer and non-alcoholic beverages sales, the company announced a slump in lager beer volumes. After tax profit for the period under review rose to $47 million from $42,6 million driven by a 5% growth in revenue, earnings before interest and tax also rose to $62,6 million. Delta, an associate of SABMiller said earnings per share rose to 3,83 cents during the period under review, up from 3,50 cents in prior comparative period. Lager beer gross sales were down 4% to $164 million while sorghum beer sales were up 24% to $76 million. Sparkling beverages sales increased by 8% to $110. Alternative beverages (maheu), which was recently launched were 59% to $7 million during the period under review. Delta chief executive officer Pearson Gowero told an analyst briefing that the underperformance of the economy over the last six months has resulted to low demand for lager beers. "We are currently engaging government to consider revising excise duty on lager beer," Gowero said. Government increased excise duty by 5 cents last year. The company said the operating environment for the second half of the year was likely going to be demanding as key economic sectors remained subdued. Analysts say demand for lager was further expected to decline due to the recent increase in prices as well as low disposable incomes as companies continued to fold.

Last Monday, the price of beer, according to Delta, increased by up to 20 cents. Before the increase in excise duty, Delta Corporation, 38% owned by global brewing giant SAB Miller, reported a $104 million after-tax profit for the full year to March compared with $72 million during the same period last year driven by strong sales of premium lager and non-alcoholic beverages. The company has also announced plans to commission an $8 million line for Chibuku in a bid to grow market share for sorghum beer. Matts Valela, the company's executive director in charge of finance said the new plant was to be financed using internally generated resources. Meanwhile, the country's industrial lobby group, the Confederation of Zimbabwe Industry, has also lobbied government over the country's tax regime in the forthcoming national budget amid concerns of massive company closures. CZI submitted a raft of measures required to turn around the manufacturing sector on the back of subdued capacity utilisation. Capacity utilisation for the manufacturing sector this year declined to 39% from 44% mainly due to funding constraints. *(News Day)*

BINDURA Nickel Corporation may now be looking ahead to developing and maximising returns from its Hunter's Road resource, smelting and refinery assets after eventually overcoming its financial woes following successful implementation of the nickel miner's revised mining plan for Trojan Mine. Assuming all things remain equal BNC could now be considered safely out of the woods and far away from the cusp of the financial Sword of Damocles. Around July this year, BNC raised the red flag warning failure to raise short-term funding and non-implementation of a revised mining plan threatened its future viability. With both short-term funding and revised mining plan for BNC's Trojan Mine now safely in place, it has been an arduous but successful turnaround. A recent report by Edison Investment Research shows Africa's only integrated smelting and refinery has recorded a faster than expected recovery. "The improved operational and financial performance at Trojan means the funding requirement at BNC has fallen from an estimated US$22 million to circa US$5 million currently, which is largely being financed through working capital." A total of 158 649 tonnes of nickel was mined in the second quarter of 2013 while a total of 154 413 tonnes were milled during the same period against 102 000 tonnes and 127 000 tonnes, respectively estimated under the old plan while sales totalled 1 505 tonnes from 604,23 tonnes initially forecast in the original plan. The main challenges faced by Trojan during the BNC second quarter financial period related to equipment availability, which was lower than required owing to the restricted availability of working capital, among other things. In addition to its operational results, on October, 7 2013, BNC reported a resource update at Trojan.

Proven and probable reserves increased 27,8 percent to 3 168 tonnes at 1,04 percent nickel, containing 32 975 tonnes. The nickel resource increased by 2,6 percent, albeit with a 44,8 percent increase in the indicated category, largely converted from inferred an resource. In the short term, the adoption of the revised mine plan for Trojan, described in a competent person's review conducted by SRK Consulting of the United Kingdom as realistic and achievable and the higher profits and cash flows that are arising there from, have allowed BNC to reduce its funding requirement for Trojan from US$22 million to US$5 million. BNC, a subsidiary of alternative investment market (London) listed

Mwana Africa, put assets under care and maintenance at the height of Zimbabwe's economic crisis in 2008, but reopened after recapitalisation in September 2012. A U$S21 million rights issue and US$2 million private placement allowed the nickel mining company to resume exports under an off take agreement signed with global mineral commodity trader Glencoe International. It also resolved issues around staff numbers and historical debts. But challenges around securing capital to support the second phase of the restart of Trojan Mine threatened the firm's status as a going concern. "Should the corporation fail to execute the revised production plan, a material uncertainty exists, which may cast significant doubt as to the ability of the corporation and its subsidiaries to continue as a going concern," BNC said.

Fortunately, its fortunes have turned out to be on the positive extreme end thanks to successful implantation of the new plan and improved cash flows. Notwithstanding, rapid adoption and execution of the revised mine plan for Trojan, in the long term opportunities at BNC remain the restart of the smelter and refinery and the development of the Hunter's Road nickel open-pit. *(Herald)*

MANY lightweight stocks on the Zimbabwe Stock exchange appear poised to exit the bourse in the face of a biting liquidity crunch that has made costs and rigours of maintaining public listing unbearably expensive. Market analysts content that lightweight stocks such as Willdale, Zeco, PG and MedTech were likely to find maintaining public listing unsustainable and at this juncture appear the most likely candidates to exit the ZSE. "The likes of Willdale, Zeco, PG and may be MedTech (may delist). For the rest there are new initiatives and foreign money coming in. A few might exit (the ZSE). Although most are not making profits, they are moving on," said EFE managing director Mr Edgeton Tsanga. A perusal of volumes of shares of companies listed on the ZSE shows that only a few blue-chip stocks account for the majority of traded shares. Another analyst with a leading stock broking firm who requested anonymity said times were tough and companies were exiting the ZSE not by choice, but because of lack of cost and challenges of remaining listed. "Times are very tough. I do not think that companies are delisting because they don't want to be on the stock market. "Conditions are tough and companies need to cut costs. Remaining listed can be expensive," he said. Listed companies are required to adhere to certain rigorous reporting and accounting standards, maintain certain minimum internal and external audit and disclosure benchmarks, maintain register of investors, adhere to acceptable corporate governance guidelines, have specialist external financial and legal advisors and adhere to certain board standards.

This is also reflected in the ZSE's total market capitalisation where only three bellwether stocks namely Delta at US$1,85 billion, Econet US$1 billion and Innscor US$469 million accounting for more than half of the value. The skew is also reflected in that about a fifth of the 70 actively traded stocks on the ZSE account for close to US$5 billion of the US$5,5 billion market value. Certainly, pointers are that many penny stocks on the ZSE could opt for delisting in view of the costs of a public listing compared to benefits thereof. A myriad of challenges are bedevilling the sector, the most critical being funding constraints to meet operational and regulatory obligations resulting in a significant number of public firms exiting or seeking suspension from the ZSE. While various reasons have been cited for withdrawing public listing on the ZSE, it is apparent that the bottom line remains that the cost of maintaining a listing was found to outweigh the benefits of maintaining such. This is because the cost of maintaining a public listing and rigours thereof are high to ensure transparency and protection of the interests of investors and can outweigh the benefits of public image and access to cheap funding through initial public offerings, the first port of call in going public. Mr Tsanga said there was need to create an environment that lures significant foreign capital in the wake of capital constraints and liquidity challenges that have claimed the scalps of many listed and unlisted firms. In a market plagued by a liquidity crisis due to a razor thin export base, insignificant foreign investment and small bank deposit base, Interfresh has become the latest to consider delisting from the local bourse. Interfresh said its shares were trading at huge discount to net asset value and that raising fresh capital of equivalent value has proved limiting with a listing.

The company said it does not have significant borrowing capacity achievable at reasonable cost and would want to raise equity and convertible debt using valuation methods other than its stock market value. The firm had managed to raise only US$3 million sometime this year. After delisting, Interfresh said it would then raise a total of US$6 million in equity and structured finance, aggressively restructure and grow the business and then relist the company at an appropriate time in the medium-term. Interfresh shareholders will convene an extraordinary general meeting on December 11, 2013 to consider delisting from the ZSE by end of next month. Penny stocks that were either suspended or voluntarily sought suspension from ZSE in 2012 included Cains, Celsys, Chemco, Gulliver and Interfin. Barbican, Redstar,

Steelnet and Trans-Zambezi exited prior to 2012. Tractive Power and Lifestyle sought voluntary suspension in 2013 after securing shareholder approval. But with economic challenges appearing to persist at least in the medium term many penny stocks might find the cost of maintaining a public listing too expensive and arduous to maintain. This particularly the case considering that of all lightweight stocks that have exited the stock market either voluntarily or forced only Tractive Power, Celsys and to an extent Lifestyle did not have financial problems of note. *(Herald)*

ZIMBABWE'S largest retailer, OK on Tuesday said revenue for the half-year to September rose by just over five percent to $243.6 million on the prior year as consumer spending tightened and economic activity slowed. Chief executive Willard Zirewa told analysts at the results presentation that profit was flat at $4.8 million after the economy wobbled ahead of the July 31 elections. He said the liquidity crunch is likely to worsen in the short-term, impacting business activity for the remainder of the year as consumer spend will remain constrained. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased 4.8 percent to $9.6 million. Sales at $243.2 million were 5.4 percent up on the prior year showing weak consumer demand in tight liquidity conditions. "This is not what we are used to," financial director Alex Siyavora said. "We have to accept this new reality." Gross margin at 16.9 was similar to the 2012 figure of 17 percent and Siyavora said the group will improve it through procurement processes. The group declared an interim dividend of 0.20 cents per share, while earnings per share slowed to 0.43 cents from 0.47 cents in the comparative period.

The partnership with Kawena, a South Africa distribution company presented the group with 'very exciting' opportunities. The group buys and distributes goods for locals working in South Africa to their relatives in Zimbabwe. So far over 5,000 had signed up to the service, spending on average $50 per month, Zirewa said. Plans to expand into the region were at an advanced stage, with the group having registered two companies and applied for operating licences in an unnamed country. In the first half, the group company opened two outlets at Wynne Street and Chitungwiza and closed the Rezende Street branch. *(New Zimbabwe)*

AFRASIA Kingdom Ltd intends to raise US$95 million of funding required to meet the Reserve Bank minimum capital requirements for its banking unit by issuing shares to private investors. The group owns 100 percent shareholding of Kingdom Bank, a local commercial bank.
If approved by the shareholders at an extraordinary general meeting on November 29, the private placement will be conducted by way of a phased programme. The financial service group will raise U$15 million through private placement under phase one. Under this stage, the group will raise a total of US$20 million. The other US$5 million will be raised through a rights issue, according to a circular to shareholders.
Last year, the central bank raised minimum capital levels for banking institutions, setting the minimum capital requirements for commercial banks at US$100 million by June 2014. "The increase in the minimum capital requirements for commercial banks coupled with changes on the capital account due to provisioning arising from non-performing loans has necessitated the injection of additional capital," the group said. "Additional capital will strengthen Kingdom Bank Limited's capacity to underwrite additional business and maintain its market share.
The extra capital will also allow the company to implement the Crustmoon share buyback. The Reserve Bank of Zimbabwe now requires all banking institutions to migrate to Basel 2, which requires a substantial capital base to absorb any potential shocks from non-performing assets."

In terms of the rights offer, 140 726 147 shares will offered to shareholders registered on November 27, 2013 at a subscription price of US$0,03553 per share at a ratio of 0,21 shares for every one AKZL share held. Any shares not taken up by the shareholders under the rights offer will be taken up by the AHL, the underwriter. In addition to the rights issue, AKZL will issue about 2,67 billion shares to private investors at an offer price on US$0,03553 per share. Although shareholders will be advised and entitled to participate in each of the phases of the private placement, they may approach the company whenever they wish to purchase shares. As part of the transaction, the management is also seeking to broaden the prospects of strengthening the company's financial position by offering potential investors preference shares. Subject to shareholders' approval, the issue of preference shares will complement without increasing the targeted amount to be raised. *(Herald)*

INTERFRESH Limited is seeking shareholders approval to delist from the Zimbabwe Stock Exchange after it failed to raise $6 million from

existing shareholders. In a notice for an extraordinary general meeting of shareholders slated for December 11, Interfresh board chairperson Chipo Mtasa said the company's shares have been trading at a discount to net asset value of the company and other valuation methods. She said raising equity capital at current valuation has proved limiting. "Only $3 million was raised through the July 2013 rights offer. The company does not have significant borrowing capacity which can be achieved at reasonable cost. The company needs to raise equity capital and convertible debt from private equity and structured finance markets using valuation methods other than the stock market," Mtasa said. She said the delisting will see the company's shares not trading on the ZSE, but the trading will be by private valuation and agreements between buyers and sellers and may still be arranged through stockbrokers. Mtasa said the company will relist at an appropriate future date in the medium term. Interfresh shares last traded on the ZSE on November 13 at 1,5 cents. Less than 30 000 shares were sold at a value of $214. Interfresh is an agricultural, horticultural, agro-industrial and allied food product company and has since dollarisation relied on debt to finance its operations. In a statement giving the rationale of raising shares from existing shareholders, Mtasa said the loss of 1 600 hectares of Mazoe Citrus Estates (MCE) land to the Ministry of Lands had affected the company.

The company accessed a short-term bridging loan facility of $1,25 million for working capital from IceJay Investments. Mtasa said the allocation of part of MCE by government has led to a default which makes the loan and all accrued interest immediately payable. Interfresh becomes the third company to delist from the local bourse after Caps Holdings and Lifestyle Holdings. A total of five counters have been suspended on the ZSE since 2009 that includes Celsys, Chemco, Interfin, Phoenix and Trust Holdings after they failed to meet the requirements of the local bourse. *(News Day)*

MINORITY shareholders on Wednesday brought the Border Timbers board under the spotlight after questioning the company's valuation and fees paid out to directors and auditors. Shareholder activism is minimum in Zimbabwe and almost the voice of minorities is hardly heard as objections are immediately quashed or defeated by the controlling shareholders. At the annual general meeting held on Tuesday, minority shareholder Mr Prakash Radhia questioned why the company had a low return on equity and sluggish stock market performance. Chairman Heinrich von Pezold said a large portion of the company's balance sheet is under arbitration saying land related assets may not achieve fair valuation until there is clarity on tenure. Both the land and operating assets are protected through a Bippa between Zimbabwe and Germany. Mr von Pezold cautioned shareholders the situation is unlikely to change in the foreseeable future although the company has been actively engaging authorities to address the issue. Directors fees were approved at US$25 500 with Mr Radhia again raising objection on why the fees could not be paid in the form of shares instead in order to preserve cash. However, the group said it had no share option scheme and any such moves would require due process with regards to the necessary approvals. Auditors fees were approved at US$83 031 although shareholders objected to the significant increase from last year's amount of US$39 637. However, it was noted that there had been some outstanding issues which were carried over to this year. Giving a trading update, Border says the local market while having substantial demand is choking on the lack of liquidity and resultantly the group had a tough first quarter.

Mr von Pezold told the Annual General Meeting this morning that against budget, performance was up in July, August was "there about" while September and October were down. "Because of this we had a tough first quarter as activity in Zimbabwe was low mainly as a result of power outages and costs." He added: "We are not satisfied with the current results as the business dynamics are not sustainable." The group had re-organised and had reduced its labour while at the same the group had converted some of its products into sellable form. Overall, Mr von Pezold said costs are 50 percent higher than they should be. "So there will be drastic cost reduction, which is a painful exercise, but it will ensure the group becomes more profitable and cash flow positive." Mr von Pezold said because of the Zim liquidity constraints the group had diverted some of its products to regional markets. He said the South African market while a strong volume market continues to discount Zimbabwean product on the basis of late delivery. "This coupled with the devaluation of the rand has had a commensurate impact on the on the return to the bottom-line as the costs are US$ based." The group had also seen growth in Botswana, Mozambique and Zambia but overall the Zim market remained the most profitable. There was strong demand for the group with the tender business now in full swing particularly in poles. Mr von Pezold said the group will pursue various initiatives which will protect margin and reduce costs. The initiatives are expected to bear fruit in the first quarter of the new calendar year. He said if there would be a reduction of borrowings, profitability would increase. Borrowings in the year to June had increased US$3,2 million to US$16,97 million. "Obviously the

cash burn must be arrested and the group has been urgently addressing the different areas of negative cash flow." *(Herald)*

THE Cotton Company of Zimbabwe wants to partner local and foreign companies in the beneficiation of cotton to promote higher producer prices for farmers. Addressing members of the National Assembly from cotton growing areas, Cottco managing director Mr David Machingaidze said his company was in the process of engaging experts in the textile industry who will advise on the due processes. "We are looking at two aspects in the process of cotton beneficiation. The first is mostly partnerships with local oil expressers who already have the capacity to crush seed but are not fully utilising it. "Instead of selling raw seed what we want to do is to crush it so that the revenues come back to Cottco which in turn would allow us to offer better producer prices," he said. The issue of pricing has been a sore point in the cotton industry, with farmers remaining resolute in their push for higher prices while ginners argue that cotton prices are determined internationally forcing them to pay lower prices. Last season, farmers were forced to withhold their crop to force ginners to increase cotton prices but in the end, most farmers had to sell a 200kg bale of cotton for as little as US$60. The move to add value cotton seed would mean better producer prices for farmers and employment creation for locals in line with the Zimbabwe Agenda for Sustainable Socio-Economic Transformation. According to the ZimAsset document, value addition in the manufacturing industry would result in an increased supply of domestically produced cooking oil of up to 7 million litres per month as well as increased production of stock feeds. This is expected to resuscitate the oil expression industry which is under performing. Mr Machingaidze, however, said the current scenario of selling raw seed to oil expressers does not benefit farmers as the companies get to keep the revenues realised from value addition. "When we sell our raw seed to oil manufacturing companies, money does not find its way back to the farmer after beneficiation, whereas if it is done under Cottco's control we basically end up with more revenue which will allow us to pay farmers more. "That is why we have to take control of the beneficiation. Ultimately the oil and cake becomes raw material for these companies because we do not have our own factories for oil.

"At least we will be taking it a step further instead of selling it raw. Beneficiation is the only way to go because if we do not do that, it will be very difficult for cotton to compete with other crops like tobacco," he said. He said Cottco would also look at partnerships with Chinese companies who have the capacity and expertise in lint processing as most of the lint produced locally was being sold to China. These partnerships would promote the growth of the textile industry as they would lure the companies to bring capital and equipment into the country for local beneficiation. "At this stage we don't have tangible deals but this is what we hope to achieve in terms of our strategic plan and the business plan we presented to our shareholders as part of recapitalisation." Cottco is this year targeting 100 000 tonnes output and has set aside US$25 million for contract farming, double what it spent last year. However, the group's parent company Aico Africa recently issued a profit warning saying Cottco will show a loss in the year to March 2014. *(Herald)*

ZSE-listed manufacturing concern, Radar Holdings has posted an increase in operating profit of $389 000 for the four months ending October from $304 000 due to the high margins from the first bricks, a company official has said. The company's chief executive officer Elias Hwenga said the company was operating at 89% capacity although its performance was being hindered by water and electricity shortages especially in Bulawayo. Radar Holdings revenue increased to $3,1 million during the period under review. "We also recorded a profit due to the control of our overheads especially the head office that used to be large. We hope to increase our output of bricks to 60 million from 50 million using the current capacity. Our main challenge has been water supply and electricity costs. Bulawayo has shortages of water to individuals and construction has slowed down," Hwenga said. Hwenga said turnover has been low since the elections. However, he said the company was not yet worried about the profitability as they were producing the bricks. "Liquidity is an issue like anybody else tenure of loans and the cost of money is high. We are looking for funding. We are not increasing the debt," Hwenga said.

Radar Holdings turnover increased by 11% to $9,2 million from $8,2 million in 2012 although after-tax profit from continuing operations declined in 2013 to $2,28 million. In 2013 the company said its major cost drivers were employment, energy and repairs and maintenance and it was commendable that these were under control. Employment costs increased by 5% and the group is in the process of streamlining the management structures to ensure productivity is benchmarked against international best practices. "The group's energy electricity, fuel and coal bill was contained but remain a significant concern with respect to regional competitiveness. There are efforts in place to ensure

that there is efficient consumption of energy throughout operations," Hwenga said in the 2013 annual report. *(Herald)*

FALLING demand for bottled beer has hit hard glass manufacturing firm, Zimbabwe Glass Industries (Zimglass) after its main customer Delta reduced orders for bottles, an official has said. Delta last week reported depressed lager sales, 10 percent lower in the half-year to September 30 because of high prices following an increase in excise duty at the beginning of the year. Zimglass acting chief executive officer, Gilbert Tapfuma told The Source on Wednesday that Delta's move towards the more convenient plastic PET containers had also sharply affected their operations, forcing them to look for regional markets. "The biggest threat at the moment is the decline in demand for bottles by one of our major customers, Delta Beverages as PET plastic bottles make huge inroads into the market, he said. "As a result we are trying to make some inroads into the regional markets especially Zambia where demand for bottles is still very high." Zimglass last month resumed manufacturing of flint glass, the type used to bottle soft drinks. The company needs $15 million for recapitalization in the short to medium-term and a further $21 million for the refurbishment of one of its blast furnaces. Tapfuma said the company was also saddled with a $3.4 million electricity debt. *(New Zimbabwe)*

Economic News

ZIMBABWE'S Foreign Direct Investment (FDI) inflows should double within the next five years in order to achieve the 7, 3% annual economic growth rates projected in the new economic blue print, University of Zimbabwe Graduate School of Business professor Tony Hawkins has said. Speaking at the Institute of Chartered Accountants of Zimbabwe (ICAZ) one-day chief finance officers (CFO) forum in Harare last week, Hawkins said since 2009, FDI-Gross Domestic Product (GDP) ratio has averaged 15%, less than half of the amount required. This means that Zimbabwe — a lowly ranked investment destination, according to the World Bank — faces a herculean task of attracting more foreign capital. He said the country faces several hurdles in attracting FDI, which include policy inconsistency. Critics blame the country's indigenisation and empowerment policy compelling foreign-owned companies to sell controlling stakes to locals for spooking away investors. "For the economy to grow at 7,3% annually according to the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim-Asset) target, Zimbabwe will need to invest 33% or so of GDP each year," Hawkins said. "Of course, there is much more to growth than investment. Going forward growth will be limited by a number of binding constraints that will make it extremely difficult to reach the Zim Asset target. "If growth depends heavily on investment and investment depends significantly on savings, then consumption growth must slow substantially," Hawkins said.

The blueprint was extracted from Zanu-PF's election manifesto and previous national development programmes, identifies four, but all-encompassing clusters, namely food security and nutrition, social services and poverty reduction, infrastructure and utilities and value addition and beneficiation. But experts contend its success is hinged on funding and political will. Hawkins said apart from subdued FDIs, binding constraints to the blueprint include a huge debt overhang, unfavourable investment climate and an overvalued exchange rate among many others. The African Development Bank estimates that Zimbabwe needs $14 billion to fix multilateral lenders, which stopped lending to Harare in 1999 because of arrears. Zimbabwe has an estimated debt of $10,7 billion, which represents 110% of GDP. According to the United Nations Conference on Trade and Development (Unctad) FDI flows into Zimbabwe increased slightly by 3,25% to $400 million last year from $387 million in 2011. FDI contributed 17,7 % to the country's total GDP during the period under review. *(News Day)*

Zimbabwe's consumer inflation slowed to 0.59 percent year-on-year in October from 0.86 percent in September, remaining below the government's target of 2 percent by the end of the year, the national statistics agency said on Friday. On a month-on-month basis, prices dipped by 0.01 percent in October after edging up 0.05 percent in September. *(Reuters)*

THE Zimbabwe Stock Exchange has raised US$1,5 million for the automation of the domestic bourse through the issue of a five-year bond, an official said yesterday. The bond, which was structured by Ernst & Young, had been issued at a coupon rate of 8 percent to fund the automation of the exchange, Securities and Exchange Commission chief executive Mr Tafadzwa Chinamo said. Trading on the ZSE

remains manual. "I can confirm that we have raised US$1,5 million through a five-year bond," said Mr Chinamo. The ZSE is expected to be fully automated during the first quarter of 2014. Econet Wireless had offered to fund the automation but the offer was rejected due to conditions attached on it. All of the funding was raised from the Investor Protection Levy. The tender for the proposed purchase of an Automated Trading System was awarded to a Mauritian firm. The automation of the ZSE is likely to see volumes of the shares traded doubling, thereby making the exchange more liquid and efficient, ZSE chief executive Mr Alban Chirume said in August this year.

It would also have a positive impact on the viability of the majority of stockbrokers as most of them have been struggling due to depressed business, he added. At present, there are four major projects the exchange is working on — the revision of the Listings Rules, the automated trading system, demutualisation and the setting up of a secondary exchange. The ATS is expected to reduce the cost of doing business. This will come through reduction of transaction costs and reduction in redundancy systems. Experience elsewhere in countries that have automated, shows turnover has increased and since the correlation of turnover to income of stockbrokers is nearly one, this will see the income of stockbrokers increasing in tandem. The absence of an electronic trading platform makes it possible for brokers to manipulate certain prices and short sell. There are instances where stockbrokers are accused of trading shares which they do not have and lead the market to secure the shares at lower prices. This kind of activity has been reported on the exchange, and has been a concern even for the Securities Commission of Zimbabwe and the Ministry of Finance who have also demanded that an electronic trading platform be introduced. *(Herald)*

FEARS abound in the equities market that plans by the Zimbabwe Stock Exchange to introduce quarterly reporting for listed firms could blow up company costs further precipitating the delisting of cash-strapped public listed entities. With a number of financially weak companies recently deciding to relinquish their public listings stockbrokers fear they will also be affected if the situation persisted. Public listed companies are already buckling under the pressure of costs ranging from operating expenses to administrative costs associated with being a public listed entity. In response, a number of companies have decided to exit the bourse to operate as private entities to ensure flexibility and lower costs as they battle to avoid collapse. Generally, companies in Zimbabwe are struggling just to stay afloat due to a myriad of economic challenges chief among them capital and liquidity challenges. "We have told them that quarterly reporting will add costs for companies and many financially troubled companies might actually decide to delist," said a source. With a total of 74 listed companies, of which five are currently suspended from trading, stockbrokers would feel the greatest pinch of further reduction in listed entities. Stockbroking companies derive most of their income from brokerage fees charged on investors buying or selling shares mostly of companies that are listed on ZSE. The bourse is planning to introduce quarterly reporting for listed companies as opposed to every six months reporting of financial accounts to ensure investors are kept informed. Together with the Securities and Exchange Commission of Zimbabwe ZSE is working on amending listing rules, which will enhance financial disclosure to protect investors. "That is coming from the ZSE. This is done in other countries. The thinking is that six months is a lot of time, a lot can happen especially in these turbulent times," a source said.

According to market intelligence, the quarterly reporting requirements could be incorporated in the new listing rules that the stock exchange is in the process of drafting. ZSE chief executive Mr Alban Chirume said the bourse was planning the shorter reporting periods as happened in other jurisdictions and in line with global best practice. "It is no longer enough that investors know about the performance of a firm once every six months. Despite this being an additional cost, it is of immense benefit to other stakeholders," the ZSE CEO said. He said they were also considering a review of interim results by auditors as there was inconsistency in the market. This would imply that financial results used in any circular have been reviewed by the auditors, providing comfort to investors. "We have noted that certain sectors such as banking had results reviewed while others did not. We therefore have proposed that the half year (financial) results be reviewed by auditors," Mr Chirume said. *(Herald)*

THE Securities and Exchange Commission of Zimbabwe intends to appeal to the Supreme Court against a High Court ruling dismissing its directive to stop the liquidator of Renaissance Securities from disposing of investors' shares held in nominee accounts. SECZ lost the earlier legal battle to prevent Renaissance Securities liquidator Mr Phibion Gwatidzo from selling shares registered in nominee accounts during liquidation. The unclaimed nominee account shares are valued at over US$700 000. The shares at the centre of the dispute are

registered under Renaissance Nominees, and SECZ argues they should be directed to registered custodial services companies, Old Mutual and ZB, it has assigned to keep unclaimed shares. In the appeal against the High Court ruling (reference case HC 6262/13), Mr Gwatidzo is cited as first respondent, First Transfer Secretaries as second, Mast Stockbrokers as third and the Master of the High Court as the fourth respondent. SECZ had given a directive that all registered firms dealing in securities should not execute transactions for entities under suspension or whose licence was cancelled after the liquidator tried to sell the unclaimed nominee account. Renaissance had its securities trading licence cancelled in January this year and was later liquidated after failing to meet minimum capitalisation requirements. According to SECZ's notice and grounds of appeal, the commission contends that Justice Makoni erred in her judgment of November 11, 2013 after ruling that securities regulator could only contest the liquidator's actions through the court of law. Further, SECZ argues that the judge was also wrong in finding that the liquidator had done all that was necessary to identify the rightful owners of the scrip, but to no avail and had the right to sell them for the benefit of the company in liquidation. "Wherefore, appellant prays that the whole judgment of the court a quo be set aside and the directive by the appellant be upheld," SECZ said in the notice of appeal.

SECZ contends the judge took a narrow view in the application of the law and seems not to have enquired into how trading is conducted and the protection that a nominee account is supposed to enjoy, hence the decision to contest the ruling. The fear is that if the ruling is allowed to stand, investment would fly out of domestic market and Zimbabwe's ranking as a safe and properly regulated market will plummet. In dismissing SECZ's argument, the judge noted the point to be decided was whether or not the regulator had the power to give the directive it did to the securities dealers and transfer secretary not to sell or register the transfer of the shares. She noted that Section 4 of the Securities Act as amended, where SECZ derives authority to provide "high levels of investor protection" under subsection (1) (a) sets out objectives only and SECZ's functions are set out in subsection (2). The judge said there are no powers set out in the provision and that the legislature gave SECZ some functions to perform, but without the attended powers. Further, the judge determined that this distinction means that where SECZ wishes to enforce its decisions or directives it has to approach the courts of law. This was because the provisions did not provide for what happens when a directive given by SECZ is not complied with. She reasoned that SECZ should therefore resort to the courts, as the Securities Act has no provisions to cover this.· The judge reasoned that SECZ should have approached the court, in terms of the Companies Act under which the liquidator was appointed and in terms of which he is acting. She agreed with the applicant's submissions. Further, the judge said SECZ's actions were arbitrary in that it did not give Mr Gwatidzo the opportunity to be heard. On whether the liquidator could sell the shares she said nominees rank as ordinary creditors in any liquidation process and this is what should happen in this case. *(Herald)*

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