SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	19-Jul-13	26-Jul-13	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	8,667.21	8,679.38	0.14%	11.94%	15.57%	17.12%
Egypt	CASE 30	5,419.17	5,352.26	-1.23%	14.00%	-2.02%	-1.97%
Ghana	GSE Comp Index	1,908.21	1,918.06	0.52%	6.63%	59.88%	56.91%
Ivory Coast	BRVM Composite	207.55	207.12	-0.21%	-6.12%	24.34%	15.84%
Kenya	NSE 20	4807.53	4801.63	-0.12%	3.55%	16.18%	20.51%
Malawi	Malawi All Share	7,125.40	7,277.08	2.13%	21.56%	20.97%	45.08%
Mauritius	SEMDEX	1,862.20	1,865.86	0.20%	-1.56%	7.72%	7.90%
	SEM 7	364.30	365.21	0.25%	-1.51%	8.28%	8.46%
Namibia	Overall Index	895.00	899.00	0.45%	19.34%	-8.85%	-6.06%
Nigeria	Nigeria All Share	38,328.29	37,145.65	-3.09%	-0.89%	32.29%	32.12%
Swaziland	All Share	289.32	292.00	0.93%	20.77%	2.22%	5.65%
Tanzania	TSI	1,915.34	1,946.08	1.60%	4.27%	30.99%	33.54%
Tunisia	TunIndex	4,614.74	4,566.71	-1.04%	1.69%	-0.29%	-4.12%
Zambia	LUSE All Share	4,651.87	4,687.54	0.77%	12.48%	25.83%	33.56%
Zimbabwe	Industrial Index	227.03	230.58	1.56%	1.56%	51.30%	51.30%
	Mining Index	66.93	65.55	-2.06%	-2.06%	0.66%	0.66%

CURRENCIES

Cur-rency	19-Jul-13 Close	26-Jul-13 Close	WTD % Change	YTD % Change
BWP	8.44	8.36	- 0.95	9.24
EGP	6.98	6.98	- 0.01	15.36
GHS	1.87	2.06	0.20	8.31
CFA	500.22	497.00	- 0.65	0.33
KES	85.56	85.92	0.42	0.38
MWK	318.58	321.71	0.98	0.22
MUR	29.97	29.77	- 0.64	- 2.54
NAD	9.77	9.78	0.07	15.37
NGN	159.83	159.01	- 0.51	1.87
SZL	9.79	159.01	- 0.13	15.62
TZS	1,585.46	1,586.54	0.07	0.73
TND	1.66	1.65	- 0.39	6.45
ZMW	5.45	5.45	- 0.05	5.11

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

International gas and oil producer BG Group Plc flagged its concerns about the impact of instability in Egypt as it reported a 3 percent fall in second quarter net profit. Net profit dropped to $986 million, beating expectations of $963 million. The UK-based international gas producer depends on Egypt for about a fifth of its production - a source of revenue for its expensive new projects in Brazil and Australia. Its offshore Egyptian reservoirs are suffering decline, and the country is gearing up to consume more gas at home, increasing the possibility that BG might have to shut part of its two Liquefied Natural Gas (LNG) export operation there. Meanwhile the military coup of July 3 that ousted president Mohamed Mursi and the fact that BG is owed $1.3 billion by Egypt for domestic gas sales - up from $1.2 billion in the first quarter - have heightened the company's anxiety about its future in the country. "Events in Egypt remain a primary concern and will continue to be so as the political, social and business environment evolves," said BG chief executive Chris Finlayson in a results statement on Friday. "While our offshore operations continue unaffected, higher than agreed gas volumes were diverted into the Egyptian domestic market during the quarter, impacting volumes available for LNG export," he said. Analysts focused on BG's stronger than expected result, which was driven by higher than expected production and good profit margins in the new barrels coming onstream in Brazil. BG shares were up 0.13 percent in early trade. "Look at Iraq, Libya and Venezuela. A government needs the hydrocarbons to flow or it won't be in power for very long", said Oswald Clint of Bernstein, who also pointed out that all of BG's big new projects were on course. "Good numbers. I think good reason to be exposed to the company, the operational momentum still there and a good underlying delivery," agreed Santander analyst Jason Kenney. BG is working to re-energise flagging production in its Egyptian fields, but in the second quarter, more gas was diverted to Egypt's domestic market, reaching a maximum pipeline capacity of 900 million cubic feet a day (mmscfd) up from 700 million mmscfd in the first quarter, and resulting in reduced supplies for its LNG export operation. BG had a deal with the ousted government under which domestic off take will not increase before September 2013, and under which the government contributes to the shortfall in the fourth quarter via reduced domestic diversions and replacement cargoes. Five such cargoes of which two are allocated to BG are being provided by Qatar for the period July through September. *(Reuters)*

Economic News

Egypt's central bank has received $2 billion in Saudi funds, the latest instalment of a $12 billion aid package pledged by Gulf Arab states after the military ousted Islamist President Mohamed Mursi on July 3. Egypt's finances, in havoc from political strife since Egypt's 2011 popular uprising, worsened in the first five months of 2013, with the budget deficit widening to almost half of all state spending. Foreign reserves fell to $14.9 billion in June, representing less than the three months of imports that the International Monetary Fund considers to be a minimum safe cushion. Only about half of the reserves are in the form of cash or in securities that can be spent easily. The mounting distress pushed Mursi to approve a 24.2 percent increase in borrowing to finance the budget deficit days before he was deposed, a law published in the official gazette on Sunday showed. Central bank governor Hisham Ramez told Reuters the Saudi funds arrived in the form of a five-year interest-free deposit at the bank. The bank had already received $3 billion from the United Arab Emirates on Thursday, $2 billion of which was a cash deposit and $1 billion an outright grant. Kuwait has pledged $4 billion and Saudi Arabia a further $2 billion in energy products and $1 billion in cash. Ramez said no date had been set for the Kuwaiti payment and did not indicate when the Saudi $1 billion is expected. The law signed by Mursi increased total government spending on energy subsidies by 20 billion Egyptian pounds and boosted interest payments on government debt by 12.65 billion pounds. Foreign buyers largely fled Egyptian securities after the uprising that toppled Hosni Mubarak in early 2011, forcing the government to rely on local banks for finance. Interest rates were pushed into double digits. *(Reuters)*

Egypt's revolutions have been kind to Ahmed El-Kerdany. The young entrepreneur has raised millions of dollars of funding and kept his business growing through the country's worst political and economic turmoil in decades. In 2010, he and several friends in the city of Alexandria launched Mashaweer, a service which helps customers avoid the traffic in Egypt's gridlocked cities by running errands for them.

In December that year, the firm began operating in Cairo. Two months later, president Hosni Mubarak was overthrown by mass protests across the country, triggering an economic slump that has not yet lifted. This month, president Mohamed Mursi was ousted by the army during another wave of national unrest. But Mashaweer has continued to grow, raising $4 million from Egyptian investors and expanding its staff to 300 people, whose orange scooters are a common sight on Cairo's streets. It bought a speedboat for deliveries on Egypt's north coast and opened an office in Beirut last November; it aims to open one in Dubai by the end of 2013. "For some people, the revolution was a disaster for business. For us it was an advantage," said Kerdany, 27, speaking at Mashaweer's sparsely furnished Cairo offices on several floors of a shabby apartment building. He said waves of political instability over the past 30 months had slowed growth; corporate clients periodically became more cautious about spending, and mass protests made it harder for Mashaweer personnel to move around Cairo and Alexandria. But the unrest created opportunities, he said. The firm was able to start an advertising blitz in Cairo as media advertising rates sank during the uncertain period around Mubarak's ouster, and it could buy scooters from desperate distributors on 36-month payment plans instead of the usual 12 months.

Egypt's economy has been hit hard by the political instability. Gross domestic product grew an annual 2.2 in the first quarter of this year, far below the level of about 6 percent needed to absorb young job-seekers. Many big, established companies have struggled with poor security, labour unrest, fuel shortages and difficulties obtaining foreign exchange. Last year net profit at Ezz Steel, Egypt's biggest steel maker, plunged by more than half to 250.4 million Egyptian pounds. But such figures do not tell the whole story. The post-Mubarak period has also seen a surge of interest among young Egyptians in starting their own companies, some involving new technologies and markets that were not explored before the revolution, businessmen say. In some cases, push factors are at work; people are being forced to become entrepreneurs because of the growing difficulty of finding secure jobs at established firms. But there are also pull factors. By disrupting some of the big, dominant companies, Egypt's unrest created more space for small, nimble start-ups to operate. And by removing Mubarak's authoritarian government, it gave young Egyptians a sense of empowerment which encouraged some to start businesses. "Many companies started after the revolution - the main reason is psychological. Many young people realised they can do what they want," said Ahmed Zahran, who helped to found solar energy firm KarmSolar in October 2011. "Egyptians became risk-takers after the revolution." Data from the investment ministry supports this theory. Capital invested in new firms fell to 897 million pounds in May this year from 1.11 billion pounds in May 2010, as the economic slump hit corporate financing. But the number of new firms founded during the month actually rose, to 823 from 690. Abdelrahman Magdy, chief executive of Egypreneur, which helps local entrepreneurs find the contacts and services they need, said that before the 2011 revolution, Egypreneur had 2,000 to 3,000 followers on Twitter. It now has about 20,000.

By themselves, Egypt's start-up companies are too small to re-ignite economic growth or solve the problem of youth unemployment, estimated at over 20 percent. According to the investment ministry, firms established in May 2010 created 16,851 jobs; those established in May this year, just 7,151. But the ability of Egyptian entrepreneurs to operate in the current environment suggests room for much faster economic growth when the political situation eventually stabilises. Zahran, 33, who worked for a multinational oil firm in Tunisia and in the energy industry in London before returning to Cairo, said Egypt's economy was "massively underserviced" after years of stagnation, leaving opportunities for expansion. Many recent start-ups try to address inefficiencies and logjams in the economy, using new technology or business models to grapple with issues such as traffic congestion, vocational training and jobs for young people, and fuel shortages. KarmSolar was founded in response to one of the biggest curbs on Egypt's development: the fact that most of its population lives on just 8 percent of its land, Zahran said. Providing energy and water supplies to let people live in other, more arid areas has been prohibitively expensive. The company designs solar-powered water pumping systems and solar-powered buildings to help businesses and villages operate off the national power grid and without using diesel fuel. KarmSolar has raised 30 million Egyptian pounds of funding, boosting its staff to 25 people from four, and aims to become profitable by end-2014, Zahran said. It hopes to start sales elsewhere in the Middle East in the next five years. For Ahmed Essam, 30, the explosion of political news and debate in much of the Arab world since its 2011 uprisings is a business opportunity. He resigned his job at a software company after Mubarak's downfall to set up a venture developing applications for smart phones, and is now focusing on an app that plucks news from the Internet. "Consumption of news is soaring in the Middle East, because of all the political changes - everybody is affected. So there's an opening here," he said.

For Egypt's big companies, funding has become more difficult since the revolution as capital markets have slowed and banks have become more cautious about lending. But many of the start-ups, which require only moderate amounts of capital in their initial years, say they have had no problem raising money through more informal channels. Mashaweer began by borrowing money from family and friends before attracting a wider circle of individual investors who were impressed by the firm's advertising. Zahran said KarmSolar approached energy industry executives who liked its technology. In contrast to solar energy firms in many other countries, he said his firm was not counting on receiving any state assistance, partly because the Egyptian government would remain distracted by political issues for some time to come. "We're not expecting any help. Our business has to succeed on its own merits," he said. Egypreneur's Magdy said he could see "no end in sight" to Egypt's political conflict, but he didn't expect that to deter many of its entrepreneurs. "These ventures depend on people's dreams and their hopes. They're not going to stop because of politics." *(Reuters)*

The International Monetary Fund said on Thursday it will not engage in talks about a possible $4.8 billion (3.1 billion pounds) loan to Egypt until the country's interim government gains recognition from the international community. IMF deputy spokesman William Murray repeated that the Fund has not been in touch with the current government in Egypt, only with bureaucrats on the technical level. "It's a case of the international community ... its institutions, its nations, coming together and recognizing a particular government," Murray told reporters on Thursday. "That would be true anywhere. "And until that happens, and until our members make a decision on the Egyptian government, we're going to keep our context technical (at the technical level)." The IMF had been negotiating a critically needed $4.8 billion loan with Egypt before the military removal of elected President Mohamed Mursi in early July. The current Egyptian cabinet as a whole has not yet said clearly whether it will resume talks with the IMF about the loan, which would come attached to economic reform commitments that the government might find politically risky. Planning Minister Ashraf al-Arabi said last week that now was not the right time to restart negotiations with the IMF because $12 billion in aid from Saudi Arabia, the United Arab Emirates and Kuwait would carry Egypt through its transitional period. The next parliamentary elections are expected in about six months, but any transition could be delayed by radical reforms of the budget system that hurt living standards and bring protesters back into the streets. After a year of Mursi's administration, Egypt's fiscal position is desperate; in recent months government revenue has covered barely half of all expenditure, leaving borrowing and aid to make up the rest. An IMF loan is widely viewed as necessary to convince foreign donors and investors that Egypt's economy is on the right track. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana's annual producer price inflation fell for the third consecutive month to 7.0 percent year-on-year in June from a revised 8.3 percent in May, the West African country's national statistics office said on Wednesday. Producer price inflation is an advance indicator of consumer price inflation, which the government wants in the single digits. The government revised its PPI figure for May from 8.6 percent. *(Reuters)*

Ghana sold a $750 million 10-year Eurobond paying a yield of 8 percent, two people familiar with the matter said on Thursday. It is the West African country's second international bond after it issued a $750 million 10-year instrument in 2007. The order book for the new bond was around $2 billion, according to one of the people. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

KenolKobil has been reinstated in the petroleum products supply chain after reaching an out-of-court settlement with Kenya Petroleum Refineries Ltd (KPRL). The oil marketer on Monday said it has been given the go-ahead to import refined petroleum products and have its crude processed at Kenya's sole refinery following the settlement. Last month, the Energy ministry suspended KenolKobil from the competitive open tender system as a buyer and seller over a debt owed to the refinery and failure to lift 19,610 tonnes of fuel produced at the KPRL. This made it difficult for the dealer to access cheaper refined fuel as it races to reverse the Sh6.2 billion loss for the year ended December. The settlement of the deal underlines KenolKobil's quest to end costly legal disputes that partly derailed the sale of a majority stake to Swiss firm Puma Energy in March. "The management of KenolKobil Limited is pleased to announce that the Company and KPRL have reached an amicable agreement to settle all outstanding dispute matters," said KenolKobil's new CEO David Ohana in a statement. "Consequently, the Ministry of Energy and the Energy Regulatory Commission has reinstated KenolKobil Limited in the Open Tender System (OTS) as a buyer and seller in the supply of petroleum products for the company in Kenya and the neighbouring countries." KPRL has been demanding Sh1.2 billion from the troubled oil marketer, money it says it owes as a result of default on payment for petroleum products collected from the Mombasa-based refinery. On its part, KenolKobil had disputed the amount claiming KPRL owes it Sh3.1 billion in product losses incurred due to inefficiencies at the refinery. The dispute saw the government lock out the oil marketer from both the OTS and allocation from the refinery, the two main sources of procuring fuel. Sources with knowledge of the deal reckon that the two firms have agreed to offset their demands against each other, with KenolKobil expected to settle with KPRL. KenolKobil has put on hold its plan to sell the company to a strategic investor pending its return to profitability, end of costly legal disputes and sale of non-core assets. Besides the KPRL legal dispute, Kenol is locked in a court battle against Kenya Pipeline Company where it is demanding Sh5 billion. The pipeline company has made a counterclaim of Sh1.6 billion in a dispute dating back to 2009. Kenol is racing to repair its relations with industry players since Mr. Ohana replaced Jacob Segman, who had been CEO for the past 16 years, this month. The dealer has shed 39 per cent in the past six months to the current price of Sh8.45, making it worst performing stock on the bourse over the period. *(Business Daily)*

British chip designer ARM Holdings beat second-quarter expectations with a 30 percent rise in adjusted pretax profit, helped by demand for its latest processors and graphics technology. In the first set of results since Simon Segars took over as chief executive from Warren East on July 1, the Cambridge-based company reported pretax profit of 86.6 million pounds ($133 million) on revenue up 26 percent to 171.2 million, both ahead of forecasts. ARM has outpaced the wider semiconductor market for the past five years or so, helped by the dominance of its processor architecture in smartphones and tablet computers. There have been some signs of softness at the top end of the smartphone market, marked by weaker than expected sales of Samsung's flagship Galaxy S4 smartphone. Apple , however, comfortably beat forecasts for iPhone sales on Tuesday. Finance Director Tim Score on Wednesday said that he expects the smartphone market to remain strong, though the 50 percent-plus growth rates of recent years are easing down. But ARM does not rely on the top end of the market, Score said. "All smartphones contain more ARM technology than less sophisticated phones and therefore generate higher royalties."

Shares in ARM reached a high of 11.11 pounds in May, exceeding the level they were trading at in the dot-com boom of 2000. They have since come off by about 20 percent, but were up 2.3 percent at 918.5 pence by 0733 GMT on Wednesday. ARM said its partners signed 25 licences for its technology in the quarter, including five for its latest Cortex-A designs and seven for its Mali graphics technology. Processor design licensing revenue rose 34 percent year on year to 56.9 million pounds, comfortably beating market expectations. Analysts at Liberum expected 18.7 percent growth. The company has been increasing its share of the graphics processing market, and on Tuesday Samsung said it had selected Mali for its latest high-end processor, ousting rival Imagination Technologies. Royalties from chips shipped by partners, such as Qualcomm and Texas Instruments, reported a quarter in arrears, rose 26 percent year-on-year to 77.7 million pounds, broadly in line with expectations. ARM reiterated its guidance for full-year revenue to at least meet market expectations. Score said he expects analyst consensus to rise after the second-quarter results, to about $1.09 billion for the year. Analysts expected the company to report pretax profit of 82.5 million pounds on revenue of 165 million for the quarter, according to a company-supplied consensus. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Canadian explorer Africa Oil Corp said on Thursday it had begun drilling a new well in Kenya with its British partner Tullow Oil Plc, as the two companies speed up exploration efforts in the east Africa region. East Africa has become a hotbed of exploration after oil discoveries in Kenya and Uganda and huge gas finds in Tanzania and Mozambique. However, Kenya has yet to determine whether it has commercially viable quantities of hydrocarbons. Drilling of the Ekales-1 well, located within Kenya's Lokichar basin, started on Monday. Its planned depth is 2,500 metres and it would take approximately two months to drill and evaluate its content, Africa Oil said. "The Ekales prospect is probably one of the lowest risk prospects in our inventory. The proximity and similarity to the existing Ngamia and Twiga discoveries give us a high degree of confidence that we will find oil and continue to build the discovered resources necessary for commercial volume threshold," Keith Hill, Africa Oil's chief executive, said in a statement. Earlier this month, Tullow said it saw a flow rate potential of 5,000 barrels a day based on Ngamia-1 and Twiga-South-1, and estimated combined mean associated resources for the discoveries were 250 million barrels of oil, a forecast it said could increase further after appraisal. The Ekales-1 prospect is located approximately 15 km northwest of the Ngamia discovery and 7 km south of the Twiga discovery, Africa Oil said. Ekales-1 on onshore block 13T is a joint venture between Tullow, the well operator with 50 percent of the exploration licence, and Africa Oil. Buoyed by oil finds in Kenya's Ngamia, Twiga and Etuko wells, Hill said Africa Oil and Tullow Oil planned to speed up their exploration efforts in the east Africa region, including the Horn of Africa. "Our pace of exploration and appraisal continues to accelerate with the anticipated arrival of three additional rigs in Kenya and Ethiopia in the next 60 days for a total of six rigs, four of which will be operated by Tullow Oil," he said. "The recently announced Etuko discovery, on the flank of the Lokichar basis has opened a new play fairway and provided further confirmation of the world class potential of the Lokichar Basin."*(Reuters)*

Scangroup has made its first entry into the South African market after the firm's subsidiary bought a Johannesburg-based public relations agency. Hill+ Knowlton Strategies Africa Holdings, which is owned 51 per cent by Scangroup, said it has acquired Corporate Communications Consultants for undisclosed fee. The South Africa acquisition increases the number of fully-fledged African H+K Strategies offices to six and in line with Nairobi bourse listed Scangroup ambitions of increasing its footprint in the Africa and cut reliance on Kenya. Global communications firm owns a 49 per cent Hill+ Knowlton and 31 per cent of Scangroup. "We are delighted about this announcement as it fits with Scangroup's vision to be Africa's leading integrated marketing communications group," said Bharat Thakrar, Scangroup's CEO. Scangroup bought 51 per cent Ogilvy Africa in 2010 in cash and stock transactions worth $2.3 million that gave it minority stakes in eight media agencies across Southern and West Africa of between 6.4 and 15.3 per cent. The firm is keen to have significant stakes in communications firms that it owns. Scangroup profits fell 17.4 per cent last year to Sh752 million and its share price has underperformed the Nairobi bourse over the past six months shedding 5.3 per cent in the period that seem most counters rise by double-digits. Scangroup draws most of its earnings from advertising and media buying services but this segment has grown at a slower rate compared to public relations and other new services. Advertising and media buying accounted for 79 per cent of Scangroup's total revenue of Sh4.2 billion last year but the services grew by just six per cent. Their performance contrasts with sales from PR and research which brought in seven per cent of the revenue each but grew 43 per cent and 40 per cent respectively, signalling higher growth potential. In addition to H+K, Scangroup has a separate presence in PR services through its subsidiary Ogilvy Africa, one of the leading communications firms in the East African region. Scangroup has been expanding new business lines including media planning, research, and digital/online marketing to reduce reliance on the mainstay advertising and media buying. The company controls about 80 per cent of Kenya's advertising booked through agencies, combining earnings from Ogilvy and the multiple agencies it owns directly such as Scanad, Thompson Kenya, and Red Sky. *(Business Daily)*

Economic News

Investors are shying away from buying short-term government securities with hope that interest rate will rise in light of increased borrowing need by the State. This trend saw investors shun last week's Treasury bill auction resulting to a 21 per cent performance on the offers in which the government was seeking to raise Sh9 billion. The 91-day Treasury bill set to raise Sh3 billion attracted Sh1.306 billion only representing a 44 per cent subscription rate with analysts saying investors feel the rates given by the government are "not good enough".

"The market thinks the rates the government is offering are still low and they expect they (interest rates) might continue to go up due to the high demand for funds to meet its expenditure," said analyst at African Alliance Securities Alex Muiruri. The situation is frustrating the government's plan to borrow money from the domestic market for budgetary support especially to meet the wage bill. "There is a lot of pressure for the government to meet the wage bill for teachers and other public servants like MPs, governors and senators. So the government has no option but to raise the rate of return to attract investors," Mr Muiruri, said. Its bid to borrow Sh6 billion from the domestic market through the 182-day and 364-day Treasury bills received little interest from investors, even as it raised its cost of borrowing by as much as 0.699 per cent for the long-term paper this week. "Pressure on the budget is also emerging from the potential increase in recurrent expenditure," NIC analysts noted in weekly report. *(Daily Nation)*

Kenya has lowered its coffee production and export earnings projections for the 2012/13(Oct-Sept) coffee year due to poor global prices and reduced crop acreage, the industry regulator said on Friday. Although the east Africa nation is a small coffee producer compared with other global producers such as Brazil and Vietnam, its specialty beans are sought by roasters who blend them with poorer quality beans from elsewhere. The Coffee Board of Kenya said it expects production of 44,000 tonnes of coffee, down from the previous year's 49,003 tonnes. Export earnings for the season could dip to 17 billion shillings from the 19 billion shillings realised in the previous period. The regulator had earlier this year projected the country would produce 45,000 tonnes of coffee and earn 18 billion shillings from exports. "The global prices have been disappointing this year and that will reflect on the country's overall earnings. We had hoped that there would be change but the trend of poor prices has dragged on," Loise Njeru, managing director of the Coffee Board of Kenya told Reuters. She also blamed a decline in area under coffee plantations, which has over the years fallen to 109,000 hectares from the long-term average of 150,000 hectares. "Land under coffee has gradually been eaten up by real estate and other crops such as bananas," she said. Coffee exports were at one time the leading foreign exchange earner, but poor management in the sector reduced output from a record 130,000 tonnes in 1987/88. Many small-scale coffee farmers disillusioned by poor earnings turned to other crops or sold their land to real estate developers. *(Reuters)*

The European Union said on Wednesday it will give Kenya 40 billion shillings (298 million pounds) between 2014 and 2020, for use in agriculture and other sectors, extending an aid programme to the African country. The EU said the amount could be higher. It gave Kenya 46 billion shillings in its last aid programme between 2008 and 2012. The EU said in a statement it was still in discussions with the Kenyan government on where the 40 billion shillings would be spent. Sectors that EU assistance has targeted in the past have included education, energy, roads and health. "The funding amount is likely to rise to as much as 50 billion (shillings) as programmes are developed and details confirmed," the EU mission to Kenya said in a statement. Kenya forecasts a deficit of 7.9 percent of GDP, or 329.7 billion shillings, this fiscal year ending next June. In recent budgets it has factored in minimal donor funds as donors, concerned about allegations of corruption in government, tightened their purse strings. *(Reuters)*

Kenya said it would cut red tape holding up millions of dollars of imports into its landlocked neighbours Rwanda and Uganda, by letting the countries collect customs on goods as they arrive in its port at Mombasa. Goods can currently face long delays as agents process the paperwork to release cargoes from warehouses at east Africa's biggest port, and later make separate arrangements to pay import duties at Kenya's borders with Uganda and Rwanda. Tax officials said the new system, due to be introduced in August, would clear inefficiencies and blockages seen as a major barrier to trade in the region. But clearing agents in Kenya said it could also cost thousands of jobs in warehouses, freight firms and almost 700 clearing and forwarding companies operating in the country. Kenya, Uganda and Rwanda, together with Burundi and Tanzania, are members of the regional East African Community trade bloc, with a joint gross domestic product of $85 billion. Kenyan tax officials said the new system would allow a "seamless flow of goods" and make it easier to stop goods getting through the system without customs payments. "Once cleared at the port, there will be no stoppages at borders and checkpoints along the corridor," the Kenya Revenue Authority's commissioner of customs, Beatrice Memo, told a news conference. Under the system, Rwandan and Ugandan clearing agents and customs officials would be able to set up their own offices to clear cargo and collect taxes directly at the port. The Kenya International Freight and Warehousing Association said that meant up to half a million jobs could be lost to Uganda and Rwanda. "The Government has not consulted us ... and we totally reject it," Association chairman Boaz Makomere told Reuters. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius trade deficit narrowed 20.6 percent in May to 5.27 billion Mauritius rupees from a year earlier on the back of lower import costs, official data showed on Tuesday. The value of overall imports fell by 10.8 percent to 12.30 billion with the value of imported fuel and lubricants falling to 2.0 billion rupees from 3.79 billion rupees a year ago. Exports fell 1.8 percent to 7.0 billion rupees due to lower revenue from exports of manufactured goods, Statistics Mauritius said in a statement. Britain was the main buyer of goods from Mauritius in May accounting for 17.8 percent, while India supplied 19.8 percent of the island nation's imports. *(Reuters)*

The weighted average yield on Mauritius' three-year Treasury bond rose to 3.88 percent at auction on Thursday from 3.78 percent at its last sale in June, the central bank said. The Bank of Mauritius sold 675 million Mauritius rupees worth of the debt. It had offered 1.30 billion rupees worth of the bond and received bids worth 2.10 billion rupees with offered yields ranging from 4.24 to 3.65 percent. *(Reuters)*

Nigeria

Corporate News

The share price of Nigerian Breweries Plc (NB Plc) rose by N11.50 to close at N176.50 from N165, last week as investors reacted positively to the improved profit declared by the company for the half year ended June 30, 2013. Despite the challenging environment, the leading brewing firm declared a turnover of N134 billion in 2013, up from N125 billion posted in the corresponding period of 2012. Profit before tax rose by seven per cent from N28.5 billion in 2012 to N29.6 billion in 2013. The company said in statement it maintained its leadership position in the market despite the challenging economic and business environment in the first half of the financial year. This, the firm explained, resulted in increased revenue compared with the corresponding period of 2012 while profit after tax equally increased from N19billion in 2012 to N20.6billion in 2013. The statement, signed by the Company Secretary/ Legal Adviser, Mr. Uaboi Agbebaku, said while the operating environment was expected to remain challenging, the board was confident that the NB Plc was prepared to take advantage of any growth in the market. Market operators said given the performance and promise to maintain the positive trend for the second half of the year, shareholders should expect good dividend at the end of the year.

NB Plc paid a dividend of N22.689 billion for the year ended December 31, 2012, which is 60 per cent profit for the year. The Managing Director/Chief Executive Officer of the company, Mr. Nicholaas Vervelde, had last May disclosed that N36 billion was invested on various capacity expansion projects in 2012 to prepare for the expected growth in the industry and to further support the strong growth of its brands. "Nigerian Breweries is positioned to take advantage of any growth in the market to sustain its leadership position as well as maintain the healthy yield on investments for its investors," he said. *(This Day)*

Heritage Bank Limited has expressed its preparedness to support small and medium scale enterprises (SMEs) in the country by ensuring that their businesses get listed on the Nigerian Stock Exchange (NSE). The Managing Director/Chief Executive Officer, Heritage Bank, Mr. Ifie Sekibo, who spoke during an "SME Clinic," organised by the bank in Lagos, said the target of his bank would be to ensure that in a few years, some of its customers that run SME outfits, would have been listed on the stock market, saying that "if we don't achieve that, we have failed." Sekibo stressed for Heritage Bank, SME banking is not all about deposit mobilisation, but about who gets to the stock market within the next three years. However, the Heritage Bank boss explained that beyond collaterals, the fundamental factors for the survival of SMEs in the country include planning, structure and also viability of the business. "Once you satisfy those conditions, we will put the structure on the table for you to go to Heritage Bank and borrow. Heritage Bank has a lot offer. As a bank we are willing to lend money to SMEs. "Borrowing as SMEs, you may not be able to produce the kind of collateral required for your kind of business, but when you are on our scheme, it becomes easy because our collective effort will secure your business. We just want those to go on this journey with us to feel comfortable that we are not just waking up to say join us and do this, we are working behind the scene to make sure we address those issues that are key.

He identified dearth of knowledge among operators of SMEs in the country as a major factor that had affected their growth in the country, even as he assured them that the bank would ensure that they get adequate training. "One of the things we do at Heritage Bank is actually providing adequate training. We know exactly what you do and ensure that you are properly guided," he added. On her part, the Executive Director, Ivory Banking, Heritage Bank, Mary Akpobome, pointed out that the bank observed a gap in SME sector, adding that it was firmly committed to transforming the sector. She noted the bank would ensure proper training on basic cash flow forecasting and analyses skills for customers towards overcoming some of their challenges. "We are work-in-progress. We are here to hear from you to know where we can come in. We are committed to this project," she explained. *(This Day)*

GlaxoSmithKline has dropped a scheme to increase its stake in GSK Consumer Nigeria, its consumer healthcare business in the country, following opposition from minority shareholders. The decision to abandon a scheme of arrangement that would have increased its indirect ownership in the unit to 75 percent is a fresh setback for Britain's biggest drug maker, which is battling a corruption scandal in China. The company said on Monday it had agreed to consult shareholders and the Securities and Exchange Commission about the proposal, including whether it should be implemented by way of a tender offer. *(Reuters)*

Global ratings agency, Fitch Ratings, has assigned a 'B-(EXP)'expected rating on First Bank of Nigeria Limited's planned subordinated tier 2 debt notes. The agency stated that the subordinated notes were issued by FBN Finance Company B.V (FBNF) as a special purpose vehicle. The structure of the notes was yet to be finalised, and the final rating is dependent on the receipt of final documents conforming to information already received. It added: "The notes are subordinated but have no coupon flexibility, principle loss absorption of equity conversion features. They qualify as tier 2 regulatory capital under current Central Bank of Nigeria (CBN) guidelines. "Fitch has rated the notes one notch below FBN's Viability Rating of 'b' to reflect below average loss severity for subordinated relative to senior debt. No additional notches for non-performance risk have been applied." Commenting on the rating sensitivities, it pointed out that the notes' rating was sensitive to a change in FBN's VR. In addition, the notching of the rating against the bank's VR could potentially also widen if Fitch believed that the recoveries available to the subordinated note holders in the event of a default of the bank would be lower than currently assumed, it added. *(This Day)*

HONEYWELL Flourmills Nigeria Plc has posted a turnover of N46 billion its audited result for the year ended March 31,2013, against N38 billion achieved in 2012. The company's profit after tax also increased from N2.6 billion to N2.8 during the year under review. According to a statement by the company, the percentage increase in turnover is 20 per cent while profit rose by six per cent. Earnings per Share (EPS) also increased to 36 kobo from the 34 kobo recorded in the previous period while in terms of its Balance Sheet, growth in total assets rose by 16 per cent to N55.4 billion when compared to the N47.9 billion at the comparable date of 2012. Based on the improved performance, the directors of the company have proposed a N1.3 billion dividend payout to shareholders while retaining N1.5 billion for future business expansion. It stated that the company's earnings were boosted by the coming on stream of additional milling capacity occasioned by the recent completion of the food producer's 'E and F Mills' with a combined flour production capacity of 1,000MT per day, thus bringing the overall capacity to 2,610MT per day. The Company completed this expansion project towards the end of the financial year, adding that full impact of this project will be felt in the 2014 performance. During the year, Honeywell Flour Mills Plc. carried out an internal restructuring which resulted in the merger by absorption of Honeywell Superfine Foods Ltd, formerly a wholly owned subsidiary and manufacturers of pasta and noodles. This integration was completed after all court and regulatory approvals, and had as its key objective, the further extraction of value from the already exiting forward/vertical integration between the two businesses. It added that the company is taking its expansion drive several notches further as it recently acquired about 64 hectares of land along the Lagos-Ibadan Expressway from the Ogun State Government within the newly created industrial zone known as Flower gate Scheme in the Sagamu Local Government Area, Ogun State.

The Executive Vice Chairman and Chief Executive Office (EVC) of the Company, Mr. Babatunde Odunayo, explained that it will continue to produce bread flour and other wheat-based food products at its existing factory located at Tin Can Island, Apapa, Lagos because of its proximity to the Port. However, the Honeywell Integrated Foods Complex in Sagamu will open several food production and processing factories with the emphasis on manufacture of value-added human and animal food products which utilise significant quantities of locally sourced raw materials like maize, cassava, soybeans and sorghum. This will help us to meet consumers' increasing demand for Honeywell brand of quality food products. He said, "a key thrust of our foods expansion strategy is to support local farmers to grow larger quantities of grains and crops via out grower programmes for which we shall guarantee produce off-take. In this manner, we will be supporting the realisation of the Government's Agriculture Transformation Agenda which is aimed at achieving food security and creating thousands of jobs for Nigerians". The Honeywell Integrated Foods Complex will directly employ about 3,000 workers in technical, sales, administrative and management functions and the project is expected to be completed over the next three years." Commenting on the results, the Company's Chairman, Dr. Oba Otudeko CFR, stated "the Company has yet again shown its readiness and ability to thrive in challenging economic conditions due to its committed team of professionals who demonstrate willingness to pursue and achieve the Company's long term vision of sustainable growth. An improved performance is expected in the coming years as activities are underway at a rapid pace to develop and complete the Honeywell Integrated Foods Complex in Ogun State".*(Guardian)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

APPARENTLY satisfied with the company's impressive result, Shareholders of Oando Plc yesterday endorsed the payment of the N5.1 billion dividend for the year ended December 31, 2012. Oando recorded 526 per cent increase in profit after tax in 2012, from N1.8 billion in 2011 to N10.9 billion in 2012. The profit was made from a turnover of N675.5 billion, which showed a growth of 18 per cent from N573.2 billion in 201. Based on the performance, the directors recommended a dividend N5.1 billion, which translated into 75 kobo per share. Some of the shareholders who spoke at the 36th yearly general meeting (AGM) held in Lagos yesterday said the dividend came at the right time considering that no dividend was paid in respect of 2011. In his address to the shareholders, the Chairman of the company, Oba Michael Gbadebo, said the company has a very brighter future, noting that the company was on the verge of achieving its desire to grow the high margin upstream business following the acquisition of ConocoPhillips Nigerian companies. "2013 will witness the closure of this deal, thereby signalling our arrival as a major upstream player in Nigeria," Gbadebo said. He noted that Oando's midstream business continue to expand its pipeline network, while the downstream businesses would grow their already leading market share position as well as focus on new areas. "Overall, we are confident and optimistic in what the future holds and look forward to growing shareholder value in the years ahead," he said.

Earlier, the Group Chief Executive Officer of Oando Plc, Mr. Wale Tinubu had commented on the 2012 performance, saying "We are pleased to report our twelve months performance for 2012, in which we have taken positive steps in the implementation of our strategic focus to build our diversified higher margin business segment." Explaining the performance of the divisions of the group, Tinubu said "in the Upstream division, we listed Oando Energy Resources (OER) on the Toronto Stock Exchange (TSX) in Canada; increased our production capacity through successful drilling campaigns on OML 125, the Ebendo Field (OML 56) and the Qua Iboe Field (OML13); we also paid a 25 per cent deposit of $435 million for the acquisition of ConocoPhilips Nigerian business, which will add 43kboe to our daily production and substantially increase our 2P reserves and best estimate contingent resources to 235mmboe and 237mmboe respectively. OES completed a number of successful drilling campaigns on our various drilling rigs, whilst our 4th rig, is currently undergoing refurbishment and expected to be deployed in the 2nd half of 2013." He said the Midstream division witnessed a 35 per cent growth in gas supply, mainly from the newly commissioned 128Km EHGC pipeline in the South East of the country. *(Guardian)*

Nestle Nigeria said on Thursday its half-year pretax profit this year rose by 14.75 percent to 13.22 billion naira, compared with 11.52 billion naira during the same period a year earlier. Revenue at the local unit of the world's biggest food group, Nestle SA, also jumped to 62.44 billion naira from 56.67 billion naira last year, the company said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Nigeria Unity Bank said on Thursday its half-year pre-tax profit rose 24 percent to 4.35 billion naira ($27.17 million), compared with 3.52 billion naira in the same period a year ago. Gross earnings in the first half of the year jumped to 30.17 billion naira from 25.93 billion naira, the bank said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Nigeria's Dangote Sugar said on Thursday it posted a 21.33 percent increase in its half-year pretax profit to 9.84 billion naira, compared with 8.11 billion naira same period last year. Turnover at the sugar refiner jumped to 55.03 billion naira during the period, compared with 53.6 billion naira a year ago, it said in a filing to the Nigerian Stock Exchange. *(Reuters)*

Nigerian lender Skye Bank's half-year pretax profit jumped to 10.54 billion naira, compared with 9.98 billion naira the previous year, the bank said in a filing with the local bourse on Thursday. Gross earnings at the mid-tier bank rose to 71.16 billion naira from 59.65 billion naira a year earlier, the bank said. *(Reuters)*

Economic News

The federal government has said the implementation of a new blueprint on Nigeria Integrated Infrastructure Master Plan (NIIMP), would cost $2.9 trillion. The Minister of National Planning, Dr. Shamsudeen Usman, who disclosed this at a dinner organised by Business Support Group (BSG) at the weekend, stated the master plan had been designed to raise the nation's stock of infrastructure from the current 35 to

40 per cent of Gross Domestic Product (GDP) to 70 per cent of GDP in 2043- that is, in 30 years. Usman pointed out that according to the master plan, 48 per cent of the $2.9 billion would come from the private sector. The NIIMP is a 30-year master plan for accelerating infrastructure development in the country. It focuses on core infrastructure, including energy (power and oil and gas), transport (roads, rail, ports and airports), housing, water and ICT. Other infrastructure classes include agriculture, mining, social infrastructure, vital registration and security. The draft NIIMP contains a long term vision that sets the overall direction for the master plan and strategic objectives, such as per capita income and GDP growth. It also describes the overall investments required in infrastructure, over the next 30 years and contains a financing plan and sector and regional strategies, as well as a priority projects portfolio. As an actionable plan, the NIIMP also highlights enablers for implementation and an implementation plan. Usman pointed out that the huge investment drive of the NIIMP required the federal government to explore various financing options, adding that the private sector would be expected to play a more significant role in financing infrastructure development. According to Usman, the great potential for private sector participation places additional responsibility on the public sector. "Given the global nature of infrastructure investment, it implies we have to compete. To compete, we have to strengthen the policy, legal and institutional frameworks for effective infrastructure development as well as improve security.

It will also require fiscal incentives and capability building for the management of Public-Private Partnerships (PPP). "The main objective of setting up the BSG of the NIIMP was, in fact to harvest from the private sector; it's perception of the required enabling environment as well as the specific actions required to achieve it. The NIIMP also highlights the challenge of local capacity, especially in terms of manpower and technology. "Addressing this challenge will require collaborative effort of the public and private sectors. Strategies for improving manpower need to be developed and investment in training must increase significantly. In addition to building a local skills base, there is the need to have a strong institutional framework for the enforcement of standards and quality control," Usman added. He further stated the private sector would work with professional bodies in ensuring, not only quality infrastructure, but also proper operation and maintenance of the facilities. Usman also noted that importantly, to achieve a sustainable infrastructure development, the private and public sectors had to increase investment in research and development. "The BSG is a good starting point. Through the BSG, both sectors are now on the same page, with regards to infrastructure development in Nigeria, in general, and the NIIMP, in particular," he declared. In his remarks, Dr. Oba Otudeko, stressed that critical sectors of the Nigerian economy suffered unforgiveable neglect for many years culminating in the inadequate level of social infrastructure. "Undoubtedly, efforts at developing social infrastructure in our country to the levels obtainable in the developed world must be holistic, strategic and concerted. "As a 30-year long term planning tool for implementing infrastructure programmes to meet the peoples' demand for infrastructure services, the NIIMP is a most welcome development and we must applaud the National Planning Commission (NPC) and the federal government for such a laudable initiative," Otudeko said. *(This Day)*

The Central Bank of Nigeria (CBN) has said it is concerned about the effects of a possible external risk on the economy. This followed the International Monetary Fund's (IMF's) recent lowering of its economic growth forecast for Nigeria as well as other economies in the world, as recession continues to hamper growth in Europe and other advanced economies. Additionally, the move by the Federal Reserves to cut back its quantitative easing programme has continued to make the central bank to guard against likely headwinds. The Director, Risk Management and Special Adviser to the CBN Governor, Mrs. Folakemi Fatogbe, disclosed this in a chat with journalists at the 13th Annual Conference and 2013 Annual General Meeting of the Risk Managers Association of Nigeria (RIMAN), titled: "Emerging Risks in an Emerging Economy," held in Lagos at the weekend. Fatogbe explained: "I will say to a very large extent, the central bank and the industry have collaborated to reduce the risk in the industry. The major risk that we face are more externally-driven which would have implications for Nigeria. It has to do with things happening in the wider economy. "You all saw what the July 7 IMF outlook for the global economy in which they said that the market will possibly bear the brunt of some of the new emerging risks that we are seeing as a result of the possibility of a winding down of quantitative easing, as announced by the Chairman of the Federal Reserves, Ben Bernanke."

Specifically, the IMF in the report had explained that although flood affected growth rates in the oil and non-oil sectors of the Nigerian economy, the country's gross domestic product (GDP) was expected to grow at 7.2 per cent this year. However, the multilateral institution had further lowered its 2014 growth projection for the Nigerian economy to seven per cent, due to its expectation that the economy would encounter slow pace of growth. The CBN director argued that the central bank was doing a lot of things to support the diversification of the

Tanzania

Corporate News

No Corporate News this week

Economic News

No Economic News this week

economy. "Our reserves position is stronger than it used to be and we are also trying to bring in the financially excluded and we are improving financial literacy. That in itself, when you bring more people in, some of the socio-economic impact of the risks can be reduced.
"We have strengthened risk management across the industry and we are continually building capacity. We have addressed a number of issues on non-performing loans (NPLs) across the industry as NPLs are now less than five per cent. It is work in progress and the monetary policy committee meeting coming up will be looking at a number of these issues," Fatogbe added. *(This Day)*

The Central Bank of Nigeria will probably keep its benchmark lending rate unchanged at a record high to bolster the currency, even as inflation eased to its lowest in five years. The Monetary Policy Committee, led by Governor Lamido Sanusi, will hold the policy rate at 12 percent for a 11th consecutive meeting today, according to all 14 economists surveyed by Bloomberg News. Sanusi is scheduled to announce the decision at a televised press conference that begins at 2:30 p.m. in Abuja, the capital. "The risk to the economy is the exchange rate and the depletion of the exchange reserves," Nema Ramkhelawan-Bhana, an Africa strategist at Rand Merchant Bank in Johannesburg, said in phone interview. While economic growth has weakened, it hasn't "contracted to the extent that they need to accelerate demand by cutting aggressively," she said. Sanusi, who won't renew his contract when it expires in June, targets the currency to keep inflation (NGCPIYOY) under control. The central bank sells foreign exchange at twice-weekly auctions to keep the naira within a range of 3 percent above or below 155 per dollar. The naira has fallen 1.9 percent against the dollar on the interbank market since the last MPC meeting in May and was trading as low as 162.60 yesterday. Foreign-currency reserves declined 2 percent this month to $46.9 billion, according to central bank data. "They're trying to target more the exchange rate than they are inflation," Ramkhelawan-Bhana said. Inflation eased to 8.4 percent last month, the lowest level since April 2008, from 9 percent in May. The inflation rate has stayed below the central bank's 10 percent target this year. Nigeria's central bank shouldn't rush to cut interest rates even as inflation is forecast to remain within the target this year, Sanusi, 51, said in an interview in May. The bank's room to lower borrowing costs depends on government spending, which threatens to increase as the military battles Islamist insurgents in the northeast, he said. Africa's most populous nation with more than 160 million people relies on oil for as much as 95 percent of export earnings and 80 percent of government revenue. Crude output has been hampered by theft, vandalism of pipelines and shutdowns, resulting in production of 1.83 million barrels a day in June, according to data compiled by Bloomberg. The government had projected output of 2.53 million barrels a day in this year's budget. *(Bloomberg)*

The Central Bank of Nigeria (CBN) Tuesday introduced a 50 percent Cash Reserve Requirement (CRR) on all public funds deposits in the banks' possession. The new adjustment to CRR does not however, apply to private sector deposits whose CRR was retained at 12 percent. The central bank said it took the decision because it discovered that there was over N1.3 trillion sitting in banks and belonging to government agencies. This came just as the CBN Governor, Mallam Sanusi Lamido Sanusi refuted media reports that the Financial Reporting Council (FRC) had refused to approve its 2012 financial reports. Sanusi said contrary to media reports, the board of the CBN had the responsibility of approving its accounts which it had done. The CRR is a monetary policy tool used to set the minimum deposits commercial banks must hold as reserves rather than lend out. It is usually applied to influence borrowing and interest rates by changing the amount of money in banks' disposal to make loans. Also at the end of the meeting, for the tenth consecutive time, the Monetary Policy Committee (MPC) resolved to leave the Monetary Policy Rate (MPR), otherwise known as the benchmark interest rate at 12 percent with a corridor of +/- 200 basis points. The MPR is the rate at which the CBN lends to commercial banks. This also determines the cost of funds in the market.
Addressing journalists at the end of the 2-day MPC meeting in Abuja, Sanusi said the introduction of CRR on public funds became necessary in order to among other things, check "the perverse incentive structure" under which Deposit Money Banks (DMBs) "source huge amounts of public sector deposits and lend same to the government." Sanusi said: "First of all you've got liquidity surplus in the banking industry. As I speak to you there's over N1.3 trillion or so, sitting in banks and belonging to government agencies. "Now basically, they (surplus) are at zero percent interest and the banks are lending about N2 trillion to the government and charging 13 to 14 percent. Now that's a very good business model, isn't it? Give me your money for free and I lend it to you at 14 percent. So why would I go and lend to anyone."

Continuing, he said: "Now if you want to discourage such perverse behaviour, part of it is to basically take away some of that money and therefore, the reserves requirement is supposed to make sure that excess liquidity in banks' balance sheets is evenly distributed. We've got about six or seven banks that already account for the bulk of these deposits. We are not going to put them into distress." The CBN governor, who read the committee's communique, further warned that: "If spending continues and we are concerned about the liquidity conditions, we foresee in the nearest future, continued increase in the CRR across the board as we continue to maintain tight liquidity conditions. "In election years, everywhere in the world, not just in Nigeria, politicians spend money and spending money means pressure on the exchange rate, pressure on reserves and pressure on inflation. "So the next 12 months would be difficult; we would have to respond at every stage and make sure that no matter what happens we do not have stability threatened," he declared. On the CBN's retention of MPR despite marked improvement in macroeconomic indices as well as low inflation, Sanusi said nine members voted to retain the interest rate while one member voted for a reduction by 50 basis points. He added that coast was unclear for monetary easing given the volatile global economic outlook among other domestic issues. He said: "This question of reducing MPR, it's not just about where inflation is but about where we think it's going to be. We have serious concerns; there are two major concerns before us now. "The fiscal position of government is a big problem. The deficit in the first half of this year is over N400 billion compared to just over N200 billion last year. Now we have drawn over N700 billion from the Excess Crude Account (ECA)."

Responding to questions over its financial report, the CBN governor said although the FRC had the duty to set accounting standards and international best practice, it does not approve the CBN accounts. Sanusi said: "So we strongly support IFRS introduction, we strongly support building capacity in the industry for compliance. Again, for accounts, the FRC does not approve our accounts. The board of the central bank has approved the accounts. The FRC is there to set accounting standards to make sure that there are improvements that would meet international best practice. "So if we publish accounts and FRC has comments on those accounts, they make those comments because they are regulators as far as preparing statement of accounts are concerned." He said: "As banks respect our own regulatory arena, we respect FRC in its own regulatory arena but there's no question at all on a non-approval, and I am not even aware of any issues that have been raised. "There's nothing like FRC not approving accounts, there's nothing like a query on our accounts and on our part, there's nothing like a complaint about FRC academy." He further clarified the alleged controversies over banks' contributions to the International Financial Reporting Standard (IFRS) academy. Sanusi said: "FRC did not force the banks, we were the ones who encouraged the banks to make the contributions. The CBN has been pushing for banks to move to IFRS and we are also aware that there's a dearth of skills around IFRS accounting. "We encouraged the banks to make these contributions to the academy. These contributions are made to FRC and to the best of our knowledge, the money is still there and is going to be used for the purpose of the academy." *(This Day)*

The Nigerian Sovereign Investment Authority, NSIA, yesterday, signed a Memorandum of Understanding with the International Finance Corporation, IFC, a member of the World Bank Group, to develop, finance, and implement infrastructure projects. The partnership, according to a statement by the IFC, will contribute to Nigeria's economic growth, boost jobs creation and social development. The IFC further stated that the partnership will help mobilise public and private resources that will open the Nigerian market for infrastructure investments in sectors such as housing, healthcare, transport, power and gas. "In addition, the partnership will include co-project development on some projects, as well as IFC providing other support to the NSIA, given IFC's global expertise and experience on infrastructure development," the statement noted. Commenting on the development, Uche Orji, Managing Director, NSIA, said, "Our agreement with IFC reflects NSIA's commitment to enhance partnerships with the private sector that deliver on our shared aspiration of developing infrastructure projects more effectively in Nigeria. "Through this collaboration with IFC, NSIA is better positioned to fulfill its mandate of developing infrastructure projects, while attracting global investors." Also speaking, Solomon Adegbie-Quaynor, IFC Country Manager for Nigeria, said, "Infrastructure is a priority focus area for IFC. IFC aims to help increase access to basic infrastructure services in Nigeria by structuring commercially viable projects, facilitating private investments, and building partnerships that enhance infrastructure financing. "We believe that our partnership with NSIA will bring development to the broader infrastructure sector and foster sustainable economic growth for Nigeria." The Federal Government of Nigeria through an Act of the National Assembly (the NSIA Act 2011) established the Nigeria Sovereign Investment Authority (NSIA). The objective of the NSIA is to promote fiscal stability, build a savings base for future generations of Nigerians and enhance the development of Nigeria's infrastructure. The NSIA's investments are made through three distinct funds: the Stabilization Fund, the Future Generations Fund, and the Nigeria Infrastructure Fund. Investments made under the MOU with IFC will be made through the Nigeria Infrastructure Fund. *(Vanguard)*

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Zambia

Corporate News

Emerald miner Gemfields Plc said it sold a little over half a million carats of rough stones at its first high-quality emerald auction in Lusaka, Zambia, raking in $31.5 million. Gemfields, owner of the FabergÃ© luxury jewellery brand, said it realised an average price of $54 per carat, its highest in an auction. The Zambian Ministry of Mines, Energy and Water Development issued a directive in April that all auctioning of emeralds mined in the country be held in Zambia, as their sale in foreign markets contributes to capital flight. Gemfields was selling output from its core Kagem mine in north Zambia outside the country until the government directive came into force. Gemfields had forecast a 46 percent fall in auction revenue for the year ended June 30 as it was forced to move this auction from Singapore to Lusaka. The delay pushed the resultant auction revenue to the current fiscal year. Of the 40 companies invited to the Lusaka auction, 37 attended, and 36 attendees placed at least one bid, the company said. "All indications show that demand for coloured gemstones, and especially emeralds, will continue to increase at a steady pace over the coming year," Chief Executive Ian Harebottle said in a statement. Gemfields shares were up 5 percent in thin trading at 21.6 pence at 0727 GMT on the London Stock Exchange on Monday. *(Reuters)*

Zambia has allowed First Quantum Minerals to restart construction of its Sentinel copper project that had been halted this year on environmental concerns, according to a document obtained by Reuters. Zambia in May ordered Vancouver-based First Quantum to stop construction of the dam, a vital source of water for the $2 billion Sentinel project expected to produce as much as 300,000 tonnes of copper per year. The environmental ministry will allow First Quantum to proceed building the dam although it will continue to study the impact of the construction, it said in a document dated July 18. First Quantum spokesman John Gladston said the company would no longer need to shed 500 jobs, as it had planned when forced to stop building in May. It will would double the work rate to ensure the copper mine was completed by the company's stipulated deadline of 2014, he said. Sentinel Mine is the first of the three potential mines at the new large-scale project in northwest Zambia where the company already operates Kansanshi Mine. *(Reuters)*

INVESTRUST Bank Plc is expected to inject US$2.55 (K13.77 million) in a new firm that will provide mortgages finance to lower and middle -income Zambians. This follows the partnership with Sofala Capital Limited, a South African private firm to inject a combined total investment of US$5 million in Zambian Home Loans (ZHL) Limited. "Investrust has entered into an agreement with Sofala Capital Limited under which Investrust and Sofala have incorporated a new company called Zambian Home Loans Limited. The planned equity contribution by shareholders is US$5 million of which Investrust will be required to contribute US$2.55 million," he said. This is according to a statement issued by Investrust Bank Plc company secretary Cuthbert Tembo yesterday. Investrust Bank Plc and Sofala hold 51 percent and 49 percent shares in ZHL. Mr. Tembo said as the leading promoter of ZHL, the bank will also provide the company with advisory services relating to mortgages procedural and legal matters. It will also provide advisory services toward the setting up of independent office premises and hiring of qualified staff. "Investrust's role in ZHL is to lead the mortgage loan origination process by providing introductions and access to Zambian employers with whom Investrust has salary deduction contracts. Investrust will lead the approach to regulators for the company's licenses and approvals," part of the statement read. Mr. Tembo said Sofala's role will be to arrange the long-term debt financing for the venture with the appropriate on-shore pension funds, development finance institutions (DFIs) and commercial lenders. He said Sofala in conjunction with the bank will implement and control the credit committee process. Sofala Capital Limited, whose anchor investor is Praesidium Capital Management (PCap), is a firm set up to facilitate local currency mortgage finance in selected African markets. PCap has provided funding to financial services businesses in South Africa, Zambia, Botswana and Malawi. Meanwhile, ZHL is engaged in talks with on-shore funds, insurance companies and off-shore debt providers to structure long-tern on Kwacha funding. The company also intends to use the domestic and international capital markets to raise long-term funding. (*Daily Mail)*

Economic News

THE Economics Association of Zambia (EAZ) has urged Bank of Zambia (BoZ) to slightly intervene in the foreign exchange market to mitigate the fluctuating Kwacha. EAZ president Isaac Ngoma said while the market is supposed to regulate itself, the level at which the local currency is trading requires some minimal intervention. "There is need for the currency to stabilise and trade at K4.50 as opposed to K5.50.That is a good region [level] within which the Kwacha should trade at. At the moment, it calls for exchange enhancement mechanism to ensure that it stabilises. "At the rate we are going, maybe, we need BoZ to have some minimal intervention so that it can cushion the Kwacha and stabilise it," he said. Mr Ngoma said this in an interview in Lusaka yesterday. He said the depreciation of the Kwacha could be good news for exporters because they are able to generate their earnings and meet their needs with ease. Mr Ngoma, however, said the weak currency against other convertible major currencies will hurt importers, who in turn will pass on the cost incurred to consumers. "The local currency is so volatile that it becomes so difficult to plan and know exactly what is happening. Apart from that, it is very expensive for importers as it constrains the expansion of production facility and acquisition of additional raw materials," he said. Mr Ngoma said if importers buy the facilities, the net effect will be passing additional cost to consumers. "The ultimate bearer of the pain is the consumer because they are the ones that are going to endure the branch of the high cost of buying the Kwacha as importers bring in their goods from outside," he said. He said it is not only the fall in the exchange rate but also the volatility, which has been swinging. Mr Ngoma said the stability is important to ascertain the market, help businesses plan and predict business outcome. *(Daily Mail)*

Zambia's inflation was unchanged at 7.3 percent year-on-year in July compared with June, the Central Statistics Office said on Thursday. On a month-on-month basis inflation accelerated to 0.7 percent in July from 0.4 percent the previous month. The southern African country recorded a trade surplus of 109 million Zambian kwacha in June 2013 compared with 268 million kwacha in May, the statistics office said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

DRUG manufacturing company CAPS Pharmaceuticals has collapsed after the firm's factory premises in Harare's Southerton industrial area was last week auctioned for US$1,5 million cash. This was after the Sheriff of the High Court ordered the sale of some of its assets to repay debts owed to CBZ Bank. The sale, however, can be challenged within seven days from the date of auction. The auctioned assets include a drug manufacturing plant, a three-storey administration block with 47 offices, a kitchen, bar with a dispensary section, packaging sections, cold- rooms, receiving bays, a clinic and a guardroom. Businessman Mr Fred Mtandah is the controlling shareholder of the company which is involved in the manufacture and distribution of pharmaceuticals. He could not be reached for a comment last Friday. The fate of the company's workers could not be established. But upon the completion of the sale and transfer of the property, the buyer will have powers to evict the workers from the premises. Caps used to be the country's largest drug manufacturing company before it plunged into a financial crisis. The company last traded on the Zimbabwe Stock Exchange on November 30, 2011 before delisting. It said then that the delisting would pave way for restructuring of the business that would see new investors coming in to inject fresh capital. The pharmaceutical concern ended a 42-year presence on the bourse, trading at US0,10c per share and valued at US$3,5 million.

Cabinet had recommended that Government, through the Industrial Development Corporation of Zimbabwe Limited, should save the pharmaceutical giant from collapse by taking over its debts. In April last year, the Deputy Sheriff attached Caps Holdings assets to recover US$4 million owed to CBZ Bank. In May last year, Caps Holdings chief executive Mr Jealous Nderere told our sister paper, The Sunday Mail, that the company was failing to settle its debts, including paying salaries because it was not making enough money. "As a company, we are currently going through many difficulties. We are, however, running around and working on the measures to ensure the workers receive their backdated salaries," he said then, adding that the shareholders were in the process of raising cash to finance operations. *(Herald)*

ZIMBABWE Stock Exchange (ZSE)-listed retail group OK Zimbabwe Limited has recorded a 5,1% increase in revenue to $123,1 million for the three months ending June 30, 2013, driven by cost-cutting measures and branch network expansion. Speaking at the company annual general meeting on Friday, OK Zimbabwe chief executive officer Willard Zireva said the growth in turnover was lower as it had taken into account a gross domestic product (GDP) growth rate of 5%. "This was slightly below our rather aggressive budget which took into account anticipated national GDP growth of 5%. It is generally accepted that the country may actually have experienced zero growth or deflation during the period," Zireva said. Zireva said OK Mart's growth was slightly below the company average during the period under review due to lower liquor sales. The OK Zimbabwe boss said gross margin for the same period maintained the same level as in the comparative period last year. "Management continues to improve the margin through better sourcing," Zireva said. Overheads were down 10% compared with the same period last year. "Profit growth for the quarter is in line with sales growth, but this should improve as we go forward with all the initiatives which are in place or being worked on," Zireva said. He said the recently announced arrangement with South African company Kawena (Private) Limited would help in bringing remittances into the formal sector. Under the deal, Zimbabweans in South Africa can purchase goods for friends and relatives back home.

"The objective is to tap into the Diaspora Zimbabweans including the unbanked who have to support their relatives at home and this brings these remittances into the formal sector and helps in reducing the country's balance of payments deficit as no forex goes out of Zimbabwe with products paid for in South Africa and received in Zimbabwe," Zireva said. He said the company had also entered into a distributorship arrangement with blanket manufacturer, Aranda, from South Africa, adding that this would help grow the group's revenue base. Zireva said refurbishments of outlets and other capital expenditure programmes would continue with funding coming from internal resources. He said the company had opened two new outlets in the first quarter, Wynne Street and at Chitungwiza Town centre. Refurbishments are planned for OK Waterfalls, OK Bindura, OK Houghton Park, OK Gweru and OK Mutare. Construction work of a new branch in Hwange, he said, was in progress amid expectation that the work would be completed by the end of September. *(News Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

ZIMBABWE Stock Exchange-listed agro-industrial concern Interfresh Limited has plans to break-even by year-end before returning to profitability by 2014 driven by shareholders' approval of a $3 million rights offer and impending plans to raise more capital, the company's chief executive Lishon Chipango has said. Chipango told NewsDay on the sidelines of the company's joint annual and extraordinary meetings yesterday that Interfresh had been severely undercapitalised following government's acquisition of a vast tract of land previously owned by the firm. He said after the approval of the rights offer by shareholders, Interfresh would be back on the market seeking more funds as it embarks on a restructuring programme that could result in the company mainly focusing on the citrus business. A rights issue/offer enables existing shareholders to buy additional securities in a company. The company said since 2009, it had been relying on debt financing to sustain operations. "After this (rights offer) we will be getting on a second phase which we will accordingly inform the market and shareholders in due course, but plans are almost close to fruition," Chipango said. "We realise and are fully cognisant that $3 million is not enough to meet the capital needs of the company, but it is absolutely necessary to first increase the shareholders' funds so that it then increases a platform for raising additional structured capital. "We would expect to break even by this year inclusive of the write-offs (after the acquisition of a portion of the company's citrus) and we expect a return to profitability by 2014." Government recently took 1 599,7 hectares of land from Interfresh which was part of Mazoe Citrus Estates and allocated it to the First Lady Grace Mugabe. Interfresh said the land that was taken by the government constituted 46% of Mazoe Citrus' total arable land, which translated to 30% of budgeted revenue. This resulted in the company writing off $5,6 million. *(News Day)*

CAMBRIA Africa Plc says it will receive US$2,7 million from Lonrho Plc after agreeing on a settlement relating to disputed claims between the parties. "Cambria is pleased to announce it has achieved final settlement with Lonrho Plc with regards to all ongoing disputes, loan assets and management contracts related to Lonrho. As a result of this settlement, Cambria will receive from Lonrho US$ 2 665 000," Cambria said. The disputes relate to party contracts and obligations that arose after Lonrho, a former shareholder in Cambria Africa Plc (formerly LonZim Plc), divested from the group. The disagreements related principally to the payment of insurance proceeds, outstanding lease payments, maintenance reserves and condition two remaining aircraft after. Cambria said the settlement strengthens its balance sheet, frees up time and resources spent on the disputes and ends Lonrho's involvement in Leopard Rock Hotel, situated in the Eastern Highlands. Further, the AIM-listed conglomerate said claims against Lonrho pertaining to leasing of aircraft to the then Lonrho subsidiaries have been excluded from the US$2,7 million settlement. The settlement relates to loans for the Aldeamento Turistico de Macuti Hotel in Mozambique, the Churchill Estates (1995) (Private) Limited, the Lonrho management services agreement, and the hotel refurbishment and management agreement. "Other than any aircraft lease related claims, the settlement achieves that any residual issues related to Lonrho are now placed firmly in the past, ensuring Cambria can focus on the future," Cambria Africa added. Moreover, Cambria Africa said, the settlement makes funds available for further attractive investment opportunities in Cambria's Payserv and Millchem subsidiaries. Lonrho was a substantial shareholder in Cambria within the last 12 months and consequently the settlement is therefore deemed a related party transaction for the purpose of the AIM rules for com-panies.

The directors, having consulted with WH Ireland, the company's nominated advisor, consider the terms of the settlement fair and reasonable insofar as its shareholders are concerned. "We are pleased to have worked effectively with Lonrho to make this settlement possible. The disputes between the parties have been settled on terms satisfactory to both sides. "At Cambria our team looks forward to pursuing our growth strategy with this situation firmly behind us," Cambria's chief executive, Mr Edzo Wisman said. Cambria Africa plc is a long term, active investment company, building a portfolio of investments primarily in Zimbabwe, but also in Africa. Cambria owns 61 percent of Celsys, which specialises in security printing and provision of information technology and telecommunications. It owns 100 percent of Millpal, 51 percent of pharmaceutical distributor Panafmed and 51 percent of mobile software producer ForgetMeNot. Cambria, previously LonZim, held a 79 percent shareholding in beachfront-located Adeamento Turistico de Macuti Hotel in Mozambique and planned to invest the proceeds of that sale in Zimbabwe. In addition, it owns 100 percent of electronic transfer solutions Paynet and the exquisite Leopard Rock Hotel in the Eastern Highlands. *(Herald)*

Mwana Africa yesterday said it had started implementing cost-reducing measures at its operations in Zimbabwe due to weak commodity prices prevailing on the international market. In a trading update, Mwana chief executive Mr Kalaa Mpinga said poor market conditions had forced it to introduce strategies to mitigate effects of weak commodity prices on operations at both its local mining units. "An exceptional amount of effort has gone into the Trojan restart over the course of the past year, and much progress has been made culminating in sale of first concentrate in April. "However, due to a sustained decline in commodity prices, most crucially for Mwana, in the prices of gold and nickel, we have embarked on a significant cost-cutting exercise at corporate and project levels," he said. Many gold miners across the world have felt the effects of volatile gold prices and have introduced cost-reducing measures at their operations. For example, gold miner New Dawn Mining Corporation early this week said it might be forced to fold its operations in Zimbabwe if the cost-cutting measures it introduced do not yield desired results. Gold prices opened the week on US$1 322,50 an ounce, its highest since June 20 and at least US$600 below a lifetime high of US$1 920,30 struck in 2011. Meanwhile, Freda Rebecca sold a total of 14 716 ounces of gold in the quarter ended June 30, 2013 while operating costs increased by 5,7 percent. Mr Mpinga acknowledged the difficulties of the previous quarter, which were punctuated by a leach tank accident that halted operations at Freda Rebecca. "It has been a quarter of mixed fortunes for Mwana. Freda Rebecca continues to perform well, remains cash generative, and I am delighted by the progress made since the leach tank incident earlier in the year." He said construction of the tailings pilot plant to test the viability of treating Freda Rebecca's tailings dumps was progressing well and the plant would be commissioned soon. *(Herald)*

A UNIT of Australian Stock Exchange-listed Aquarius Platinum is engaging local authorities over the company's indigenisation and empowerment amid indications that negotiations could soon be finalised, a senior executive has said. Mimosa executive chairman Winston Chitando recently told delegates attending the just ended Institute of Chartered Accountant of Zimbabwe 95th anniversary congress in Victoria Falls that the platinum miner was currently in talks with the Ministry of Youth Development, Indigenisation and Empowerment to map out a compliance plan. Under the country's indigenisation and empowerment laws, foreign-owned companies operating in the country should sell 51% stakes to locals. " We are at an advanced stage of coming up with a modus operandi in complying the indigenisation policy . . . I don't think it is fair on my stakeholders to issue statement of a public nature which could possibly jeopardise negotiations," Chitando said. Under the agreement reached late last year, Mimosa will sell 51% ownership to indigenous Zimbabwean groups for $550 million. This has been calculated at an "agreed" market value of $1,078 billion for the Mimosa Mine. Mimosa agreed to provide funding for this through a vendor-financed loan vehicle as part of efforts to facilitate the smooth conclusion of the transaction over a period of 10 years. The company's plan showed that a 10% shareholding was given to the Zvishavane Community Share Ownership Trust held by communities in the area. Another 10% will be ceded to the Mimosa Employee Share Ownership Trust.

The company will also give up 31% of its shareholding to the National Indigenisation and Economic Empowerment Fund. Chitando said the major problems facing the mining sector was the inadequate supply of power, policy inconsistencies, the slow rate at which some mining companies were complying with the indigenisation laws and the exorbitant charges being for Environmental Impact Assesement by the Environmental Management Agency. Chitando said the mineral development policy was still work in progress with engagements at the Chamber of Mines level to come up with the policy. He said it was 'absolutely critical" to come up with the policy given the unique characteristics of some of the minerals the country has. Already, Zimplats, the country's largest platinum miner has signed a term sheet where it agreed to sell 51% to locals at a cost of nearly $1 billion. *(Newsday)*

DELTA Corporation's revenue for the first quarter, which ended June 30 this year, rose 8 percent with strong sales volumes in soft drinks and sorghum beer being the biggest driver. Revenue rose from US$142 million during the same quarter last year to US$153 million, the company said in a statement yesterday. Volumes rose 4 percent, to slightly above 1,7 million hectoliters All beverage categories except lager beer registered volume growth. Soft drinks grew 13 percent to 374 000 hectolitres while sorghum beer rose 6 percent 846 000 hectolitres. The company said the recently commissioned Chibuku Super plant was now running at full capacity. Volumes for Maheu jumped 80 percent to 36 000 hectolitres. Lager volumes, however, contracted by 8 percent to 463 000 hectolitres. The lager beer volumes performance was negatively impacted by the significantly higher than recommended retail prices in the general trade occasioned by the hike in excise duty in December 2012 and lack of adequate coins on the local market. The overall financial performance was in line with management expectations. "The trading environment has been characterised by uneven consumer demand. We see some provinces such as the Midlands, Masvingo and Mashonaland East showing very good growth in volumes while provinces like Manicaland, Matabeleland and part of

Mashonaland West are regressing," chief executive Mr. Pearson Gowero told shareholders at an annual general meeting yesterday. Delta said volume growth will be dependent on Gross Domestic Product and socio-economic environment particularly post the harmonised elections to be held next Wednesday. Earnings growth will be positive reflecting both cost efficiency and product mix, more reflective of a hard currency environment. Capital expenditure will be targeted within 30 to 50 percent of earnings before interests, taxes, depreciation and amortisation. A dividend cover of 2,5 times to be maintained. EBITDA margins are expected to gradually improve to range between 26 percent and 30 percent in the long term. The trading environment during the first quarter was characterised by softening demand and liquidity constraints. "There is general under-performance of agriculture although tobacco is an exception," said Mr. Gowero. "This has the impact of reducing household income, We have also seen that consumers have become a lot more conscious of real value of the US dollar hence more price sensitive." Delta has a dominant position commanding approximately 96 percent of the beer market and about 92 percent of the sparkling beverages.*(Herald)*

ZIMBABWE Stock Exchange-listed Meikles Hospitality says the refurbishment of its hotel's north wing that began last year is now 90 percent complete and is expected to be operational by the end of August. The hotel embarked on an US$8,5 million refurbishment of the north wing and the project involved the complete renovation of 132 bedrooms in the wing, including major changes to their bathrooms and an upgrade of the air-conditioning. Function rooms on the ground and second floors of the wing are also being redesigned, while the hotel's flagship restaurant, La Fontaine Grillroom, is being extensively refurbished and its kitchen completely transformed into one of the most modern in Southern Africa. During a tour of the hotel's north wing on Tuesday, Meikles Hospitality managing director Mr. Karl Snater said most of the ground work had already been completed and the contractors were fitting in new carpets and furniture. "As you can see, the most crucial work is almost complete and we expect all the carpets and new furniture to be in by August 15 and the rooms should be ready for visitors by the end of August," he said. He said the hotel had also invested in a completely new presidential suite which was still being refurbished. "We expect it to be the leading suite in the country if not the region," he added. He, however, said he did not readily have the exact figure of the amount that had been channelled towards the US$2 000 per night room. Mr. Snater said the completion of the refurbishment would help the hotel tap into the influx of tourists expected in the country in the next few months. "We envisage the growth of the tourism sector and more corporate business coming into the country. With more airlines resuming business in the country, we expect there will be more tourists and Zimbabwe will once again enjoy being a tourism hub," he said. He said that apart from the expected rise in visitors, the refurbishments had been spurred by the fact that the hotel had not made any investment in the property in the past few years and most of its furniture had become "tired". Most of the country's hoteliers embarked on upgrading of their facilities ahead of the forthcoming UNWTO General Assembly in Zimbabwe and Zambia next month. A total of US$16 million is expected to be spent by various hotel groups on refurbishments, which include the already-completed work on the A'Zambezi Hotel, upgrading and changes being done at the Victoria Falls Safari Lodge, the facelift of The Victoria Falls Hotel and a complete refurbishment and rebranding of the new Cresta Sprayview Hotel. Other hotels involved in refurbishment activity include Elephant Hills, The Kingdom at Victoria Falls, the Rainbow Hotel and Ilala Lodge. *(Herald)*

THE Postal and Telecommunications Regulatory Authority of Zimbabwe (Potraz) has launched an investigation into Econet Wireless Zimbabwe after Telecel Zimbabwe complained about alleged unfair business practices by its rival. It is understood that Telecel, the country's second largest cellphone company, wrote to Potraz on Tuesday raising concerns over poor connectivity between the country's mobile phone operators following a recently launched Telecel promotion which resulted in tariffs being slashed by nearly 50% across all networks. This problem according to a statement released by Telecel yesterday started last week and is still obtaining. "Currently, Telecel subscribers are experiencing major challenges in calling Econet numbers. On average it is taking 20 attempts before one can get through," said Telecel in a statement. "This lack of connectivity has nothing to do with the Telecel network capacity. All our interconnect links have been thoroughly tested and monitored and have proved to be congestion-free. Calls to other local destinations, including NetOne, TelOne and Africom, as well as to international operators, and calls in the reverse direction are going through without any problem." Responding to questions sent by this paper on Tuesday, Potraz confirmed that a probe had begun to resolve this matter. The authority could, however, not disclose how long the investigation would take. "The Authority has just received information regarding this matter and investigations are now in progress to establish the facts on the ground," Potraz acting director-general Alfred Marisa said. Questions sent to Econet were not responded to at the time of going to print. The developments come at a time when competition in the telecoms sector has intensified as mobile phone penetration rose to 97% resulting in mobile phone operators introducing several promotions in a bid to widen their revenue base. Early this month, Telecel introduced the Sim Card Reactivation promo which gives suspended subscribers a total of $20 in bonuses for reactivating their dormant lines. The promotion came soon after the Mega Bonus Reloaded promo which offers an impressive 100% bonus to use for calls across all local networks and landlines. *(News Day)*

Telecel Zimbabwe subscribers are encountering problems connecting to the Econet network because the company does not have a valid mobile licence, Econet Wireless Zimbabwe said yesterday. Zimbabwe's biggest mobile phone operator released the salvo yesterday after Telecel had complained bitterly and blamed Econet Wireless for the problems its customers were facing when calling Econet numbers. Econet Wireless cited clause 5.2.2 of its new 20-year licence re-issued after the expiry of its previous 15-year permit that requires it to connect only with operators that are licensed. "Therefore, as matters stand, Telecel is not a holder of a valid telecommunications licence issued in terms of Section 37 of the Act. Econet Wireless does not have any legal or moral obligation to interconnect with an unlicensed operator. In fact, we have a duty to disconnect such an operator," said Econet. Telecel Zimbabwe had earlier claimed that the lack of connectivity had nothing to do with its network capacity because its interconnect links were thoroughly tested and monitored and had proved to be congestion-free. Econet Wireless said Telecel Zimbabwe won the tender to offer mobile phone services in 1996, but that same year the High Court declared the licence invalid. Telecel's appeal to the Supreme Court was never pursued. Econet Wireless said the High Court granted leave for the execution of its judgment pending appeal, but the leave was never challenged in the Supreme Court, adding that if Telecel was subsequently issued with a licence in terms of telecommunications law and regulations the issuance violated the High Court ruling. Econet further claims that Telecel Zimbabwe's licence was subsequently validly terminated, but assuming the licence issued to Telecel was valid and was not validly terminated; such licence expired on June 2, 2013.

After the expiry, Government last week directed Telecel Zimbabwe major shareholder Telecel International to sell 20 percent of its 60 percent stake to Empowerment Corporation, its local partner which holds the 40 percent balance, in line with initial terms of the licence issued in 1998 as a condition for its licence renewal. The country's biggest mobile phone operator said: "As can be confirmed with regulatory authorities, no new licence had been issued in its place. Therefore, as matters stand, Telecel is not a holder of a valid telecommunications licence issued in terms of Section 37 of the (The Postal and Telecommunications) Act". "Econet Wireless does not have any legal or moral obligation to interconnect with an unlicensed operator. In fact, we have a duty to disconnect such an operator. Econet Wireless has fully met the terms of its new licence, which terms include hugely burdensome financial obligations," Econet Wireless said. Telecel will require a staggering US$137,5 million to obtain a new licence with an extended 20-year tenure. Econet said in contrast, Telecel has not been subjected to any such financial obligations. "With no such burden upon it, Telecel has been free to deliberately engage in trading practices that have distorted the playing field." Telecel had earlier squarely laid the blame on Econet Wireless saying the problem started on July 14, 2013. Telecel said that it now takes an average of 20 attempts to get through to an Econet Wireless number. Telecel said its call completion statistics indicate that they normally have a completion rate of above 90 percent for all Telecel to Econet traffic. When the problem started, this reduced to 37 percent and came further down to 19 percent as of Monday. On Wednesday this had come down even further to only 10 percent "This lack of connectivity has nothing to do with the Telecel network capacity. All our interconnect links have been thoroughly tested and monitored and have proved to be congestion-free. Calls to other local destinations, including NetOne, TelOne and Africom, as well as to international operators, and calls in the reverse direction are going through without any problem," said Telecel Zimbabwe in a statement. *(Herald)*

MIMOSA Mine Platinum Group Metals (PGM) production for the fourth quarter ending June increased by 11% to 57 168 ounces (oz) despite weakening prices, the company has announced. Revenue increased slightly to $70 million due to higher metal sales volumes, while mining cash costs were constant at $80 per tonne and costs per PGM ounce were also static at $871. During the period under review, the company said, PGM Rand Basket price experienced significant volatility, firstly getting dragged down to R11 000 per oz by the fall in metal prices, then spiking back up to R13 000 per oz on a severely weakening rand, only to be dragged back down to R11 000 per oz by the end of the quarter. The company said cash margin for the period decreased from 34% to 25% due to primarily due to lower metal prices Mimosa is a unit of Australia Stock Exchange-listed Aquarius Platinum. "Auto catalyst platinum demand remains challenging with lowest vehicle sales in May for 20 years. Jewellery demand will likely have increased with the recent USD metal price drop, but more so for gold than platinum," reads the group's quarterly report. "The average platinum price decreased by 10%, while palladium decreased by 4% and rhodium decreased by 6% quarter-on-quarter. "Gold fell by 13% on average. Platinum closed the quarter down 16,3% at $1 337 per ounce, while palladium fell by 15,8% to $659 per ounce and rhodium fell by 18,7% to $1 000 per ounce. Gold fell 23,5% to $1 224 per ounce." The company's total capital expenditure for the fourth quarter amounted to $7,47 million. Expenditure, the company said, was incurred mainly on mobile equipment, drill rigs and LHDs; the conveyor belt extension; down dip development; housing project; and Phase VI prefeasibility studies. Meanwhile, Mimosa is engaging local authorities over the company's indigenisation and empowerment plan amid indications that negotiations could soon be finalised. Under the country's indigenisation and empowerment laws, foreign-owned companies operating in the country should sell 51% stakes to locals.*(News Day)*

MWANA Africa Plc's Zimbabwe operation Freda Rebecca gold mine's quarterly production for the period ending June was up 18% to 14 716 ounces (oz) compared to the previous quarter buoyed by improved mill throughput, the company has announced. Freda Rebecca, according to the group's quarterly report, progress has been made on the construction of the pilot plant facility for the evaluation of tailings retreatment at Freda Rebecca in a bid to boost output. The company said construction was nearing completion and commissioning was expected during the next quarter. The pilot plant would be used to verify the viability of retreating the mine's historical tailings. "It has been a quarter of mixed fortunes for Mwana. Freda Rebecca continues to perform well, remains cash generative, and I am delighted by the progress made since the leach tank incident earlier in the year. "Construction of the tailings pilot plant to test the viability of treating Freda Rebecca's tailings dumps has also progressed well and commissioning of the pilot plant will commence shortly," Mwana Africa chief executive officer Kalaa Mpinga said. In the period under review, the average gold price received was at $1 378. Mpinga said during the quarter, significant progress had been made on the construction of the pilot plant facility for the evaluation of tailings retreatment at Freda Rebecca and construction was nearing completion that the commissioning was expected during the next quarter. Turning to the group's plans to restart its mining operation in Bindura, Mpinga said: "An exceptional amount of effort has gone into the Trojan restart over the course of the past year and much progress has been made culminating in the sale of the first concentrate in April. "However, due to a sustained decline in commodity prices, most crucially for Mwana, in the prices of gold and nickel, we have embarked on a significant cost-cutting exercise at corporate and project levels." Mwana Africa Plc is a pan-African, multi-commodity mining and development company. Mwana's principal operations and exploration activities cover gold, nickel, copper and diamonds in Zimbabwe, the Democratic Republic of Congo and South Africa. Mwana's Freda Rebecca gold mine in Zimbabwe, having restarted operations in 2009, produced 65 350oz of gold in the 12 months to March 2013. *(News Day)*

Economic News

ZIMBABWE'S economy is expected to slow down during the second half of the year due to political uncertainty and macro-economic risks confronting the economy, a local advisory firm has projected. In a quarterly equity market review for the period ending June, MMC Capital said the country's economic growth rate may miss the target partly triggered by political risks and lack of clarity on the indigenisation and empowerment regulations compelling foreign-owned companies to sell 51% stakes to locals. "We are a bit bearish on the Zimbabwean economy in the second half of the year as far as growth is concerned. We expect a growth rate of at least 3,5% to be driven by mining and agriculture," read the report in part. Treasury had projected a 5% growth rate this year. Zimbabwe will go for elections on July 31, marking the end of the tenure of the current coalition government formed in 2009. MMC said despite this slowdown, year-end annual inflation was expected to be between 2,0% and 2,5% as local firms cash in on a weakening rand. "Lower inflation figures are premised on the lower crude oil and global food prices in the face of depressed domestic demand. We expect the low incomes growth and high unemployment rates to continue suppressing demand and a weaker rand will result in lower prices for basic commodities from the retailers," MMC said.

Turning to the fragile banking sector, the advisory firm said deposits were expected to be below $4 billion on the back of reduced confidence. Most of the deposits would remain short term in nature. "The participation of multi-lateral lending institutions is likely to be limited as the global banking sector comes under increased regulation. "The effect of Basel 2 regulations on the local front is likely to result in reduced credit supply as banks will be striving to meet the increased capital requirements. This is likely to further drive down the prospects of the banking sector locally leading to a depressed performance," the report added. MMC said the country's indigenisation and empowerment regulations were widely perceived as the elephant in the living room starving local companies of long-term financing. Foreign -owned banks remained a target of the policy, with Empowerment minister Saviour Kasukuwere accusing them not extending significant credit to the agriculture sector as well as small to medium enterprises. However, Finance minister Tendai Biti and Reserve Bank governor Gideon Gono have called for caution when approaching the delicate banking sector. They have said that those interested in the banking sector should apply for operating licences. *(Newsday)*

GOLD production increased by 29 percent to 7,2 tonnes during the first half of the year, generating about US$377 million in revenues, the Chamber of Mines said on Monday. Total production volumes for the mineral which increased by 7, 2 per cent in the first half are a reflection of a 29 per cent surge from output achieved in the same period last year. The growth in the level of gold production is being experienced at a time when government is targeting 17 tonnes of the yellow mineral by year end. Total gold production for 2011 was 13 tonnes and government is targeting an average of 25 tonnes by 2015. Zimbabwe may fall short of its gold production target this year as prices for the precious metal decline and energy shortages strain operations, the Chamber of Mines has said. Output may fall below an earlier projection of 17,000 kilograms (37 479 pounds), the Chamber, whose members account for 90 percent of all mineral production, said in a report published during the first quarter of the year. In 2012, gold production was 14 743 kilograms, earning the country US$1,9 billion. The projection "may be difficult to achieve as commodity prices have not recovered much while systematic factors such as energy and sub-optimal cost structure remain prevalent," according to the report. Gold slid 18 percent this year, falling into a bear market last month, as some investors lost faith in the metal as a store of value and equities rallied on mounting confidence the U.S. economy is improving. Zimbabwe has the world's second-largest deposits of platinum and ferrochrome after neighbouring South Africa and also has reserves of diamonds, nickel, copper and coal. Miners operating in the country include Impala Platinum Holdings Ltd (IMP) and Rio Tinto Group. Platinum output is expected to rise to 12 500 kilograms compared with 10 524 kilograms last year, while production of nickel may jump to 10 000 metric tons from 7 899 tons. Diamond output is forecast to reach 16,9 million carats from 12 million carats, according to the Ministry of Mines. Inadequate infrastructure, political uncertainty surrounding expected elections and sluggish export demand are also hindering mining operations, the Chamber said. The industry is affected by various taxes that "weigh down on the viability and competitiveness of the sector," according to the report. bOf the total production volumes experienced in the first six months of this year, it has also emerged that small-scale miners accounted for 65 percent. *(New Zimbabwe)*

THE Zimbabwe Stock Exchange (ZSE) will have new listing requirements by November as the bourse pushes for more disclosures in line with modern trading trends, chief executive officer Alban Chirume has said. Speaking at the first roundtable discussion with the audit committee of the Public Accountants and Auditor's Board on Monday, Chirume said the ZSE was in the process of crafting the new set of rules and the first draft was currently being looked at. "We have started evaluating our listing requirements and we have put these to the whole world to look at the listing requirements first draft and to make changes to that document,"Chirume said. Chirume said the new listing requirements should be in place by November 24 and would cover issues such as conditions of listing, pre-listing statements and methods and procedures of bringing securities to listing. "Our listing requirements are our Bible for corporate governance, which should tell how we transact and how we do business," Chirume said. He added that the ZSE was currently working on four major projects: the revision of the listings rules, the automated trading system, demutualisation and the setting-up of a secondary exchange. "We truly believe the ZSE is a national asset so the responsibility of ZSE and what it does is for the nation," Chirume said. "We are trying to get small and medium enterprises (SMEs) to be listed and this will bring a whole new range of companies," Chirume said. Speaking at the same event, Securities Commission of Zimbabwe chief executive officer Tafadzwa Chinamo said quoted companies should release financial statements providing more disclosures in a bid to attract foreign investors. "One of the things companies need to do is to attract investment. Restating of financial statements erodes the confidence in the market. We want to make sure that financial statements published make sense," Chinamo said.
Speaking at the same event, World Bank country manager Nginya Mungai Lenneiye said restoration of investor confidence on the equities

market was critical in stimulating economic growth. "The attainment of sustained economic recovery will require that citizens and investors continue to have confidence in the transparency of both public and private processes underpinned by sound financial management and reporting," Lenneiye said. *(Newsday)*

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