SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	25-Jul-14	1-Aug-14	Local	USD	Local	USD
Botswana	DCI	9223.87	9258.30	0.37%	-1.06%	2.26%	0.69%
Egypt	CASE 30	8744.39	8802.29	0.66%	0.69%	29.77%	25.81%
Ghana	GSE Comp Index	2310.10	2301.05	-0.39%	-0.69%	7.27%	-25.31%
Ivory Coast	BRVM Composite	237.26	238.30	0.44%	-0.08%	2.71%	-0.02%
Kenya	NSE 20	4879.09	4942.28	1.30%	1.40%	0.31%	-1.09%
Malawi	Malawi All Share	13468.99	1353.39	-89.95%	-89.92%	-89.20%	-88.46%
Mauritius	SEMDEX	2091.07	2097.89	0.33%	0.60%	0.10%	-0.51%
	SEM 7	403.10	404.48	0.34%	0.61%	0.21%	-0.41%
Namibia	Overall Index	1151.37	1130.89	-1.78%	-3.24%	13.43%	11.48%
Nigeria	Nigeria All Share	42285.85	41934.40	-0.83%	-1.28%	1.46%	0.39%
Swaziland	All Share	284.32	284.32	0.00%	-1.49%	-0.47%	-2.19%
Tanzania	TSI	3913.36	3996.22	2.12%	2.31%	40.54%	34.74%
Tunisia	TunIndex	4691.02	4688.24	-0.06%	0.67%	7.01%	2.77%
Zambia	LUSE All Share	6140.66	6138.15	-0.04%	-0.27%	14.76%	3.34%
Zimbabwe	Industrial Index	183.76	189.31	3.02%	3.02%	-6.34%	-6.34%
	Mining Index	66.53	94.45	41.97%	41.97%	106.27%	106.27%

CURRENCIES

	25-Jul-14	1-Aug-14	WTD %	YTD %
Cur-rency	Close	Close	Change	Change
BWP	8.66	8.78	1.44	1.56
EGP	7.13	7.13 -	0.02	3.15
GHS	1.87	3.39	0.31	43.61
CFA	487.10	489.65	0.52	2.73
KES	86.38	86.29 -	0.10	1.42
MWK	387.33	386.00 -	0.34 -	6.45
MUR	29.28	29.20 -	0.27	0.62
NAD	10.51	10.67	1.51	1.75
NGN	160.53	161.25	0.45	1.07
SZL	10.51	161.25	1.51	1.75
TZS	1,626.79	1,623.70 -	0.19	4.30
TND	1.72	1.71 -	0.73	4.12
ZMW	6.09	6.10	0.23	11.04

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Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Ghana

Corporate News

The Ghana Export Promotion Council (GEPC) says it will work closely with the Metropolitan, Municipal and District Assemblies (MMDAs) to identify and develop non-traditional products and find markets for them in Canada. "In the coming months, we will travel the length and breadth of the county to start the process", Mr. Stephen Normeshie, General Manager of the GEPC stated at a seminar in Takoradi. The seminar was organized by the GEPC in collaboration with the Trade Facilitation Office of Canada to sensitize stakeholders in the export sector on the opportunities available at the Canadian market to export their products. Mr. Normeshie said in spite of the opportunities in the Canadian market for Ghana's non-traditional export "our share of that market is woefully small". According to him Canada and many developed countries accounted for just ten per cent of "our non- traditional export earnings in 2013" and attributed this to "our unfamiliarity with the requirements of those markets." "It is for this reason that the GEPC is happy to collaborate with the Trade Facilitation Office of Canada to organize seminars on exporting to Canada". The General Manager indicated that government is doing its best to assist the export sector, and urged exporters to avail themselves of the opportunity to transact business in the Canadian market. He stressed the need for the exporters to place the issue of quality, credibility and hard work as their cardinal principles in their transactions. The General Manager assured the exporters of government's readiness through the GEPC and other facilitating agencies to resolve their challenges. In that regard, he said, the National Export Strategy, which was launched last year would be implemented to ensure that export revenue target of five billion US dollars are met within the time frame of 2017. The participants, made up of agro food processers, cocoa processers, fishmongers, dressmakers, wood craft and vegetable producers, among other entrepreneurs, bemoaned the bureaucratic frustrations they encounter in the export business and called on the GEPC to streamline the system for them. Ms Belen Mulugaty, Project Officer for Africa at the Trade Facilitation Office-Canada took the participants through the trade opportunities available at the Canadian market. She impressed on the entrepreneurs to transact genuine business to prevent frustration in the export of their products. *(Ghana Web)*

Economic News

The French government has given Ghana an amount of €800,000 (about $1,000,000) to help strengthen the accountability of Ghana's central and local government sectors. The grant is under a programme called "Fond de Solidarité Prioritaire – Solidarity Priority Fund (SPF)" which saw Ghana and France complete two SPF projects, one in support of the decentralization process, and the other in support of public sector reform. Both projects were completed in early 2013 at a cost $2.4 million. The new grant will be spread over a three-year period and it will focus on the application of principles of respect for the rule of law, consensus building, transparency, citizen participation, gender equality, efficiency and public sector accountability. Its main objective will be to strengthen the implementation of accountability mechanisms of the Government of Ghana. Mr. Frédéric Clavier, French Ambassador; Mr. Julius Debrah, Minister for Local Governments and Rural Development and Mr. Alhassan Azong, Minister of State for Public Sector Reform signed the grant at a short ceremony at the French Ambassador's residence in Accra on Tuesday. Julius Debrah told Myjoyonline.com in an interview after the signing that government cannot afford to fail with something that is meant for accountability. "If all other things will fail it shouldn't be something that is meant for accountability so obviously we will make sure that there won't be any systemic failure; the funds will go for exactly what it is in for and we will make sure that people are trained as far as accountability in governance is concerned," the minister said. To achieve the set targets of the grants, Mr. Frédéric Clavier, on his part, told Myjoyonline.com that the project is a high level priority and both countries will work hand in hand to achieve its goals. According to him, "It's a high level priority for France and for Ghana," and because of that "we have to implement together Ghana and France some committees and special steering committee which will be able to follow up step by step the different steps of the project and to be sure that this project will be efficient and will be dedicated [to] the Ghanaian population." Some of the key benefits of the grant is the decentralisation process which will deliver services to the Ghanaian population "in terms of water, sanitation…it means also that the public sector is more efficient to deliver some services directly to the population."

Themed: "Strengthening the accountability of Ghana's central and local government", the focal point of the project are; Strengthening accountability at the central level: develop institutional and individual performance contracts, support mechanisms of accountability for decentralization, train public officials and conduct public polls on the quality of public services. Strengthening accountability at the local level in the Western Region, support coordination functions of the region, strengthen the auditing, monitoring and evaluating capacities of districts, support women participation and strengthen the collaboration between Civil Society and Government. Strengthen ties between Government, Civil Society and citizens: support the call for innovative projects jointly proposed by the Government and Civil Society. *(Ghana Web)*

Commercial banks can now import dollars, pounds and other international currencies for their operations. This follows the Bank of Ghana's decision to lift the ban on importation of foreign exchange by commercial banks last week. Governor of the Bank, Dr. Kofi Wampah, told Joy Business the move is part of measures to improve supply of dollars on the market and possibly help stabilize the falling Ghana cedi. The BoG governor maintained that this would also help correct the current situation, where most of the commercial banks are quoting their own exchange rates. In February this year, the central bank announced measures aimed at shoring up the cedi against the major foreign currencies. As part of the measures, it banned commercial banks and other financial houses from importing forex, issuing cheques and cheque books on foreign exchange accounts (FEA) as well as foreign currency accounts (FCA). *(Ghana Web)*

The Bank of Ghana (BoG) is embarking on a massive clean-up exercise in the banking industry aimed at preventing micro finance institutions from bolting with funds of depositors. It has introduced new measures to safeguard deposits at these institutions. For some months now, the banking industry has seen an increase in the number of microfinance firms folding up, with others running away with deposits. A number of reasons including bad management practices, increasing non-performing loans, fraudulent activities and expansion without a commensurate increase in capacity have been attributed to the collapse microfinance companies. The head of Supervision of other financial institution department at the Bank of Ghana, Raymond Amanfu told Citi Business News, they have intensified their documentation requirements. "If we are going to renew your license, you will have to provide us with photographs of your key management staff because this idea of people just closing business, then we have the difficulty in knowing where they are" he said. "So now if we have those pictures and photographs, we can publish then follow up." He however added that the security agencies are handling cases of the institutions which have already made away with deposits funds. "With the old ones, there are some of them with the securities. I believe they are carrying their own investigations and they will deal with them as the law demands," Raymond Amanfu said. According to him, "some are also planning to bring in new investors, but we have to make sure who these new investors are- as to whether they have the capacity to bring the capital to meet the depositors whose monies are locked up. It is very critical so we have to take our time to review these new investors who want to take over the troubled ones." *(Ghana Web)*

Ghana and the World Bank have signed a financing agreement for 156 million dollars to enhance access to secondary education in underserved districts of the country. Finance Minister Mr. Seth Tekper signed for Ghana while Mr. Yusupha Crookes, World Bank Country Director, signed on behalf of his institution. The funding, under the Ghana Secondary School Education Improvement Project (SEIP), will help improve quality in low-performing senior high schools to increase gender and geographical equity and improve quality in those schools. It will also support management, research, monitoring and evaluation of Government schools programme. The project is expected to benefit about 30,000 new students in secondary, 150,000 students in low performing schools, 2000 senior high school (SHS) teachers, head teachers and other education officials. Under the project, 23 new senior high schools are expected to be constructed in selected districts to enroll 15,000 students; improve 50 existing senior high schools through expansion and rehabilitation of existing structures and facilities, and provide scholarships to 10,400 students from low income families, especially girls. Mr. Crookes said the project would help address problems of equity and capacity and that it was well grounded on what had worked elsewhere. He said the project would open up access to over 10,000 vulnerable students and support approximately 125 existing SHSs. Professor Jane Naana Opoku-Agyemang, Minister of Education, said the project sought to improve quality of selected low performing senior high schools. She said besides construction of new schools and rehabilitation of existing structures and facilities, the project would also help improve access to senior secondary education and award scholarships to students from low income families, especially girls.

The Minister said the ultimate objective of building those new schools was to create new spaces for those demanding seats in SHSs and to fill those spaces with new students coming from previously underserved communities. It said in addition to new schools, the project would focus on improving existing SHSs, particularly those with capacity for expansion. SEIP will also help upgrade bathrooms, science labs and computer facilities of existing SHSs. She said the project would seek to improve the quality of education in selected low-performing SHSs to make them attractive and strengthen school management, leadership and expansion of ICT in 125 selected low-performing schools. Mr. Cassiel Ato Forson, Deputy Minister of Finance, said the amount was a concessional credit and the terms were in accordance with the World Bank's new middle income standard of five years grace period, 20 years repayment period and interest rate of 1.25 per cent per annum. He gave the assurance that procurement under the facility would be done through competitive and transparent processes in line with procurement laws and the World Bank's procurement policies so as to ensure value for money. *(Ghana Web)*

Ghana accepted 400.01 million cedis ($115.94 million) worth of bids for a three-year bond and paid a slightly higher yield of 25.4 percent in an oversubscribed bond sale on Thursday, the central bank said. The bond, open to offshore investors, was the first of two auctions planned for the second half of this year to boost government finances, deputy head of treasury Collins Antwi said. A similar sale held in May attracted a yield of 24.4 percent. Antwi told Reuters a total of 644.15 million cedis worth of bids were tendered. *(Reuters)*

Kenya

Corporate News

Regional Retailer Nakumatt Holdings has opened one of its three new branches it recently acquired in Tanzania from South African retail giant Shoprite. This is after the Kenyan supermarket chain completed acquisition of three stores in a Sh3 billion buyout financed by local lender KCB. "The opening of Nakumatt Mlimani is a long held dream come true as we have been considering various avenues to establish our presence in Dar es Salaam and other parts of Tanzania since 2010," said Nakumatt managing director Atul Shah in a statement yesterday. The retailer said the opening of Nakumatt Pungu Road in Dar es Salaam, which will also house its Tanzania Headquarters, and Nakumatt Arusha will be done "in coming days." "This opening also sets the stage for our 50th branch opening by mid-August which will be a key milestone as we'll have achieved our Nakumatt 2.0 Strategy goal a clear six months ahead of the February 2015 target," explained Mr. Shah. The three stores are located in Dar es Salaam and Arusha. The Fair Competition Commission (FCC) of Tanzania cleared the Nakumatt-Shoprite deal in May after Shoprite employees withdrew their case from the High Court. The workers had filled an injunction blocking transfer of the business on the grounds that it may render them jobless and result in loss of terminal benefits. *(Business Daily)*

Kenya's national security committee has approved plans for a security and surveillance system, clearing the way for a project worth 14.9 billion shillings ($170 million) to Safaricom, its chief executive said on Friday. The parliamentary committee approved the deal on Thursday after an investigation. It still requires parliament's approval, but the ruling majority backs the plan, members of parliament said. "Contracts will now be signed. A lot of preparatory work had already started," Chief Executive Bob Collymore told Reuters on Friday, adding it would be worth some 14.9 billion shillings including construction, maintenance and support. Kenya's largest mobile phone firm will also receive coveted spectrum as part of the payment, which will allow it to roll out fourth-generation (4G) broadband internet services, also known as LTE. Spectrum remains a hard-to-come-by resource for Kenyan operators and Safaricom has also been experiencing network quality issues due to lack of adequate spectrum. The latest deal has sparked a row in recent weeks as critics complained that it had been awarded without an open bidding process. Safaricom had also sought extra capacity through its joint bid with mobile rival Bharti Airtel for the assets of Essar's Yu mobile in April. Safaricom would have secured Yu's spectrum under the deal but regulators have not cleared it. Asman Kamama, chair of the national security committee, said the committee approved the deal because of the urgent need for the new security and surveillance system after a series of militant attacks. "We approved because there is this upsurge of terrorism in the country to the extent that now we are losing people," he said, citing last September's attack on the Westgate shopping mall in Nairobi and attacks on the coast in recent months. "The committee agreed that this deal will actually stem the upsurge of terrorism and other forms of insecurity in the country," he added. The national assembly will debate the report next week and it is likely to adopt it because the ruling Jubilee coalition backs the deal and holds a majority in the house. Under the terms of the security contract, Safaricom will install and run a communication and surveillance system that is linked to police stations to help combat crime, initially operating in Nairobi and Kenya's second city, Mombasa. Rival bidders ZTE of China and Kenyan firm Tetra Radio could not be reached for immediate comment. *(Reuters)*

The Treasury has written to Uchumi Supermarkets committing to take up its full allocation of shares in the upcoming rights issue, paving the way for the retailer to make its long-delayed cash call of up to Sh1.5 billion. Uchumi's CEO Jonathan Ciano said in an interview Monday the retailer has received a letter from the Treasury backing the rights issue. The government is the single largest shareholder of Uchumi, with a 13.4 per cent stake. "We are now ready to proceed with the rights issue whose timetable should be out in a week or two," Mr. Ciano told the Business Daily. Uchumi plans to sell up to 100 million shares to its shareholders. Going by the initial price target of about Sh15 per share, the rights issue could raise up to Sh1.5 billion but Mr. Ciano said the pricing of the cash call has not yet been determined. Delays in holding the rights issue since 2012 when it was first announced have seen the retailer miss out on a share price rally that would have offered it greater headroom setting the price. The firm's share has dropped 42.6 per cent in the past one year to trade at Sh12, significantly below the initial estimate of Sh15 for the cash call. The stock had rallied to touch highs of Sh21.75 last year, before receding to the current level of Sh11.25. The dip in share price has been linked to a weaker performance in the first half ended December, when its net profit declined 19 per cent to Sh106.9 million on lower sales and higher finance costs.

Rights issues at the Nairobi Securities Exchange have traditionally been offered at double-digit discounts to the ruling market price, which could influence Uchumi's pricing decision. Diamond Trust Bank (DTB), for instance, priced its Sh3.6 billion rights issue at Sh165 equivalent to a 31.8 per cent discount on its current trading price of Sh242. Uchumi's rights issue had been deferred due to a delay in receiving regulatory approvals and Treasury's commitment to take up its full rights. Delay of the cash call last year forced Uchumi to borrow Sh300 million from State-owned Industrial and Commercial Development Corporation (ICDC) to fund its growth in the interim period. ICDC is a development finance institution that owns a 2.73 per cent stake in the retail chain. The cash call will see Uchumi's issued ordinary shares rise to 365.4 million from the current 265.4 million, representing a potential dilution of 37.6 per cent for existing shareholders who forego their rights. The fundraising will target investors in Kenya, Tanzania, Uganda and Rwanda securities markets, with the company set to cross-list on the Dar es Salaam Securities Exchange next month. Mr. Ciano said proceeds of the rights issue would be used to fund the company's growth in the regional retail market where increased economic growth is fuelling consumer spending. Uchumi earlier this year opened four stores in Kisumu, Maua, Juja and Syokimau, raising its total branch network in East Africa to 34. *(Business Daily)*

Safaricom tightened its grip on the mobile telecommunications market between January and March, when its share of voice traffic increased by two percentage points to 78.5 per cent. Data released on Monday by the Communications Authority of Kenya (CA) showed mobile phone subscribers increased their talk time by 0.4 per cent in the first quarter of the year, compared to a similar period in 2013. "Safaricom maintained the lead with 6.0 billion minutes down from 6.1 billion minutes registered during the previous quarter," said the Authority in its latest quarterly report. The four operators posted a total of 7.7 billion minutes. "The total average traffic received on mobile networks dropped by 2.7 per cent to register 7.7 billion minutes down from 7.9 billion minutes posted during the previous quarter. In comparison with the same period of the previous year, a marginal growth of 0.4 per cent was realised," said the industry regulator in the report. Airtel subscribers talked for 835,023,372 minutes during the period translating to 10.9 per cent market share, a decrease of one percentage point compared to the previous year. Essar's customers talked for 583,218 434 minutes (7.6 per cent market share), a decline of 1.0 per cent over 2013. Orange subscribers' minutes of talk time clocked 234, 397,273 minutes, translating to 3.1 per cent, a slight decline of 0.1 per cent over the first three months of last year. With regard to market share as measured by subscriptions, Telkom Kenya (Orange) recorded an increase in shares of 0.5 percentage point to stand at 7.7 per cent up (2.4 million customers) from 7.2 per cent shares recorded during the previous quarter. Airtel's market share remained unchanged at 16.5 per cent with 5.2 million subscribers up from 5.1 million during a similar period last year. Safaricom with 21.5 million subscribers and Essar's yuMobile (2.5 million subscribers) lost 0.1 per cent and 0.5 per cent of market shares to reach 67.8 per cent and 8.0 per cent shares respectively. Calls made within the networks, commonly referred to as on-net traffic, increased marginally by 0.6 to reach 6.6 billion compared to a similar period last year. Calls made across other networks, however, decreased by 11.1 per cent to 971 million minutes, meaning most subscribers still don't call outside their networks, despite call rates having almost stabilised at a similar rate to those of on-net rates. *(Business Daily)*

Bamburi Cement has replaced East African Breweries Ltd (EABL) as the largest stock in the statutory pension fund's portfolio, according to official filings published Friday. The statements show as at June 2013 Bamburi accounted for nearly a quarter of the National Social Security Fund's (NSSF) value of listed stocks. NSSF had 56.9 million Bamburi shares worth Sh12.23 billion which is 24 per cent of the Sh51.14 billion total. EABL shares took second place accounting for 21.4 per cent valued at Sh10.95 billion with some 32.87 million shares. The statements did not publish the number of listed stocks that the NSSF held as of June 2012 but only their respective values. Published prices of shares on the Nairobi Securities Exchange (NSE) around June 30, 2012 indicate that the NSSF could have sold some of EABL share and bought more of Bamburi. NSSF also had a healthy stock of KCB shares worth Sh8.46 billion, BAT (Sh2.9 billion), National Bank of Kenya (Sh2.83 billion), Nation Media Group (Sh2.59 billion) and Barclays Bank (Sh2.5 billion). The NSSF's portfolio of NSE-listed stocks increased to Sh51.14 billion from Sh36.23 billion over the same period representing a 41 per cent rise. Analysts say NSSF could have become more bullish on Bamburi due to higher dividends. "The dividend yield of Bamburi is better than EABL," said Moses Waireri, head of research at Sterling Capital. As at June 30 Bamburi had a dividend yield of 4.88 per cent while EABL's was at 2.63 per cent. NSSF also being big on real-estate development gives it an envious vantage point that provides it with a good view on sectors such as construction, a large cement consumer. "They were banking on the boost real estate may have provided (judging) from the projects they have undertaken," added Mr. Waireri.

In real estate the fund had Sh8.6 billion in undeveloped land and Sh20 billion in buildings as at June 2013. Overall it had Sh135 billion worth of investments, a 21 per cent increase from Sh111 billion. The fund expects to have additional funds to invest following the new NSSF Act, which has increased member contributions. *(Business Daily)*

Kenya's Equity Bank posted on Wednesday a 21 percent rise in pretax profit to 10.82 billion shillings ($123.38 million) in first half of 2014, driven by growth in its loan book. Chief Executive Officer James Mwangi told a briefing that loans advanced to customers grew 24 percent to 186.5 billion shillings, while net interest income rose 6 percent to 14.02 billion shillings. *(Reuters)*

Nakumatt Supermarket is targeting entry into South Sudan and Burundi, making it potentially Kenya's first big retail chain to open shop in the two countries. Nakumatt Holdings' head of strategy and operations Thiagarajan Ramamurthy said in an interview that the retailer could start operations in the two countries as soon as next year, having already identified developers for earmarked premises. The expansion into Juba and Bujumbura will cost an estimated Sh1.5 billion. "We have already identified the banks that will finance our expansion. It's a huge investment that could not have been managed by our internal cash and that's why we opted to borrow," said Mr. Ramamurthy. Nakumatt is seeking to export the shopping mall culture to the largely informal retail markets of Burundi and South Sudan, which have low retail penetration and are mainly dominated by mini-marts and kiosks. Mr. Ramamurthy said the retailer is only awaiting completion of the premises before starting operations. "We decided to start our operations afresh because buying an already existing business would come with more costs," he added. Nakumatt has just concluded the acquisition of three stores in Tanzania previously owned by South African retailer Shoprite. The Sh3 billion deal was financed through a KCB loan, but Mr. Ramamurthy said the Juba and Bujumbura entry will be funded by international lenders. "We will work with various international creditors to create a strong pool of resources that will enable us start operations in the two countries concurrently," said Mr. Ramamurthy, who however declined to name the banks that are involved in the transaction. *(Business Day)*

Kenya Commercial Bank (KCB), the country's largest bank by assets, reported on Thursday a 16 percent rise in first-half pretax profit to 11.67 billion shillings ($133 million), driven by fees, commissions and foreign exchange trading income. Bad debts were more than targeted at 8.8 percent of the portfolio, Chief Executive Joshua Oigara said, but added the outlook had brightened after the Kenyan government had paid contractors following earlier delays. The full-year target for non-performing loans (NPL) ratio was 6 percent, but Oigara said he hoped the level could be brought lower. "The internal target is 4.5 percent for the NPL ratio," he told an investor briefing. Fees and commission income rose 13 percent to 5.67 billion shillings, while income from foreign exchange trading rose 25 percent to 2.22 billion. Net interest income rose by 7 percent to 17.13 billion shillings. The bank also operates in Tanzania, Rwanda, Uganda, South Sudan and Burundi. *(Reuters)*

Hotelier TPS Eastern Africa reported first-half 2014 pretax profit down by almost three quarters on Thursday, saying the Kenyan tourist business had been hurt by a spate of militant attacks and travel warnings by several Western nations. The firm reported pretax earnings of 58.25 million shillings ($664,200) in the first six months of this year, down from 205.08 million in the same period of 2013. It said its Tanzania and Ugandan businesses delivered good performances. The business outlook for this year's peak season, running from July to October, was at "satisfactory levels", TPS Eastern Africa said. "The group faced a challenging business landscape in Kenya during the first half of year 2014," the operator of the Serena chain of luxury hotels, lodges and tented camps said in a statement. Kenya's tourist industry has been buffeted by security worries. Last year, many tourists stayed away before elections in March for fear the vote would be marred by violence as in the past, although that poll went off calmly in the end. In September 2013, Somali-linked Islamist militants attacked Nairobi's Westgate mall and left at least 67 people dead. Since then, a series of attacks, many of them along the coast, have prompted several Western nations to warn their citizens against travel to some areas of the east African nation. The security worries and travel advisories have emptied many beach resorts as well as hurt bookings on Kenya's popular inland safaris, damaging an industry that is a vital source of income for the east African country. When the Kenya Tourism Board said this month that arrivals in the first four months of the year were down just four percent from a year earlier, TPS East Africa said the numbers underestimated the problems facing the industry.

TPS Eastern Africa said the introduction of Value Added Tax on tourism services and park fees in Kenyan had made the country uncompetitive relative to other similar destinations. The firm, which also operates in Rwanda and Mozambique, said sales fell to 2.71 billion shillings from 2.92 billion shillings, while earnings per share plummeted to 0.13 shilling from 0.69 shilling in first-half 2013. *(Reuters)*

Investment company Centum has increased its shareholding in K-Rep Bank to 67.54 per cent, making it the majority shareholder in the financial institution. Centum said in a press statement that its bid to purchase a 66 per cent stake from other shareholders would be completed in the next four months subject to regulatory approval. “Centum is excited by the intended acquisition, which is in line with our strategic objective to expand presence in the financial services sector,” Centum chief executive James Mworia said in the statement issued in Nairobi yesterday. It held 1.54 per cent ownership. The value of the deal was not disclosed. The company, which announced a 22 per cent increase in after-tax profit for the full-year ended March 2014, intends to make the acquisition through a non-holding company to conform to Central Bank of Kenya rules. The banking regulator’s guidelines stipulate that non-bank institutions can only acquire 25 per cent of a lender’s paid-up share capital through a non-operating holding company. K-Rep Group, the founder shareholders of the bank, is also set to increase its stake to 22 per cent. “We are delighted that Centum has increased its shareholding in our bank, which will enable it to grow stronger,” K-Rep Group chairman Kabiru Kinyanjui said.

This means that the other strategic investors, International Finance Corporation, African Development Bank, Netherlands Development Bank, Triodos Bank and Shorebank Corporation, are on their way out with the ones left holding a minority stake of less than 10 per cent. The SME-oriented small-tier bank’s net profit rose to Sh360 million in 2013, up from Sh196 million a year earlier, representing an 84 per cent jump in growth. The billionaire Chris Kirubi-majority owned company, is also in the race to acquire listed agricultural firm Rea Vipingo, having placed a bid of Sh4.5 billion for the sisal producer.*(Daily Nation)*

KCB Bank, Kenya's largest lender by assets, plans to raise funds from international debt markets for lending to the real estate sector, its CEO said after announcing a 16 percent jump in first-half profit. Kenya successfully issued its first sovereign bond, worth $2 billion, last month, setting a benchmark for local companies that may wish to tap debt markets abroad. "We are very keen to take the bank into the international debt market to raise funds for long-term investment for our mortgage businesses," Joshua Oigara told an investor briefing. KCB will get an international credit rating this year, he said. The bank, which also operates in Tanzania, Rwanda, Uganda, South Sudan and Burundi, has a target of writing 1 million new mortgages, in a country where annual demand for housing outstrips supply by about 100,000 units, Oigara said. Fees, commissions and foreign exchange trading income helped KCB post a 16 percent rise in first-half pretax profit to 11.67 billion shillings ($133 million). Bad debts were more than targeted, at 8.8 percent of the portfolio, the chief executive said, but he said the outlook was brighter after the Kenyan government paid contractors, who were having difficulties repaying loans following earlier delays. The full-year target for its non-performing loans (NPL) ratio was 6 percent, but Oigara said he hoped the level could be brought even lower. "The internal target is 4.5 percent for the NPL ratio," he told an investor briefing. Fees and commissions income rose 13 percent to 5.67 billion shillings, while income from foreign exchange trading jumped 25 percent to 2.22 billion. Net interest income rose by 7 percent to 17.13 billion shillings. The bank's newly launched insurance business was growing at about 1,000 percent on an annual basis, Oigara said, adding it had the potential to contribute 15 percent revenue to the group in the next three to five years. KCB was studying the possibility of entering new markets like the Democratic Republic of Congo, Mozambique, Somalia and Zambia, Oigara said. The bank has opened two new branches in South Sudan's capital Juba this year. It already had 21 outlets in the country, pointing to sustained confidence in a market dominated by KCB, but one that was hit by an eruption of violence last December. Provisions for bad debts in South Sudan jumped during the fighting, Oigara said. KCB derives 40 percent of its business in South Sudan from transaction services and another 30 percent from foreign exchange trading, he said. Shares in KCB rose by close to a percentage point after the results to trade at 54.50 shillings on Thursday afternoon. "We retain our 'hold' recommendation. We expect minimal adjustment to our fair value of 52.80 shillings," Standard Investment Bank said in a research note after the results. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Economic News

The Kenyan shilling edged down on Monday, under pressure from importers buying dollars to meet their end-month obligations, market participants said. At 0700 GMT, commercial banks posted the shilling at 87.75/85 per dollar, marginally down from Friday's closing rate of 87.65/75. "There seems to be demand and no supply to match it," said John Njenga, a trader at Commercial Bank of Africa. He said the demand was mainly coming from oil firms and manufacturers. The shilling was, however, likely to languish within its recent tight range of 87.50-88.00, barring any unforeseen events, Njenga added. Worries over frequent gun and grenade attacks, blamed on Islamists, have limited the shilling's gains this year and the central bank has signalled it is not ready to let it fall past 88.00 by pumping in dollars whenever it comes close to falling through that level. *(Reuters)*

Kenya will borrow 60 billion shilling ($684.54 million) from the African Development Bank (AfDB), to help more than double electricity connections to 70 percent of the population in five years, its energy minister said. The east African nation, which suffers from frequent blackouts because of generation shortfalls and an ageing grid, has sought to increase customer connections, particularly in rural areas where many people still use kerosene-powered lamps for lighting. Davis Chirchir said in a statement issued by distributor Kenya Power on Monday that the funding would be finalised by December, paving the way for the release of the first tranche of 12 billion shillings in this financial year. Chirchir said the money will used to take electricity closer to potential consumers and increase the number of customers from 2.8 million to approximately 8 million in five years. That will translate to the number of people with access to electricity rising to 70 percent from 32 percent, the statement said. Kenya is also investing additional funds in power plants to add 5,000 MW supply capacity to the existing 1,664 MW by 2017 in order to cut tariffs and lower business costs. *(Reuters)*

The highest price for top-grade Kenyan tea rose at this week's sale to $4.00 per kg from $3.94 per kg last week, Tea Brokers East Africa said on Tuesday. Kenya is the world's leading exporter of black tea and the crop is a major foreign exchange earner for the country's economy, together with horticultural products and tourism. Best Broken Pekoe Ones fetched $2.76-$4.00 per kg compared with $2.50-$3.94 per kg last week. Best Brighter Pekoe Fanning Ones sold at $2.60-$2.78 per kg compared with $2.64-$2.90 per kg last week. Most of the tea offered at the Mombasa auction is from Kenya, but tea from Uganda, Tanzania, Rwanda, Burundi and other regional producers is also sold. Kazakhstan dominated the auction while Egypt, Yemen and other Middle Eastern countries were well represented, Tea Brokers said in its report. *(Reuters)*

Kenyan banks buoyed stocks while the shilling was little changed on Wednesday, with traders expecting inflation data due on Thursday to have little impact on the local currency which is seen trading in a narrow range. The Nairobi Securities Exchange's main NSE-20 share index closed 0.6 percent higher at 4,891.03. KCB Bank Group's shares closed up 0.9 percent at 54.00 shillings a share, while Equity Bank's shares ended the session up 0.6 percent higher at 45.00 shillings. Equity reported a 21 percent rise in first half 2014 pretax profit to 10.82 billion shillings, while KCB has said it will to release its results on Thursday. Ian Gachichio, research analyst at Kestrel Capital, said foreign investors were buying KCB stock ahead of the results. "They have been accumulating on KCB for the past couple of weeks. The results are being announced tomorrow, so probably in anticipation of those results, the signal is that investors expect them to be favourable," he said. On the currency market, the shilling closed at 87.70/90 to the dollar, barely moved from Monday's close of 87.70/80. Kenyan markets were closed on Tuesday for a national holiday. Earlier in the session the shilling had touched 87.60/80, before giving back its gains. Most traders forecast the shilling to stay in a tight range between 87.50-88 in coming days. Traders said the market expected inflation to rise again. Year-on-year inflation inched up to 7.39 percent in the year to June from 7.30 percent in the previous month. "The market has factored in for the inflation figure to go slightly up again," Joshua Anene, a Commercial Bank of Africa trader, said. The consensus estimate is for 7.63 percent, a Reuters poll showed. On the secondary market, government bonds valued at 2.72 billion shillings were traded, up from 1.04 billion shillings traded on Monday. *(Reuters)*

Kenya's inflation crept up to 7.67 percent in the year to July from 7.39 percent in the previous month, the statistics office said on Thursday. The rate was slightly above the central bank's preferred range of 2.5-7.5 percent and also just a touch higher than the consensus forecast of 7.63 percent. Analysts said the rate was likely to come down to about 6.6 percent next month on the back of base effects because there had been a jump in prices of most commodities in the same period last year caused by a new sales tax law. "However this is likely to be only temporary, with inflation rising thereafter, and a good chance that it breaches 8 percent by December 2014," said Razia Khan, head of research for Africa at Standard Chartered. She predicted policymakers would raise the benchmark lending rate by 50 basis points at their December meeting to keep a lid on the growing inflationary pressures. The statistics office blamed the inflation uptick last month on a 0.50 percent increase in the food and non-alcoholic drinks index, which accounts for just over a third of the basket of goods used to measure inflation. *(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

No Economic News This Week

Nigeria

Corporate News

Cadbury Nigeria said on Friday its half-year pretax profit fell to 1.79 billion naira ($11.1 mln), down 50 percent from 3.58 billion naira in the same period last year. Turnover decreased by 12.1 percent to 15.32 billion naira during the six months to June 30, it said in a filing with the Nigerian Stock Exchange.*(Reuters)*

The Minister of the Federal Capital Territory (FCT), Senator Bala Mohammed, has stated that the Federal Capital Territory Administration (FCTA) has attracted N1.8 trillion ($11 billion) worth of private capital investments to the FCT since April 2010 when he assumed office. He spoke while hosting a cross-section of FCT residents to a luncheon at his Life Camp official resident after paying Sallah homage to President Goodluck Jonathan at the Presidential Villa, Asokoro, Abuja. The areas of investment inflow include infrastructure provision through land swap, city centre, railway, housing development, commerce, hotel and tourism. He said his administration has been able to expand the frontiers of development in FCT especially through acceleration of infrastructure provision. Mohammed cited the ultra-modern Abuja International Airport Express Road and the Zuba-Kubwa-City super highway constructed by his administration as edifying examples of his efforts to open up the nation's capital and its satellite towns. According to him, the new super highways rank among the best on the continent as highpoints. The minister emphasised that the FCTA under has been able to open up the capital territory in an unprecedented manner especially through collaboration with the private sector operators. He added that through the land swap initiative which he introduced two years ago, the administration is on the irreversible track of opening about 11 districts within the next four years through injection of private capital totaling over N700 billion by 15 ranking investors. Also, the Satellite Towns Development Agency (STDA), which he re-invented in 2012, had accelerated infrastructure development in the hitherto neglected area councils and satellite towns within FCT in a manner that would help decongest the city centre. Another area of outstanding achievement by his administration which he cited was the reform of public transportation through restriction of mini buses and injection of more modern mass transit high capacity buses. The minister said security remains a major challenge for the FCTA stressing that the administration was developing a security protocol. "If you are running a business you must provide some minimum security requirements to safeguard lives and property. These include devices like hand held bomb detectors, closed circuit televisions and other devices which must be provided in business places of large public gathering," he said. Earlier, Mohammed had after prayers at the Eid Ground, Airport Road, led a large contingent FCT residents to pay Sallah homage to the president at the Aso Rock Presidential Villa, Abuja. Addressing the president on behalf of the residents, he said he had always enjoyed the humane disposition of President Jonathan, stressing that that was why the FCT residents usually crave to pay him homage during all major Christian and Muslim festivals. The minister further appreciated the president for the deep sense of responsibility and trust on him. He said he would continue to extend his allegiance and gratitude to him marinating that no minister had held the FCT portfolio as long as him under a democratic dispensation. Speaking at the event at Life Camp, the Chairman of Senate Committee on FCT, Senator Smart Adeyemi, commended the minister for his achievements and for promoting unity of the diverse residents of FCT. He urged others to emulate the virtues of the minister. "We should see ourselves as one because it is in the infinite wisdom of God that he made us a diverse people," he said. *(This Day)*

UBA Capital Plc has reported a profit before tax of N1.497 billion for the half year(HI) ended June 30, 2014, showing an increase of 23 per cent above the N1.221 billion recorded in the corresponding period of 2013. The unaudited results made available by the Nigerian Stock Exchange (NSE) showed that the investment bank posted gross income of N2.258 billion in 2014, up from N1.839 billion in 2013. Fee and commission income grew by 42 per cent from N580 million to N823 million. The company ended the HI with a PBT of N1.499 billion while profit after tax rose from N1.008 billion to N1.245 billion. Market analysts said the results showed that investors would enjoy another bounteous harvest. The company had ended the 2013 with a profit after tax of N1.763 billion, while investors received N1.5 billion as dividend. As at HI of 2014, UBA Capital achieved 68 per cent of the PAT posted in full of 2013, a development market analysts said points to improved performance at the of the year. The Group Chief Executive Officer, UBA Capital, Mrs. Oluwatoyin Sanni, had last April assured shareholders of the company that they should expect a better performance this year. "2013 was a year of laying a solid foundation for the legacy we are building as Africa's leading investment banking group, which we commenced successfully by establishing ourselves as a key player in Nigeria," she said. According to her, initiatives implemented by the company enabled it to participate in major transactions such as the acquisition of the Ughelli Power plant by Transnational Corporation of Nigeria Plc, which boosted its profits. The Chairman of the company, Chika Mordi, also told the shareholders that having overcome several challenges in the macro-economic environment to post a positive annual result, he was confident of a better performance in 2014. "I have no doubt that the strategies we have adopted and structures that the board has put in place are enough to sustain and surpass our performance," he said. Shareholders of the company commended the performance and the dividend payment. UBA Capital Plc, formerly a subsidiary of United Bank for Africa Plc, become a separate company after the shareholders of UBA Plc approved that the bank adopt approved a new commercial banking structure in compliance with the Central Bank of Nigeria (CBN)'s regulation which scrapped the universal banking. UBA Capital Plc is a financial and investment services group providing services through UBA Trustees, UBA Securities, UBA Asset Management. *(This Day)*

British soap and shampoo maker PZ Cussons Plc posted a 7.4 percent rise in full-year adjusted operating profit as better margins more than compensated for the pound's strength against various currencies. The maker of Imperial Leather soap said operating profit before exceptional items rose to 116.4 million pounds ($197.7 million) in the year ended May 31 from 108.4 million pounds a year earlier. Revenue fell 2.5 percent to 861.4 million pounds. *(Business Day)*

Capital market regulators, law makers and other relevant government agencies have been urged to come up with strategies and policies that would facilitate the listing of oil and telecoms company making huge profits in the Nigerian economy on the Nigerian Stock Exchange so that Nigerians can benefit from the profits. While leading telecoms firms and multinational oil exploration and production companies making huge profits in Nigeria are listed in other stock exchanges, they are not listed on the NSE. There were attempts by some members of the House of Representatives to bring out a law compelling all these companies to list in Nigeria. But nothing positive has come out from those efforts. Chairman of Skye Bank Plc, Dr. Olatunde Ayeni, has however renewed calls for the listing of the telcos and oil firms on the NSE. Ayeni, who spoke to THISDAY in an exclusive interview in Lagos, noted that the only way Nigerians can benefit from the huge profits of these companies is for their shares to be sold to the general public, which can only be done through listing on the NSE. Ayeni commended the efforts by the capital market regulators to deepen the market and restore investors' confidence, noting there is need for a radical approach to make the companies list their shares. "I believe that the regulators and other government agencies should do a little aggressive and compulsory listing approach for certain companies having attained certain growth level. It is good to allow the Nigerian public to benefit and share in the growth they have been able to achieve and profit they have made in the Nigerian economy. I see no reason why some telecoms and oil companies are not listed. The government should look at it and they need to be told to list on the NSE.

"You cannot be making money the money here and take the money out and you list your shares outside Nigeria. The growth of their stock prices on those exchanges is substantially as a result of the economic activities in Nigeria. The securities and Exchange Commission (SEC) and the other appropriate agencies need to develop strategies by which Nigerians can benefit from these opportunities," he said. Ayeni, who is a lawyer and also Chairman of Aso Savings and Loans Plc, another listed company, said he is very passionate about the stock market because it is the only place cheaper funds could be accessed to finance long-term financing for the real sector of the economy. He commended the recovery the stock market has witnessed after the downturn of 2008, saying the Council and management of the NSE have done a great job to restore investors' confidence. "The management of the NSE led by Oscar Onyema has brought some kind of sanity into the system. We all know what the situation was in the time past. But the NSE is doing a fantastic job, at least, to restore confidence into the capital market. Also the out-going Preside of the NSE, Aliko Dangote, has contributed significantly to the growth of the market. Besides, the incoming president, Aig Aigboje Imoukhuede is a very fantastic gentle man and I believe he will continue with the good job," Ayeni said. *(This Day)*

The 176 per cent growth in profit recorded by Transnational Corporation of Nigeria (Transcorp) for the half year ended June 30, 2014 has given investors reasons to expect another profitable year, writes Goddy Egene. Stakeholders in the capital have been looking up to the half year corporate results of companies with high hopes. Based on the high hopes, the share prices of some of the equities attracted high demand from investors. While some investors had hoped that traditional interim dividend paying companies would compensate them, others believed that with improved half year results, their hopes for higher dividend at the end of the year would been rekindled. Besides, with higher financial results, investors would be able to position themselves and take position in the various companies. Although companies began reporting their half year results last week, some of the results are weaker than expected. However, few companies met the expectations of the investors with performances higher than the previous year's. Transnational Corporation of Nigeria (Transcorp) is among those companies that have recorded significant growth in their half year results. Transcorp ended the period with growths in all performance indicators. Transcorp, which is listed in the conglomerate sub-sector of the Nigerian Stock Exchange (NSE) was incorporated on 16 November 2004 with the objective of creating a truly Nigerian conglomerate with the ability to compete successfully on a global scale. One of the major goals the minds of its founders was setting up a company capable of mobilising local and international capital in the development of world-class enterprises, under strong Nigerian management and leadership.

Today, Transcorp is a publicly quoted conglomerate with a diversified shareholders base of about 290,000 investors, the most prominent is Heirs Holdings Limited, a pan-African proprietary investment company. The Transcorp portfolio comprises strategic investments in the hospitality, agriculture and energy sectors. The company's notable businesses include: Transcorp Hilton Hotel, Abuja; Transcorp Hotels, Calabar; Teragro Commodities Limited, operator of Teragro Benfruit juice concentrate plant, Transcorp Ughelli Power Limited and Transcorp Energy Limited, operator of OPL281. The company's vision is "To create sustainable value for our stakeholders in our chosen markets," while its mission is "To build a conglomerate of successful businesses underpinned by excellence, execution and entrepreneurship." Mr. Tony Elumelu is the chairman of Transcorp while Obinna Ufudo is chief executive officer. Other directors are: O'tega Emerhor; Kayode Fashola; Alhaji Mohammed Nasir Umar; Dr. Stanley Lawson; Emmanuel Nnorom; and Chibundu Edozie. After many years of underperforming, Heirs Holding bought into Transcorp in 2011, a development that charged the fortunes of the company. The positive change manifested further last year when the shareholders got N1.9 billion as dividend, the first seven years of the company's operations. Though the dividend translated into five kobo, shareholders commended the decision of the board to pay the dividend, saying it has broken the barren years of no dividend. Transcorp's financial performance has shown a progressive trend, which reflected the efforts of the board and management to reposition the company and deliver results to stakeholders. Turnover has grown from N12 billion in 2009 to N18.8 billion in 2013 while profit before tax (PBT) rose from N3.2 billion in 2009 to N12.9 billion. Profit after tax (PAT) grew from N1.2 billion in 20009 to N6.9 billion. Networth, which is the total value of the company, improved from N22 billion in 2009 to N86 billion in 2013.

The profit margin of the company, which indicates its efficiency in turning revenue to profit, improved from nine per cent in 2009 to 36 per cent. This implied that from N9 profit the company was making out of every N100 revenue, it has improved to N36 out of every N100 revenue as at December 31, 2013. Ufudo had said the 2013 reflected the company's commitment to its long term strategic plan, translating into strong and sustainable growth. "We are excited about the achievements we recorded across our businesses within the past year. Our entry into the power sector has been a significant driver and we are already running ahead of our 2014 estimates. We expect significantly better results this year, as our diversification and growth strategies continue to gain momentum." Elumelu was also excited about the results, especially the payment of dividend. "This is the beginning of a very bright future for all our patient and loyal shareholders. With the tremendous progress we have already recorded in our power business – taking the Ughelli plant's power output from 160mw when we took over on November 1, 2013 to 360mw within 3 months – 2014 promises to be a very rewarding year for the company and our 300,000 shareholders," he said. Apart from the directors of the company, Renaissance Capital, a leading international financial advisory firm a leading investment services firm, said they were pleasantly surprised that Transcorp decided to pay dividend (for the first time) at all especially as they are entering into a growth period. According to the analysts, they are optimistic that there would be dramatic changes in Transcorp's numbers going into 2014 as the transformation process continues. As projected by RenCap's analysts that Transcorp's numbers would witness dramatic changes in 2014, its the company's HI has indicated that 2014 would be rosy for investors. Transcorp ended the H1 of 2014 with a revenue of N21.21 billion, up from N7.6 billion in the corresponding period of 2013. Operating profit rose by 148 per cent from N3.9 billion to N9.75 billion, while profit before tax grew by 122 per cent from N3.61 billion to N8.0 billion. PAT increased by 176 per cent from N5.54 billion to N11.30 billion, with PBT margin improving from 36 per cent in 2013 to 38 per cent in 2014. Total assets for the group grew by six per cent from N149.64 billion as at December 31, 2013 to N158.18 billion as at June 30, 2014. However, given the huge investments the company is making, its cost of funds rose to N2.126 billion in 2014, up from N1.1 billion in 2013. Market operators said that once the company's pay down its borrowings to finance its investments in power and hospitality businesses, its bottom-line would recorded higher growth. The company ended the H1 with earnings per shares of 11.30, up from 5.53 kobo in the corresponding period of 2013. Doubling the EPS by end of the year would mean an EPS of about 22 kobo, which will translate into a dividend above the five kobo paid in 2013. Explaining the H1 results of Transcorp, Ufudo said: "Our half year results for 2014 consolidates the significant growth achieved in first quarter 2014 and firmly sets us on course for the attainment of full year 2014 financial targets." According to him, the company is very pleased with the continued growth in capacity and output at its Ughelli Power plant. He said the plant's available capacity and output peaked at 453 MW during the period, up from the 160MW when the plant was taken over on November 1, 2013. "We are on course to reach our target available capacity of 715MW by end of the year. In addition, our flagship hotel, Transcorp Hilton Abuja achieved strong revenue growth through increased traffic from its successful hosting of the World Economic Forum for Africa event in May 2014," he said. "Overall, we remain focused on achieving our medium term objectives to develop new hotels, expand our available power generation capacity, diversify and increase scale of our agribusiness and exploit opportunities within the oil and gas industry. We expect steeper growth rate for the rest of the year as our turnaround strategies take firmer root," Ufudo noted. *(This Day)*

Determined to contribute to the growth of the Nigerian economy, Fidelity Bank Plc has grown its loans to customers to N438 billion as at June ended 30, 2014, up from N426 billion as at December 31, 2013. According to the audited results of the bank for the half year ended June 30, 2014, Fidelity Bank recorded gross earnings of N63.3 billion, up from N62.9 billion recorded in the corresponding half of 2013. Net interest income grew by 32 per cent to N24.8 billion in 2014 compared to the N18.7 billion recorded in 2013, driven by a steady growth in the loan book and re-pricing of deposits and risk assets. Non-interest income declined by 14 per cent to N13 billion from N15.1 billion recorded in 2013 as a result of a reduction in foreign exchange earnings. The bank's operating expenses grew by 11 per cent to N26.3 billion from N23.7 billion recorded in 2013 affected by an increase in remuneration costs and regulatory related expenses. Fidelity Bank's profit before tax (PBT) was N9.4 billion for the Half year ended June 30, ,2014, compared to N11.2 billion recorded in the Half Year ended June 30, 2013. However, second quarter PBT was N4.97billion which represents a growth of 12 per cent from N4.45 billion recorded in first quarter of (Q1) 2014. Speaking on the results, the Managing Director/Chief Executive Officer of the bank, Mr. Nnamdi Okonkwo said: "In the Half Year ended June 30, 2014, we have begun to see a gradual impact of some of the transformation initiatives we commenced at the beginning of the financial year with PBT growing by 12 per cent in the second quarter and net interest income improving by 32 per cent between June 2013 and June 2014." He expressed confident that the profit and efficiency momentum will be sustained in the coming quarters as "we implement our newly tested lending structures to grow the loan book in the SME and retail segment while consolidating on our niche corporate banking play." A further analysis of the results showed that cost to income ratio increased from 68 per cent in 2013 to 73 per cent 2014, while average cost of customer deposits improved from 7.7 per cent in full year 2013 to 6.4 per cent in H1 2014. Average yield on earning assets improved from 12.3 per cent in FY of 2013 to 14 per cent in H1 2014. Capital adequacy ratio (CAR), which measures a bank's financial strength and capacity for future expansion, stood at 27 per cent, well above the regulatory threshold of 10 per cent threshold. "This provides us the right platform to implement our expansion strategy as well as build capacity to grow shareholders value," Okonkwo said. Similarly, the liquidity ratio, which measures a bank's solvency and ability to meet maturing obligations, was 35.3 per cent as at June 30, 2014, higher than the regulatory threshold of 30 per cent. *(This Day)*

Guaranty Trust Bank Plc (GTBank) said it has launched 'GTExpress', an agent banking service at all Forte Oil locations nationwide. The bank said the move is part of efforts at bringing banking services closer to its existing and potential customers. GTExpress is banking via agent locations such as supermarkets, schools, cinemas, markets and restaurants. It is an initiative to reach out to the underserved and unbanked segments of the population in a cost efficient manner through the use of non-banking retail outlets. Through this partnership, a statement explained that GTBank would leverage the extensive reach of Forte Oil to further bring banking services such as account opening, cash deposit and withdrawal via ATMs, customer enquiries, bills payment and funds transfer closer to the people. To this end, the bank has rolled out in 14 Forte Oil locations in Lagos, such as Surulere, Ikoyi, Ikeja, Festac, Mushin, Shomolu, Ikorodu Road, among others. GTBank formally launched the service in November 2013 in Lagos and said it had recorded tremendous success at the location since inception. Basic banking services and any other activity as the Central Bank of Nigeria may prescribe from time to time, can be carried out at these agent locations. According to the Managing Director of GTBank, Mr. Segun Agbaje, "the unbanked sector of the economy presents a significant growth area for banks in emerging markets. "Our objective is to offer banking products and services to this segment via non-banking outlets thus breaking down barriers to financial inclusion such as accessibility and cost. This is a great step in achieving a more inclusive financial services industry." Also commenting, the Group Chief Executive Officer, Forte Oil, Akin Akinfemiwa said: "We are pleased with the GTBank partnership as it reinforces our vision of being a one stop shop whilst affirming the wide reach of our retail network. "With this alliance our customers who patronise GTB will be able to reduce commuting time and cost in attending to their various needs." *(This Day)*

Nigeria's Pepsi bottler Seven Up said on Wednesday its 3-month to June pre-tax profit climbed 50 percent to 2.70 billion naira ($16.69 million), compared with 1.80 billion naira in the same period last year. Gross earnings also rose to 21.03 billion naira from 17.77 billion naira in the previous year, the company said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Nigeria's fidelity Bank said on Wednesday its half year to June pre-tax profit dropped 15.7 percent to 9.43 billion naira ($58.26 million) compared with 11.19 billion naira in the same period last year. Gross earnings in the second tier lender however rose to 63.25 billion naira, from 62.90 billion naira a year earlier, the bank said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Total Nigeria, the local unit of France's Total, said on Wednesday its half year to June pre-tax profit fell 12 percent to 3.42 billion naira ($21.13 million), compared with 3.90 billion naira in the same period last year. Gross earnings in the local fuel marketer however climbed to 120.15 billion naira from 117.29 billion naira in the previous year, the company said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Investors on the floor of the Nigerian Stock Exchange (NSE) yesterday swooped on the shares of Oando Plc as news hit the market that the company has completed the acquisition of ConocoPhillips. At the close of trading yesterday, the stock went up by 9.7 per cent or N2.47 to close at N27.94 per share from N25.47 a share recorded last Friday. In all, investors traded a total of 43.14 million valued at N1.20 billion made in 804 deals. The company had in a statement yesterday said: "Oando Energy Resources Inc. ('OER' or the 'Company') (TSX: OER), a company focused on oil and gas exploration and production in Nigeria, today announced the completion of its acquisition of the Nigerian Upstream Oil and Gas Business of ConocoPhillips (NYSE: COP) for a total cash consideration of $1.5 billion after customary adjustments plus a deferred consideration of US$33 million (the 'Transaction')." It added: "The Transaction entails the acquisition of ConocoPhillips' Nigerian oil and gas businesses consisting of: Phillips Oil Company Nigeria Limited ('POCNL'), which holds a 20 per cent non-operating interest in Oil Mining Leases ('OMLs') 60, 61, 62, and 63 as well as related infrastructure and facilities in the Nigerian Agip Oil Company Limited ('NAOC') Joint Venture ('NAOC JV'). The other coventurers are the Nigerian National Petroleum Corporation ('NNPC') with a 60 per cent interest and NAOC (20% and operator)." Meanwhile, the Nigerian Stock Market performance indicator, the ASI appreciated by 0.20 per cent in yesterday's trading to close at 42,369.02 points (this brings the year-to-date appreciation to 2.52%) relative to last Friday's trading session closing figure of 42,285.85 points. The turnover by volume of transaction increased by 32.96 per cent relative to Friday's trading session closing figure. However, value of transaction decreased by 74.72 per cent. Major transaction volume was driven by activities in the, banking, insurance and conglomerates sectors. At the end of yesterday's trading, 29 stocks appreciated in value (last Friday 28), 27 stocks depreciated in value (previous Friday 36) while 62 stocks remain unchanged making a total of 118 stocks that were actively transacted in yesterday's trading.*(This Day)*

Lafarge Africa, a unit of the world's largest cement firm, said on Friday its half year profit to June rose 29 percent to 17.75 billion naira ($109.61 million), compared with 13.80 billion naira in the same period of last year. Gross earnings rose to 55.35 billion naira, from 49.48 billion naira in the same period last year, the company said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Nigeria's Diamond Bank said on Thursday its half year to June pre-tax profit dropped to 16.07 billion naira ($99.26 million), 8.4 percent lower than the 17.56 billion naira recorded in the same period last year. Gross earnings however, rose to 78.72 billion naira from 70.05 billion naira last year. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigerian conglomerate UACN said on Thursday its half year to June pre-tax profit was broadly flat at 5.06 billion naira ($31.29 million), compared with 5.11 billion naira in the same period of last year. Gross earnings rose 8 percent to 40.25 billion naira, against 37.34 billion naira in the same period of last year, the company said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Oando Energy Resources Incorporated (OER), a subsidiary of Oando Plc, yesterday announced a swift rise in its total crude oil production capacity from just about 4,500 barrels per day (bpd) to 50,000bpd following its acquisition of the Nigerian upstream oil and gas assets of ConocoPhillips for a total cash consideration of $1.5 billion. The Chief Executive Officer of OER, Mr. Pade Durotoye said at a press briefing in Abuja, that the acquisition of ConocoPhillips now transformed it as a leading indigenous Nigerian oil and gas operator. Durotoye stated that OER expects its shareholders to see a year-end profit after tax in the region of $150 million, following from similar closing balance sheet of ConocoPhillips which last operated the assets and gained that much in 2013. According to him, the acquisition includes its interests in six oil fields; four of which are currently producing, 12 production stations, Brass River terminal with a capacity of 3.6 million barrels (mmbbls), three gas plant facilities, 1490 kilometres of pipeline network and the 480 megawatts (MW) Kwale Okpai Independent Power Plant (IPP) ConocoPhillips' Nigerian oil and gas businesses consist of onshore and offshore businesses. The onshore business consists of Phillips Oil Company Nigeria Limited, which holds a 20-per-cent non-operating interest in Oil Mining Leases (OMLs) 60, 61, 62, and 63 as well as related infrastructure and facilities in the Nigerian Agip Oil Company Limited (NAOC) Joint Venture (NAOC JV). The other co-ventures are the Nigerian National Petroleum Corporation (NNPC), with a 60 per-cent interest and NAOC, which is the operator with 20 per cent interest.

The offshore business consists of Conoco Exploration and Production Nigeria Limited, which holds a 95 per cent operating interest in OML 131 located 70 kilometres offshore in water depths of 500 metres to 1,200m and Phillips Deepwater Exploration Nigeria Limited, which holds a 20-per-cent non-operating interest in Oil Prospecting Licence (OPL) 214 located 110 kilometres offshore in water depths of 800m to 1,800m. The other co-ventures are ExxonMobil, which is the operator with 20 per cent interest, Chevron (20 per cent), Svenska (20 per cent), Nigerian Petroleum Development Company (15per cent) and Sasol (5per cent). Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, had in June 2014 approved the conversion of OPL 214 to OML 145 for an initial period of 20 years. "This transaction was made possible due to the overwhelming support from our shareholders, the Federal Government of Nigeria, Nigerian National Petroleum Corporation (NNPC) and the international and local financial institutions that assisted with the necessary debt funding. "The acquisition speaks to our inorganic growth strategy of acquiring choice assets with good production rates, a large two key reserve base and two sea resource potentials for future developments," Durotoye said. He added that: "Oando Energy Resources as a consolidated entity now has working interests and investments in 16 licenses that produce about 45,000 to 50,000bpd equivalent per day with 2P reserves of 230 millions of oil and 2C resources of 536 million barrels; our team is well positioned to develop these assets and unlock values for our shareholders."

Durotoye noted that OER has the right mix of capacities to operate the acquired assets. "We are committed to playing our role as a leader in this industry and look forward to transactions of this nature to promote Nigerian grown companies to prominent positions internationally," he said. On the expectations of OER's shareholders, he said: "With regards to the balance sheet, the acquisition was $1.5 billion, which was financed by a combination of equity and debt ratio of 50/50 and that essentially modified the balance sheet. "We have identified that the asset is in production and cash supportive and it can support this structure of financing. That speaks directly of what it does to our shareholders." "The previous owners in the year 2013 generated a profit after tax that was $150 million, I will also like to point out that year was one that started on a little bit on the slow side because of a unique flood at the end of 2012 down south of Nigeria that severely affected the facilities and production of oil companies in Nigeria. "Directionally, we expect for our shareholders to see profit after tax in that region; the business continues to grow and there are significant growth opportunities that we are able to see already manifesting in the production, which will be immediately generative and additive to our shareholders." *(This Day)*

WEEKLY AFRICAN FOOTPRINT

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Economic News

In line with its tight monetary stance, the Central Bank of Nigeria will on Wednesday sell N134.88bn in treasury bills. The CBN sells treasury bills bi-monthly to manage the volume of money supply in the economy. The maturities of the treasury bills on offer will range between three months and one year. A breakdown shows that the bank will issue N34.88 billion in 3-month bills, N48 billion in 6-month bill and N52 billion in one-year bills. The treasury bills market commenced last week flat but subsequently fed off the Wednesday's bond auction. The short end of the curve experienced sell-offs driving rates higher as institutional investors looked to position ahead of this week's primary market auction. Meanwhile, the Nigerian Interbank Offered Rates (NIBOR) was unchanged for the second straight week as it closed at an average of 10.50 per cent last Friday. The interbank money market commenced the week tightly due to funding for last Wednesday's Retail Dutch Auction System (RDAS), NNPC's withdrawals and muted inflows. These inched rates higher by an average 25 basis points bringing the open buy back (OBB) and overnight rates to 10.75 per cent and 11 per cent respectively. Rates however remained unchanged on Tuesday and Wednesday as more withdrawals were made from the system for the bond auction of N109 billion during the week. But last Thursday, huge inflows from OMO maturities worth N180 billion lifted rates average by an average of 25 basis points. "Rates were also tugged by the local demand for the October and November maturities. In addition, FAAC allocation (N376 billion) hit the system on Friday easing liquidity in the system," a report by Afrinvest Securities Limited stated. It however explained that the momentum of liquidity mop up waned, as the CBN did not offer any bill during the week. OMO and treasury bills maturities worth N44 billion and N134 billion are expected to mature this week while FAAC allocation settles in the system. Players at the interbank market demonstrated weaker appetite for the greenback during last week's RDAS auction as the central bank auctioned a total of $650 million at the regulated bi-weekly forex market. However, only a total of $584.5 million was successfully sold. This was six per cent lower week-on-week.The marginal rate during both auctions remained muted at N155.73 to a dollar. The naira strengthened by 23 basis points week-on week as a result of the moderate demand for the greenback by importers. This translated to a 38 kobo appreciation which supported the local unit to close the week at N161.98 to a dollar at the interbank. "The year-to-date loss on the naira waned to 1.2 per cent, following three weeks of sustained gain in the local currency which could be ascribed to increasing oil price in the world market," Afrinvest Securities stated. On the other hand, the BDC segment of the forex market stabilised during the week. The central bank recently extended the deadline for the implementation of the new capital requirement for the BDCs to July 31. Trading at the bond market on the first two days were cautions as investors side-lined the market in anticipation of the scheduled reopening and new issuance. The 2016, 2024 and 2034 bond auctions were allotted at a marginal rate of 11 per cent, 12.19 per cent and 12.14 per cent respectively. Analysts anticipate the current level of liquidity in the system would sustain the pressure on yields this week. *(This Day)*

Following rising demand for commercial space and housing for middle-income and young professionals in Nigeria, the nation's real estate market has continued to grow with the sector now valued at N6.4 trillion ($41.2 billion). According to a report by Agusto & Co., the Lagos sub-segment of the market accounts for at least 40 per cent of the Nigerian market. Growth, the report revealed, continues to be driven largely by new to market residential and commercial properties in Lagos, Abuja and Port Harcourt. The report estimates the market to grow by an estimated average of 10 per cent in 2014 and 2015 respectively. "The Lagos real estate market, which has evolved in the last decade, continues to report significant growth in both the residential and commercial sub-segments. The key growth factors include population growth, economic growth, rapid urbanization, rising consumer disposable income and the introduction of mortgages. "Supply of real estate properties in Lagos have been supported by the improvement in land titling and ownership transfer, government's development plans and improved security framework in the state. The Lagos real estate market was delineated under the residential and commercial segments for adequate coverage, "Agusto & Co. said. The report added that the Lagos residential market remained strong across the various sub-markets adding that new residential investments were prominent in the prime markets comprising Ikoyi, Victoria Island, Lekki and Ikeja GRA. "Our research also revealed that new residential investments in the prime markets targeted the growing expatriate community and affluent indigenous tenants. Supply of new residential investments in the most mainland markets remained subdued due to shortage of land, leaving property developers with the option of buying and remodelling old properties. "However family holdings in the mainland market remained a limiting factor to the buying & remodelling option. Owing to the low concentration of affluent and expatriate tenants on the mainland, residential property developers are strongly attracted to the prime markets, "it added. Rentals and sales prices, the report, revealed, were higher in the prime market compared to the mainland market. According to the report, typical rental for a 3-bedroom luxury residential property was highest in Ikoyi at an average of â‚¦10.4 million ($65,000) per annum, with a rental yield of 9.9 per cent. Conversely, rental price changes were prominent in the mainland market, with Surulere recording a high cumulative rental price change of 29 per cent from January 2011 to April 2014. It further stated that sale prices were also highest in the Ikoyi sub-market, with the price of a 4-bedroom detached house on a 2000m² land trending up to â‚¦856 million in the first half of 2014. Land prices in Lekki and Victoria Island reported the largest cumulative change of 23 per cent and 22 per cent respectively between 2011 & 2014. The Ibeju-Lekki development plan remains a strong driver of land and property price changes in the areas. "Market perception for the Ikorodu sub-market declined in the review period due to the slow infrastructural development in the area. Although the on-going construction of the mono-rail and the Lagos-Badagry expressway has negatively impacted real estate activities on the Badagry axis, we believe completion of the projects will support growth of real estate properties in the sub-market," the report revealed. *(This Day)*

The Nigerian Stock Exchange is planning to introduce Nigerian Depository Receipts (NDRs) as part of its efforts to satisfy the investment needs of investors in the Nigerian capital market. Depository Receipts (DRs) are negotiable securities that generally represent a company's publicly traded equity or debt. The DRs are listed on stock exchanges and usually behave exactly like regular stocks as their prices fluctuate depending on demand and supply, and depending on the fundamentals of the underlying security. The NSE noted that the introduction of NDRs is part of repositioning of itself to be the preferred capital market of choice in the African sub region. Hence, it is introducing a variety of tradable instruments to satisfy the investment needs of individual and institutional investors looking to diversify their portfolios, reduce risk and invest internationally in the most efficient manner possible. DRs may be sponsored or unsponsored and each type has specific characteristics and requirements related to it. Each receipt amounts to a claim on a predefined number of shares of the underlying security. A depository stores the shares on behalf of the receipt holders. DRs trade, settle and clear in the same manner as securities local to the market on which they trade. The NSE explained that the NDRs will provide access to foreign securities trading in other markets. The NSE will commence with unsponsored NDRs. However, preparatory to the introduction of the NDRs, the NSE is exposing the draft rules to other market stakeholders for their comments before final approval by the Securities and Exchange Commission (SEC). According to the Head, Legal and Regulation Division, NSE, Tinu Awe, the draft rules set out to the general eligibility, disclosure and continuing obligations and requirements that apply to DRs; and then set out in subsequent parts specific provisions in relation to sponsored and unsponsored DR issues.

In addition, the rules contain provisions relating to the key players involved in a DR listing and the elements of a DR transaction the issuer, the underlying entity, the depository, the securities, the depository receipts as well as the deposit agreement/terms and conditions. They also contain detailed listing requirements for the sponsored DRs as well as the unsponsored DRs, contents for the depository agreement for a sponsored DR; as well as the terms and conditions for an unsponsored DR. The Rules address obligations to be satisfied regarding the underlying security and the depository. Awe said the invitation of stakeholders to participate in the rule making process of the NSE is to create public awareness and solicit the public's feedback on the draft rules and to improve the draft rules where necessary and thereby have a robust, well written set of rules. "We are involving as many stakeholders as possible in this rule making process in order to achieve the aforementioned goals. Please be assured that your comments will be considered in arriving at the final text of the rules," she said. *(This Day)*

In order for Nigerian banks to retain more capital going forward, some will either reduce dividend payout ratios or float rights issues, a report has stated. Another alternative, according to the report is for the financial institutions to stop growing loan books, the report added. CSL Stockbrokers, a division of First City Monument Bank (UK) Limited, stated this in its latest report on Nigerian banks titled: "The Capital Cycle." The report covered Nigeria's five largest banks –First Bank, Zenith Bank, United Bank for Africa Plc, Guaranty Trust Bank Plc and Access Bank Plc. It stated that banks could supplement Capital Adequate Ratios (CARs) by issuing tier-2 capital (subordinated, long-term debt), noting that the financial institutions are restricted to using an amount no more than 25 per cent of tier-1 equity and, in practical terms, encounter tough conditions in the international debt markets.

Since the banking crisis of 2009 Nigeria's largest banks have enjoyed four years of asset growth, with loan growth pronounced from 2011 onwards. "Capital is the main constraint, we believe, and is becoming an issue much sooner than non-performing loans (NPLs)," it stated. The report showed that aggregate gross loans of the five largest banks listed above grew by a CAGR of 15.7 per cent between 2010 and 2013. Furthermore, it estimated it would have grown by a CAGR of 16.4 per cent between 2010 and 2014 ending. This growth, it pointed out had put pressure on banks' capital base, given the Central Bank of Nigeria's (CBN) requirement that the principal banks keep total CAR of 16 per cent. "The key metric is how quickly banks can internally grow capital bases, that is, how quickly they can replenish equity capital with retained earnings. The weighted Returns on Average Equity (RoAE) of the five banks were 24.5 per cent in 2012; 20 per cent in 2013; and we forecast 19.3 per cent in 2014. "However, after paying dividends, the weighted average rates at which equity capital was retained were 13.8 per cent in 2012, 9.8 per cent in 2013, and we forecast 9.2 per cent in 2014 estimates. "Growth in equity is not keeping up with customer loans and risk-weighted assets, and this is reducing CARs, in some cases to critical levels," the report argued. The CBN stipulates that systemically-important banks maintain a total CAR of 16 per cent. Tier-2 capital cannot exceed 25 per cent of tier-1 (although in the run-up to Basel II implementation it appears that 33% was allowable), which is equity. This requirement is likely to be become more onerous after the application of Basel II rules later this year which, most banks had agreed, would lower their CARs between 200 and 300 basis points as they provide for operational risk. Continuing, the report stated: "We believe that Access Bank, UBA and (despite a recent and successful issue of tier-2 subordinated debt) FBN Holdings face capital challenges and difficult choices of cutting dividend payout ratios or raising fresh equity over the coming two years, if they continue growing loan books. "Zenith Bank does not retain earnings at a particularly high rate but has sufficient tier-1 equity for several years' future loan growth, in our view. GTBank replenishes equity quickly and this is consistent with funding several years' future loan growth, in our view." *(This Day)*

Capital market operators have expressed support for a bill seeking to compel top private firms to list their shares on the Nigerian Stock Exchange. According to the operators, who spoke to our correspondent, such a bill is long overdue. The bill, sponsored by a member of the House of Representatives, Mr. Chris Azubogu, applies to companies that have an annual turnover exceeding N80bn or whose shareholders' funds surpass N40bn. The bill is entitled: 'A Bill for an Act to provide for private companies whose shareholders' funds exceed N40bn or their annual turnover exceeds N80bn, or their total assets exceed N80bn, to convert to public liability companies and get their shares listed on the stock exchange, thereby promoting growth for both the companies and the Nigerian capital market and other related matters'. It passed the second reading stage at the House of Representatives in June. The Chief Executive Officer, Lambert Trust and Investment Limited, Mr. David Adonri, said such a bill had become necessary because efforts to get the companies to list voluntarily had not yielded the desired result. "We have discovered that several persuasive strategies have been put in place in the recent past and the response has not been too encouraging. That underscores the need for legislation to compel major enterprises in this economy to be publicly quoted," he said. According to him, as it is, the contribution of the Nigerian capital market to the rebased Gross Domestic Product is just about 15 per cent or below, whereas in several other emerging markets and advanced economies, the contribution of their capital markets to GDP is far higher. "That is why our own market lacks the absorptive capacity and any credit boom in the economy drives it into a bubble.

So, it is a welcome development and we support it," he said. Adonri, who noted that various legislations such as the indigenisation decree had contributed to the growth of the market in the past, insisted that legislation was still vital in developing the market. Asked whether foreign investors would not be scared off by the bill, he said, "If those companies are antagonistic to Nigerians sharing in their wealth – one of the purposes of being publicly quoted is to enable the citizens of the country to share in the wealth that they are helping the companies create – then, they can go to other countries." Adonri said as the largest economy in Africa, many investors were itching to come to Nigeria, adding that the bill was not likely to deter them. The Managing Director and Chief Executive Officer, Fortright Securities Limited, Mr. Bode Ashogbon, called for the bill to be passed into law as soon as possible. He said, "I believe the bill is long overdue. These companies came here to make money and they can repatriate the entire profits. So, of what benefit will it be to the host nation if they come here to do that? "I don't see anything wrong with the bill. My hope is that it is passed into law as soon as possible so that Nigerians can benefit from their own sweat." Like Adonri, he said there was no need to worry about whether foreign investors would shun the country or not as a result because the return on investment was very attractive. "Even with the level of insecurity in the country, they are still coming. Why are they coming? It implies that there is a market for their products and services," Ashogbon said. He, however, called on the regulators to ensure that if the bill was passed, companies would not manipulate their accounts to avoid listing their shares on the NSE. On his part, the Chief Executive Officer, Enterprise Stockbrokers, Mr. Rotimi Fakayejo, said the move would put an end to complaints by investors that the market lacked depth. He said, "Dangote Cement, for instance, accounts for about 27 to 28 per cent of the market. But by the time we have a lot of other stocks that are highly capitalised; whenever transactions take place on the floor of the Exchange, it is going to give a true reflection of the market."

Tanzania

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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TRADING

Zambia

Corporate News

Lower zinc production and a decline in Zambian copper output weighed on Vedanta Resources Plc's core quarterly earnings, sending the miner's shares down more than 3 percent. Vedanta, controlled by one-time scrap metal dealer Anil Agarwal, ground out a marginal increase in first-quarter core earnings due largely to its oil and gas, aluminium and non-Zambian copper operations. But the company's Zambian copper business, which accounts for about 10 percent of revenue, reported a 43 percent fall in core earnings, which Vedanta attributed to weak prices and lower production in the period. Vedanta bought a controlling stake in Zambia's Konkola Copper Mines (KCM) a decade ago. The business, intended to be part of a push beyond the company's origins in India, has repeatedly disappointed. Core earnings at Vedanta's zinc business also fell. Vedanta said its earnings before interest, tax, depreciation and amortisation (EBITDA) rose to $1.04 billion for the quarter ended June 30 from $1.03 billion a year earlier. Citi analyst Jatinder Goel said EBITDA was 10 percent below his forecast of $1.16 billion. Other divisions performed better than Zambia. Overall, core earnings at Vedanta's copper business, which includes assets in India and Australia and was the company's biggest money earner last year, rose 16 percent to $61.2 million. Cairn India Ltd, Vedanta's oil and gas unit, recorded a 1 percent increase in EBITDA for the quarter. Last year, it generated about a quarter of the company's overall revenue. Vedanta's aluminium business posted a 74 percent increase in EBITDA, helped by higher prices and lower production costs on account of the depreciation in the Indian rupee. Vedanta reiterated plans to restart iron ore production in the western Indian state of Goa in the second half of the current financial year. A ban on mining in Goa, imposed in 2012 to curb illegal mining, was lifted in April. Vedanta's shares were down 2.8 percent at 1063 pence at 0821 GMT, ranking them among the biggest percentage losers on the FTSE-250. *(Reuters)*

Economic News

ZAMBIA stands to benefit from the development of the Lake Tanganyika Transport Corridor which will create a gateway to Burundi, Democratic Republic of Congo (DRC) and Tanzania. African Development Bank (AfDB) country director Freddie Kwesiga said the bank was currently undertaking a feasibility study of the modernisation of Mpulungu Port on Lake Tanganyika as part of the development lake passageway. The Lake Tanganyika transport corridor project will link Zambia with the port town of Kigoma in Tanzania to Bujumbura in Burundi then to DRC's lakeside city and port of Kalemie. Kigoma is the railhead for the railway from Dar es Salaam in Tanzania, Kalemie is the terminus for the DRC rail network while a rail link has been proposed for Mpulungu to connect to the rest of the country. He said the multi-billion dollar port development project will bring trade and regional integration between the countries which share Lake Tanganyika. "We are helping Zambia and her neighbours develop transport corridors to assist these countries in the region to trade freely and efficiently. Then the corridor goes on to links Mpulungu port in Zambia at the southern tip of Lake Tanganyika and a number of other towns in Tanzania," he said. He said the project is still under the feasibility study stage but hinted that progress is being and it is expected to kick off soon. Mr. Kwesiga said in an interview that the project is vital as it will enhance trade between Zambia and countries of the Greats Lakes region. AfDB seeks to promote the free movement of goods, services, capital and people by reducing barriers between countries and harmonising economic and financial policies. Mr. Kwesiga said the bank has supported the establishment of corridors in the southern African region and will continue to do so to strengthen trade ties in the region through efficient and reliable transport routes. He said AfDB is also looking at possibilities of supporting other viable transport routes in the region. Apart from the Tanganyika corridor project, AfDB supported the establishment of seven other transport corridors in the southern and eastern Africa region worth billions of dollars. These include the Southern Corridor, Maputo Corridor, Walvis Bay Corridor, Beira Corridor, Lobito Corridor, Tazara and Nacala corridors respectively. The bank supports Government's Nacala Corridor Phase Road project which is constructing 1033kilometres of roads in Zambia, Malawi and Mozambique, as well as two border posts. Besides promoting regional integration in the Southern African Development Community, these project are contributing to poverty reduction and the empowerment of women and other disadvantaged groups through better socioeconomic infrastructure along the road. *(Daily Mail)*

Zambia's consumer inflation quickened slightly in July to 8.0 percent year-on-year, from 7.9 percent in June, the Central Statistics Office said on Thursday. On a month-on-month basis CPI accelerated to 0.8 percent from 0.4 percent in June. The rise was mainly because of higher prices in non-food items, the office said. *(Reuters)*

Zimbabwe

Corporate News

PPC Zimbabwe has secured about $18 million for the construction of a new cement plant in Harare. The cement company says construction of the new plant is the "main priority" at the moment."Preliminary work at the site is underway and fully-fledged construction is scheduled for August," PPC managing director Mr. Njombo Lekula said in an interview with The Herald Business on the sidelines of the Institute of Chartered Accountants of Zimbabwe business conference in Victoria Falls last week**.** The conference was running under the theme "Attracting Foreign Direct Investment for Economic Growth". Road access network to the Harare plant has already been completed and a temporary office already set up at the site. Public hearings for the Environment Impact Assessment on Harare plant have been concluded providing the green light for the project to commence. Mr. Lekula said a feasibility study on the construction of a clinker plant and cement grinding mill in Mashonaland Central this year is almost complete. "We are conducting a feasibility study for the clinker plant in Mashonaland Central but the setting of a plant in Harare is our main priority at the moment. He said the construction of another clinker plant in Mashonaland Central will go in tandem with the limestone geological studies currently being carried out. Cement is produced in two phases with the first being the production of clinker from limestone. The second phase involves crushing of the clinker into cement powder. PPC, the country's largest cement company with an annual capacity of 1,2 million tonnes intends to double its capacity by building a clinker plant in Mt Darwin and cement crushing mills in Harare and Tete .

Mr. Lekula said the company is also looking at investing more in new technology to meet global demands as well as increase capacity. PPC, however, is worried by the performance of its export business. "Currently our plants in Zimbabwe are running at about 70 percent capacity utilisation and for us to get to decent levels of capacity, we have to find other markets. We export to Zambia, Malawi and Mozambique and we continuously look for opportunities in the region," said Mr. Lekula. PPC's export business contributes about 20 percent to the company's total turnover but the figure fluctuates. "Our export market margins are impacted by logistics. Sometimes the exports are not very stable hence the need to look at both the local and export markets to ensure sustainability," he said. Mr. Lekula however, emphasised that local companies needs to retool in order to be competitive on the global market and enhance their customer values. PPC recently commissioned phase one of mordenising its packaging and dispatch facility which includes the installation of two palletiser units and a shrink-wrap machine. Mr. Lekula said the new facility is served by the new factory warehouse and a dispatch office and weigh-bridges. He said companies in the manufacturing sector should retool to make a contribution to economic growth and development. "In February we started dispatching our bagged product in three options the U (unitised), UP Unitised on a pallet and UPC which is a plastic covered option," said Mr. Lekula. "We are pleased to have seen a marked improvement in the queuing and customer service." PPC is expecting a strong demand for cement in the retail sector and the company has also received several enquiries for infrastructure projects that are underway in the country. *(Herald)*

British American Tobacco Zimbabwe has declared a $0,30 per share interim dividend for the six months to June. The interim dividend includes $0,04 to be paid from historical earnings. The dividend comes after the group reported total revenue of $20,3 million, down 12 percent on prior year $23,1 million mainly due to the discontinuation of non-core cut rag sales in June 2013. BAT Zimbabwe realised a $5,3 million profit in the six months under review compared to a loss of $1,4 million for the half year to June last year. Gross profit reduced by $2,2 million to 13,8 million. "This resulted from an increase in depreciation charges and refurbishment costs from upgrades to our manufacturing equipment, higher packaging costs due to growth in sales of our 10s-format brands, salary awards to employees and higher utilities charges," the company said. BAT Zimbabwe managing director Mr. Lovemore Manatsa, said conditions in the second half will continue to be challenging but the company is targeting volume growth. In the interim period cigarette sales volumes were in line with the same period last year. BAT hallmark brands, Madison and Everest, maintained sales volumes while premium international brand offering, Dunhill, continued to grow with volumes increasing by 65 percent. Mr. Manatsa said BAT plans to invest more capital towards its Zimbabwean business. BAT has spent more than $5 million over the past five years in capital investments with about 50 percent of the amount invested towards improving its manufacturing line. *(Herald)*

KALAA Mpinga, CEO of mining group Mwana Africa, has said the $26m reopening of the company's Bindura base metals smelter in Zimbabwe could be used to treat platinum group metal (PGM) concentrate. The smelter is primarily intended to treat material from the Trojan nickel mine held in subsidiary company, Bindura Nickel Company. However, the smelter could help fulfil the Zimbabwean government's ambition to have PGM smelted and refined in the country. "The furnace we have is similar to platinum-belt furnaces in SA. We do have capacity to smelter PGMs if we had a long-term contract," he said. Smelting PGM concentrate was "an option", he added. The government has been applying pressure to Impala Platinum, Anglo American Platinum and Aquarius Platinum that they no longer export concentrate from the country to South Africa, producing the metal in Zimbabwe instead. President Robert Mugabe has been threatening a number of punitive measures aimed at disincentivising exports, but there have been concerns among the platinum producers that the capital required to build a smelter cannot be supported by local production. This is where Mwana Africa fits in. Mwana Africa recently posted a $100m turnaround in bottom line fortunes to a $50m full-year profit. However, Mpinga acknowledged business conditions in Zimbabwe were currently difficult. "The single biggest challenge to operating in Zimbabwe is liquidity," he said. "The pool of money is very limited. And when you do raise money it is always very expensive," he said alluding to interest rates of 15% plus. The problem is the political risk attached to operating in Zimbabwe where regulations seem to change at the will of government officials – a risk that Mpinga said had been completely overblown. "When you go to a pub for a drink, there is always lots of noise. But the noise, doesn't stop you from having that drink," he said of the fact that Mwana has been operating in Zimbabwe for more than a decade. *(New Zimbabwe)*

SCHNEIDER Electric, a French based energy company has signed an exclusive agreement with Samansco, a local renewable energy firm to distribute its solar powered portable LED bulbs. The signing ceremony took place in Harare yesterday at the Residence of the Ambassador of France to Zimbabwe Laurent Delahousse. The portable bulbs, also known as The Mobiya TS 120S is an energy efficient, eco friendly and robust portable lamp producing 120-lumen light output, perfectly suited for demanding rural communities. The lamps are also equipped with USB port, thus enabling users to charge their mobile devises. It features three brightness settings, providing up to 48 hours of lighting with one day of solar charge. "Ideal for off grid households, small shops, street vendors and fishing boats, the Mobiya TS 120S offers users safe and sufficient light for comfortable reading and other household and business activities within an un-electrified household or small business environment," said Ms Zanelle Dalglish, head of sustainable development for southern Africa at Schneider. "In Zimbabwe, 55 percent of the population is not connected onto the grid and 11,5 percent is under serviced in remote areas, rendering the Mobiya an ideal solution for social and economic development. Samansco managing director Mr. Jangez Gangat said the lamps provided a perfect fit into the company's total solution offering. "For more than 30 years, Samansco has been developing products and systems to provide clean, efficient and reliable power, where and when it is needed." To date, the company has supplied over 22 000 systems in 14 countries in southern and central Africa.

The French Embassy to Zimbabwe said the latest development demonstrated an important step towards re-engagement between Zimbabwe and Schneider Electric. Schneider's long-term commitment to Zimbabwe is further reiterated by its support of Dr Sekai Nzenza of the Simukai Project and the Rio Zimbabwe Foundation. Samansco and Schneider Electric have committed to support the Simukai Project through the with 20 In-Diya solar home systems. "This is an important first step in our social engagement. By supporting community projects in Zimbabwe and through our partnership with Samansco, Schneider Electric has identified two other community projects that have been earmarked for support over the next 12 months," said Ms Dalglish. Mr. Delahousse commended both Schneider Electric and Samansco for their pro-active approach in promoting renewable energy for sustainable development in Zimbabwe. "It is fundamental that private sector initiatives, such as these undertaken by French company, Schneider Electric, and Zimbabwean company, Samansco, become drivers for both growth and economic development. The Embassy of France is pleased to have been able to support this partnership and the fostering of co-operation with Sekai Nzenza's role in the Rio Zim Foundation and the Simukai Project," he said. Schneider Electric is a global specialist in energy management with operations in more than 100 countries. *(Herald)*

London Stock Exchange listed mining giant, Mwana Africa Plc says it will continue operating in Zimbabwe despite the challenging operating environment for businesses. "The single biggest challenge to operate in Zimbabwe is liquidity. The pool of money is very limited. "And when you do raise money it is always very expensive," Mwana Africa Chief executive officer Mr. Kalaa Mpinga said. "But when you go to a pub for a drink, there is always lots of noise. But the noise, doesn't stop you from having that drink," he added. The government of Zimbabwe recently implemented laws which require foreign owned mining companies to sell 51 percent to locals, which is designed to bring the previously marginalized black majority into the mainstream economy. Mwana Africa PLC is a pan-African, multi-commodity resources company focused on the production, development and exploration of gold, nickel, copper and diamonds. It has been operating in Zimbabwe for more than 10 years running the Bindura Nickel Corporation (BNC). It also has operations in South Africa, and a broad range of exploration projects and interests in the Democratic Republic of Congo (DRC), Angola, Ghana and Botswana. In October 2005, Mwana Africa became the first African-owned, African-managed resource company to be listed on the London Stock Exchange's Alternative Investment Market. Mwana Africa recently posted a $100 million turnaround in bottom line fortunes to a $50 million full-year profit. *(Herald)*

ZIMPOST is nearing the completion stage of its $920 000 Global Positioning System (GPS) rollout project targeting urban and remote areas as the company aims to keep abreast with developments in the information technology arena. The 18-month project funded by the Postal and Telecommunications Regulatory Authority of Zimbabwe (Potraz) with Zimpost as the implementing agency, seeks to aid the public in the location of households and firms not only for mail delivery, but disaster management. GPS is a navigation system that provides location and time information in all weather conditions, anywhere on or near the Earth where there is an unobstructed line of sight to four or more GPS satellites. Zimpost managing director Douglas Zimbango said 31 areas of Zimbabwe had already been covered under the project, including Mpopoma in Bulawayo and Shamva in Mashonaland Central. "We are now at the data capturing stage using information from the field and inputting The postal company is presently engaged in ensuring that it maintains a visible presence on the market by providing a wide array of IT services, as the advent of new communication technologies has rapidly decimated traditional postal services. Government, however, maintains that the company must remain in existence due to its countrywide network of branches and the need to service the communication needs of remote rural areas. The company has also invested $3 million in front office and back office systems and is now working on connectivity. The company has deployed $450 000 for connectivity of remote rural and outlying areas through VSAT (Very Small Aperture Terminal) while other areas along the highways will use fibre. This project has been done in partnership with Econet, Liquid, TelOne and PowerTel. Critics argue that Zimpost's ambitious IT project rollout will be constrained by financial challenges and lack of capacity, but Zimbango said projects would commence. "It's true, we have no other sources of revenue other than that which is generated internally. However, what this constraint will do is only delay rather than derail the project," he said. Zimbango said the company had created a reliable and sustainable relationship with various businesses throughout the country. "We are depending more on our widespread network in terms of our stock. We receive consignment stock from suppliers then we pay them as we sell. Businesses increasingly want to sell with us because of our wide branch network," he said. The company has ventured into retail, agency, mail, and financial services in partnership with various companies. *(News Day)*

Delta Beverages has accepted Nampak South Africa's proposal to consolidate both companies' shareholding in MegaPak Zimbabwe, a local plastic packaging company to form one entity, a company official said. Nampak holds a 49 percent stake in MegaPak Zimbabwe with Delta having the remaining controlling stake of 51 percent. Nampak also owns local metal packaging company CarnaudMetalbox and has 38,91 percent interest in Hunyani Holdings. Under the new consolidated structure MegaPak and Metal Box will be divisions of Hunyani but the entity will change its name to Nampak Zimbabwe Limited where Delta will swap its 51 percent shareholding in MegaPak to 22,6 percent in the new Nampak Zimbabwe. Speaking at the company's annual general meeting yesterday Delta chief executive Mr. Pearson Gowero said the company's board of directors has approved the idea to consolidate the business. "We are considering a proposal from Nampak and they have been expressing interest to consolidate their investments in Zimbabwe and form one entity. "The Board of directors have approved that we participate in the consolidation and Delta is therefore swapping its 51 percent shareholding in MegaPak to 24 percent in the new entity Nampak Zimbabwe and would be further diluted to 22,6 percent as Nampak has indicated that they would want to inject more capital into the business," said Mr. Gowero. "On our part we have indicated that we would not want to make further investments into the business and as part of the agreement we will continue to get packaging supplies from the new entity." Nampak is following a two-pronged strategy to grow its business firstly through unlocking further value from the base business of packaging by actively managing its portfolio and secondly by accelerating growth in Africa. Meanwhile, Mr. Gowero said Delta continues to thrive despite the prevailing tight liquidity situation where disposable income is subdued. He said the prevailing macro-economic environment has been characterised by deflation with consumers seeking value and focusing on basic necessities. "In the absence of deliberate strategic interventions by all stakeholders, the economy is likely to continue on a difficult path. The company will continue to focus on value creation by investing in its brands, plant capacity and skills development," said Mr. Gowero. Despite some improvements in agricultural output, cotton, tobacco and cereals low market for cash crops, however, left most farmers without much capital at their disposal. Mr. Gowero said the depreciation of the South African Rand is also posing a threat to the operations of local companies as the situation continue to encourage parallel imports exacerbating the influx of imported products into the country. Depressed demand for the lager beer indicates down trading with consumers opting for cheaper alternatives. Strong volume growth of Chibuku recorded by the company was spurred by the increase of production capacity for Chibuku super. Mr. Gowero said the downturn in soft drinks reflected soft aggregate demand with the shift going towards PET and cans. "Maheu growth category expanded into dairy flavoured beverages for instance Super Sip brand. A new production line will be commissioned in the first half of the new financial year to eliminate the capacity constrains experienced in the period under review," he said. *(Herald)*

The Zimbabwean unit of the world's second largest platinum producer Implats will spend $690 million to upgrade its base metals refinery, the chief executive officer said on Wednesday. "It will be build in two stages. The first stage will cost $190 million ... we expect stage two will cost $500 million," Alex Mhembere, the CEO of Zimplats told an analyst briefing in Harare. Zimplats is 87 percent owned by Implats. *(Reuters)*

OLD Mutual Insurance Company recorded a growth in gross written premium (GWP) to $28,4 million in 2013 from $6 million as the company takes pole position in short-term insurance, an executive has said. Speaking at the rebranding of RM Insurance (RMI) to Old Mutual Insurance Company yesterday, managing director Donald Muthe said the company's market position had grown from number six to number one in 2013 and the market share has grown to 13,5% from 7,8%. "During its wandering, the Old Mutual Insurance Company acquired Phoenix Insurance Company in 1999," Muthe said. "At the same time, the United Kingdom-headquartered company's Commercial Union was merging with General Accident Insurance to form CGU Insurance. "RMI then bought the newly merged CGU operation. "We had to do numbers from 2009. Numbers from 2000 to 2008 proved a bit challenging. The bar graphs needed a quite few metres to fit." He said the company's underwriting profit grew to $3,43 million in 2013 while profit before tax increased to $7,8 million in 2013 from $1 million. Muthe said the company's balance sheet grew to $32 million in 2013 from $10 million in 2009 and the shareholders' funds increased to $19,5 million in 2013 to $4 million in 2009. He said the rebranding to Old Mutual Insurance Company was coming back with multiplied wealth, as the largest general insurance company and it holds the highest rating by global credit rating for eight consecutive years. Old Mutual Group chief executive Jonas Mushosho said the rebranding was part of a holistic evolution in response to changing customer needs in Zimbabwe. "The decision to rebrand was backed by feedback from customers who found it easy to associate RM Insurance with the main Old Mutual brand," Mushosho said. "It also made business sense for us to rebrand our short-term insurance business because this would affirm Old Mutual's position as Zimbabwe's leading integrated financial services group." *(News Day)*

THE country's top platinum producer, Zimplats, recorded a 164 percent rise in profit to $50 million in the fourth quarter to June as production and revenue rose, the company said on Wednesday. Zimplats is 87 percent owned by the world's second largest platinum producer Impala Platinum, which is recovering from a five-month wage strike that hit its main South African operations last year. Revenue increased by 21 percent to $1266,7 million from the previous quarter, due to a 14 percent increase in 4E sales volumes, 6 percent increase in gross revenue per 4E ounce and 26 percent increase in nickel prices, the company said. As a result, operating profit increased by 39 percent from the previous quarter to US$50 million. The cash cost per ounce was 15 percent lower than the previous quarter due largely to higher metal production. The company's local spend, excluding payments to government and related institutions, increased by 25 percent to US$63 million in the quarter. Total payments to Government both in direct and indirect taxes at US$19 million were marginally lower than the previous quarter at US$ 20 million. Over the 12 year period from 2002, Zimplats has paid a total of $466 million to government in the form of corporate tax, royalties, customs duty and employee tax, while spending $1,225 billion on capital expenditure to expand and maintain operations. The company said it has also spent $1,348 billion on operating expenses since 2002. CEO Alex Mhembere said the company was working closely with government to bring Zimplats' indigenisation programme to closure after its initial agreement, penned in 2012 ran into implementation problems. He said the employer share ownership scheme, to which 10 percent was allocated, while a community share ownership scheme with a similar shareholding, was already being implemented after the company fully paid its $10 million pledge. "There are other elements of the 31 percent (allocated to the state's indigenisation fund) that are currently under review in discussion with government. We are positive that we will find a solution on those matters and that we should be fully compliant as soon as possible," he said.*(New Zimbabwe)*

Economic News

The Zimbabwe Stock Exchange is mulling establishing a revolving facility that will be used by small to medium enterprises wishing to undertake a primary listing on the impending SMEs bourse. Chief executive Mr. Alban Chirume told the 19th edition of Mine Entra held at the Zimbabwe International Trade Fair exhibition park in Bulawayo last week that work on the SMEs bourse was underway. "We will set up a revolving fund for SMEs to raise funding (for their initial public offering) in the spirit of the Zim-Asset," Mr. Chirume said. The ZSE is currently made up of 63 active stocks, but the majority are relatively big and well established companies as SMEs find it difficult to finance listings while stringent regulatory rules applicable to big entities would also be a nightmare to them. Mr. Chirume said SMEs intending to list on the bourse would access the financial resources they need to undertake pre-listing activities such as legal and financial advice provided by specialists. "We are working on the revolving fund where SMEs will borrow before listing and once listed we would get back our money," he said. Mr. Chirume said that the country's premier securities exchange was now at a stage where it would ask the regulator, Securities and Exchanges Commission of Zimbabwe, to assist on listing rules. The ZSE boss said there were a number of advantages that can be derived from having a company listed, which included access to a platform that can be used to raise funding to start or expand a business. Further, he said in the future listed companies could use the exchange to fulfill their indigenisation and economic empowerment obligations and negotiations were ongoing with Government.

Mr. Chirume also said that being listed increases a company's visibility as many within that market would know about its existence. Listings also provide instant information about a firm's value. In addition, Mr. Chirume said listed companies were more likely to find it easier to attract strategic partners needed to grow companies as investors come in the knowledge that a firm is well regulated. He pointed out that despite the difficult economic environment prevailing in Zimbabwe, the ZSE has been one of the most liquid exchanges in terms of turnover against its total market value. Meanwhile, Mr. Chirume said that new listing rules for the Zimbabwe Stock Exchange should be ready by January next year. ZSE is seeking to compel listed firms to, among a host of other new regulatory requirements, abide by the requirements rotate auditors to ensure transparency and good corporate governance as well as sufficient disclosure to enable investors to make informed decisions. "There is need for the rotation of auditors as continuous use of the same auditors is becoming a cause for concern for the exchange. We have enough audit firms with skills to do the job for any listed firm in the country. We believe that is the way forward for the exchange to be more effective," said Mr. Chirume. ZSE is also pushing for disclosures of executive salaries of listed firms, but some executives have threatened to de-list their respective firms from the exchange in a show of displeasure to the move. Mr. Chirume said ZSE was on the verge of tightening its screws on listed companies who are not compliant with listing rules and regulations. "We are considering tightening our fining regime for non-compliance and we believe this will help in managing discipline on the exchange. "ZSE wants to create a platform where investors will have the chance to know how compliant a company is on the exchange and get the chance to decide whether to invest or not," said Mr. Chirume. *(Herald)*

Finance and Economic Development Minister Patrick Chinamasa and Mines and Mining Development Minister Walter Chidhakwa are in Moscow to court investors for the mining sector. The visit is in response to invitations from the Russian authorities. The two ministers left for the eastern European country on Sunday. In a recent Centre for Natural Resource Governance (CNRG) report, Russia is one of four of the

Brics countries that have more than doubled their activities in Zimbabwe's extractive sector. A number of Russian companies operate in Zimbabwe. One company, DTZ-OZGEO (Private) Limited is jointly owned by the Development Trust of Zimbabwe (DTZ) and a Russian company, Econedra Limited. This company is involved in gold mining in Penhalonga and diamond mining in Chimanimani besides holding several claims in places such as Shurugwi and Vumba. CNRG said the world's biggest diamond producer, Alrosa, which produced 26 percent of the world's diamonds in 2012, is seeking a joint venture partner to carry out geological explorations in Marange. Russian firms Rostec and Vneshekonombank were part of a consortium that bought a 40 percent stake in a project to develop one of the world's largest platinum fields in Zimbabwe. They will invest in Ruschrome Mining, a Russian-African joint venture licensed to mine the field. The Darwendale platinum deposit holds 19 tonnes in proven reserves and 775 total tonnes of metals including palladium, gold, nickel and copper. Ruschrome is partly owned by the Zimbabwean Government and the Centre of Business Cooperation with Foreign Countries, an association of machinery and defence firms that will retain a 10 percent stake in the project. Ruschrome is currently setting up a pilot open pit platinum mine in Darwendale. Minister Chinamasa told The Herald Business on Sunday before he left that while they are in Russia they will also explore joint venture opportunities in mineral exploration. This comes as Government is in the final stages of reviewing the 2004 guidelines on joint ventures with the view of giving them legal force and fine-tuning in order to avoid uncertainties and delays in the processing of projects. Addressing members of the Institute of Chartered Accountants of Zimbabwe (ICAZ) Winter School in Victoria Falls last week, Minister Chinamasa, in his keynote speech, said the only way to attract foreign direct investment is to reform the joint venture guidelines so as to boost the confidence of the investors. "The 2004 guidelines are being reviewed so as to clarify the entry and how foreign investors can partner the local companies," Minister Chinamasa said. "We are encouraging joint ventures in roads rehabilitation, railway, and power and energy sector as well as in the information and technology sector (ICT)," he said. Minister Chinamasa said they will be meeting business people from different Russian groupings. *(Herald)*

Government has issued about $30 million worth of Treasury Bills of between two to five years to local banks to offset outstanding amounts owing to tobacco farmers under the Reserve Bank of Zimbabwe Tobacco Retention Scheme. The TBs were issued to Agribank, NMB, Metbank, Allied Bank, Ecobank, MBCA, Barclays, Stanbic, Stanchart, ZB, FBC and CBZ for the amounts. This was after the completion of the validation and reconciliation exercise on the figures that had been submitted by the banks. The TBs are half yearly coupons with a prescribed asset and tax exemption status at an interest rate of 2 percent. They can be used as securities on the interbank market. The RBZ during former governor Dr Gideon Gono days introduced the tobacco retention scheme as a carrot and stick export incentive which enabled the country to raise foreign currency. Tobacco growers were obliged to participate in the scheme but they ended up being owed sums of money by the central bank. In the first quarter, Treasury issued $103 million worth of the bills to deal with the RBZ obligations. Of the TBs, CBZ took up $61 million towards FCA balances and $1,6 million towards tobacco retentions. Stanbic Bank $28 million on FCA balances and $719 401 for tobacco retention, while Ecobank had $2,34 million towards FCA balances and $327 499 for tobacco balances. Agribank $5,6 million on tobacco, 297 161 for FCA balances. Allied Bank purchased $811 514 towards FCA balances and $906 878 towards tobacco retentions. BancABC snapped up $862 103 towards FCA balances. FBC Bank bought $324 774 for FCA balances and $810 025 for tobacco retentions balances while Metbank picked $11 348 for FCA balances and $72 617 for tobacco balances. The additional paper is expected to extinguish this component of the RBZ debt.

Government has already communicated with the Zimbabwe Tobacco Association on its commitment to extinguish the debt. In a July 16, 2014 letter to the association seen by The Herald Business, the Finance ministry urged the owed tobacco farmers to liaise with their respective banks on when they can expect to start receiving their money. Treasury continues to turn to TBs to raise funding as the fiscal space remains constrained. Sources within the ministry told The Herald Business that Government has to date raised in excess of $200 million in TBs while a similar amount will be raised by year end. Bloomberg quoting sources reported that government also raised $2 million last week from selling 180-day Treasury Bills with an interest rate of 9,5 percent via private placements to banks and pension funds. Zimbabwe has raised $8,5 million this month compared with $32 million in June. Analysts have warned Government against "indiscriminate" use of Treasury Bills to fund recurrent expenditure as this could crowd out the private sector from the limited liquidity available in the market. Confederation of Zimbabwe Industries president Mr. Charles Msipa recently said although industry welcomed the clearing of FCA balances through TBs by the Reserve Bank of Zimbabwe, the federation was concerned that excessive use of the instruments could force the private sector out. "There is so much capital available in the country so typically if the Government gets into a deficit and gets into a habit of relying on that liquidity to finance the deficit it means that there is less money available to the other players in the productive sector for lending," said Mr. Msipa. *(Herald)*

GOVERNMENT plans to issue Treasury bills to various financial institutions to raise $30 million and settle outstanding amounts owed to tobacco farmers. The debt was incurred through a 25% foreign currency retention scheme introduced by the central bank to shore up the country's foreign currency reserves. Failure by the central bank to repay triggered a series of court cases as farmers sought their dues. In a letter seen by NewsDay sent to Zimbabwe Tobacco Association chief executive officer Rodney Ambrose, the Ministry of Finance and Economic Development told the Zimbabwe Tobacco Association that government was committed to ensuring that all outstanding amounts owing to tobacco farmers were settled. In the letter dated July 16 2014, the Ministry of Finance and Economic Development said it would issue Treasury Bills to raise the money. "In this regard, government has issued 2, 3, 4 and 5-year Treasury Bills to Agribank, NMB, MetBank, Allied Bank, EcoBank, MBCA, Barclays, Stanbic, Stanchart, ZB, FBC and CBZ bank for tobacco retention amounts. This was after the completion of the validation and reconciliation exercise on the figures that had been submitted by these institutions," part of the letter read. The government securities have a prescribed asset status and half yearly coupons, an interest of 2%, tax exemption status and can be used as securities on the interbank market. The letter did not give the exact date on which farmers would be able to access funds. "For more details on the modalities of payment and when they can expect to start receiving their money, the tobacco farmers should liaise with their banks," the letter further read.

Ambrose yesterday said that the association was encouraged by government's gesture. "The issue has been outstanding since 2008.We do appreciate despite the constraints that government is facing," Ambrose said. Tobacco Industry and Marketing Board chief executive officer Andrew Matibiri applauded the move and said it would close the chapter that was outstanding. "This is a good movement forward. It unlocks the money that farmers have put in those banks," Matibiri said. Tobacco production continues to rise, driven by small-scale farmers. This year's output has surpassed 213 million kg as the rebound continues. *(Newsday)*

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