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:

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	30-Jan-15	6-Feb-15	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	9463.73	9457.70	-0.06%	0.67%	-0.46%	-0.80%
Egypt	CASE 30	9843.10	9965.43	1.24%	-0.01%	11.44%	4.45%
Ghana	GSE Comp Index	2173.95	2149.80	-1.11%	-3.38%	-6.01%	-11.26%
Ivory Coast	BRVM Composite	252.99	254.33	0.53%	1.22%	-1.45%	-7.76%
Kenya	NSE 20	5212.11	5217.88	0.11%	0.53%	2.06%	1.25%
Malawi	Malawi All Share	14942.70	14942.70	0.00%	0.81%	0.38%	3.77%
Mauritius	SEMDEX	2019.43	1994.83	-1.22%	-1.28%	-3.80%	-7.28%
	SEM 10	376.45	370.94	-1.46%	-1.53%	-3.85%	-7.32%
Namibia	Overall Index	1117.49	1132.60	1.35%	2.93%	3.15%	4.99%
Nigeria	Nigeria All Share	29562.07	29985.08	1.43%	0.75%	-13.48%	-18.34%
Swaziland	All Share	299.10	299.10	0.00%	1.56%	0.34%	2.13%
Tanzania	TSI	4927.23	5028.96	2.06%	0.66%	11.07%	5.58%
Tunisia	TunIndex	5219.94	5280.43	1.16%	1.68%	3.75%	0.37%
Zambia	LUSE All Share	6172.03	6182.56	0.17%	-1.58%	0.36%	-3.13%
Zimbabwe	Industrial Index	164.90	169.37	2.71%	2.71%	4.04%	4.04%
	Mining Index	58.13	59.03	1.55%	1.55%	-17.68%	-17.68%

CURRENCIES

Cur-rency	30-Jan-15 Close	6-Feb-15 Close	WTD % Change	YTD % Change
BWP	9.52	9.45-	0.72	0.34
EGP	7.51	7.61	1.25	6.69
GHS	1.87	3.37	2.34	5.91
CFA	580.47	576.54-	0.68	6.84
KES	90.14	89.76-	0.42	0.80
MWK	451.59	447.95-	0.81-	3.27
MUR	31.54	31.57	0.07	3.74
NAD	11.58	11.40-	1.53-	1.76
NGN	190.45	191.74	0.68	5.94
SZL	11.58	191.74-	1.53-	1.76
TZS	1,764.90	1,789.46	1.39	5.20
TND	1.93	1.92-	0.51	3.37
ZMW	6.46	6.58	1.78	3.60

SECURITIES AFRICA

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Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's budget surplus probably will widen next year even as economic growth in the world's biggest diamond producer slows, Finance Minister Kenneth Matambo said. The southern African nation will have a surplus of 1.2 billion pula ($125 million), or 0.8 percent of gross domestic product, in the year through March 2016, Matambo said in his budget speech to lawmakers on Monday in Gaborone, the capital. That compares with an expected surplus of 281 million pula this fiscal year and 7.2 billion pula in the previous year, he said. "This modest surplus will contribute to rebuilding the country's net financial assets and provide a cushion against future financial shocks such as happened during the global financial crisis," Matambo said. The economy of Botswana, which has the highest credit rating in Africa, will probably expand 4.9 percent this year, down from 5.2 percent in 2014, the minister said. Diamonds mined by the Debswana Diamond Co. Ltd., a government venture with Anglo American Plc's De Beers unit, have helped to transform Botswana from a poor, cattle-ranching society into one of Africa's success stories. It had an estimated per capita gross domestic product in 2013 of $16,400, higher than Mexico and Turkey, according to the Central Intelligence Agency.

Botswana's balance of payments probably showed a surplus of 10 billion pula last year, compared with 1.3 billion pula in 2013, due to an increase in money received from the Southern African Customs Union, Matambo said. This helped to increased foreign exchange reserves by 16.5 percent to 79 billion pula by the end of December. Economic growth accelerated in the third quarter to 5.4 percent as mining output rose 7.4 percent, the statistics agency said on Dec. 22. Mining probably will account for 29 percent of government revenue in the next fiscal year, Matambo said. President Ian Khama won a second term in office in October. Khama's Botswana Democratic Party has ruled the country for almost 50 years. Botswana has an A2 credit rating at Moody's Investors Service, with a stable outlook. The pula, which is pegged to a basket of currencies including South Africa's rand, gained 0.1 percent to 9.63 against the dollar as of 3 p.m. in Gaborone. *(Bloomberg)*

Egypt

Corporate News

Egypt's Al Nouran sugar production facility, a 2.5 billion Egyptian pound ($357 million) project, will begin operations in the last quarter of 2016, the firm's chairman and chief executive officer Ashraf Mahmoud told Reuters on Sunday. "In the last quarter 2016 we start refining, first quarter of 2017 we start producing," Mahmoud said at the Kingsman Platts Dubai Sugar conference. The facility in Sharkiya province is expected to have an annual output of 250,000 tonnes using beet and then refine raw sugar when beet is not in season. Its refining capacity is 300,000 tonnes, Mahmoud said. The beet season in Egypt runs from the end of January to May or mid-June. The North African country, which depends on the Nile for almost all its water, is trying to expand sugar beet planting as it consumes less water than cane. Beet is mostly grown in the Nile Delta region while cane sugar is grown in southern Egypt. Al Nouran also hopes to start ethanol production from the new plant and to export around 100,000 tons of sugar after covering domestic demand. "We will export the excess capacity. Egypt's local market has a deficit of 1 million tons," he said, adding the company is eyeing markets in the Middle East North Africa region as well as in east Africa for future exports. Al Nouran's new plant could reduce Egypt's reliance on imported sugar by up to 25 percent. The country consumes around 3.2 million tonnes of sugar annually. Shareholders in the project include Al Nouran Multitrading, the Islamic Corporation for the Development of the Private Sector, the Kuwait-based Arab Fund for Economic and Social Development and the Egyptian Sugar & Integrated Industries Co. *(Reuters)*

Economic News

Egypt's tourism revenues in 2014 rose to $7.5 billion from $5.9 billion the previous year, the tourism minister said on Sunday, marking a 27 percent increase in revenues from one of the country's major sectors. The country received 9.9 million tourists in 2014, up from 9.5 million in 2013, Tourism Minister Hisham Zaazou told a news conference. *(Reuters)*

Egypt's foreign currency reserves rose to $15.43 billion at the end of January from $15.33 billion the previous month, the central bank said on Thursday. Foreign reserves fell sharply after the 2011 uprising that ousted President Hosni Mubarak but had risen again on the back of billions of dollars of Gulf Arab aid that has flooded into Egypt since the army overthrew elected Islamist President Mohamed Mursi in 2013. In November, Egypt repaid to Qatar a $2.5 billion central bank deposit received under Mursi, which some traders had warned could have an impact on reserve levels. Reserves stood at about $36 billion before the 2011 revolt. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

The Public Interest and Accountability Committee (PIAC), an independent monitoring body on petroleum revenue management, has said $1.833 billion had accrued from the sale of petroleum resources between 2011 and 2013. It said $726.7 million was allocated to the Annual Budget Fund Amount for development projects across the country. Mr. Yaw Owusu Addo, a member of the Committee, said this at a stakeholders' forum in Takoradi to sensitize Ghanaians on the management of the country's petroleum revenue. He said $ 317.42 million had accrued to the stabilization fund with GHc8.93 million expended on training of human resources and Ghana National Petroleum Corporation (GNPC) received $661.2 million. The event was organized by Friends of the Nation (FON), a non-governmental organization based in Takoradi, in partnership with PIAC and funded by OXFAM. It was held on the theme: "Following the Oil Money: Informing Citizens for Better Petroleum Revenue Management." He said there was the need for a long-term national development plan which would serve as a development framework for the country. The plan would be a working document that would be adopted by any political party to govern the country in order to have smooth and uniform development. Mr Addo appealed to Ghanaians to be abreast with the laws regulating the petroleum revenue management in order to track its usage and ensure judicious utilization of petroleum resources. He urged Ghanaians to monitor projects being implemented ed with petroleum revenue as well as holding government accountable on the use of the petroleum resources. He said the Petroleum Revenue Management Act, Act 815 of 2011, was a viable tool Ghanaians needed to scrutinize government's utilization of the petroleum revenue as well as assessing whether it had adhered to the tenets of the law.

Mr Kwame Jantuah, a member of PIAC, said a development plan must target specific priority projects and channel the chunk of the petroleum revenue toward their implementation. This would enable Ghanaians to easily identify projects that had been implemented with petroleum revenue for the citizenry to appreciate the impact of petroleum revenue on their lives. He said the Jubilee Partners had accumulated $ 250 billion dollars from the sale of Ghana's petroleum resources between 2011 and 2013. He appealed to the government to review the $ 250 million dollar cap placed on the heritage fund so that more funds could be allocated to it to safeguard the socio-economic security of the future generation. *(Ghana Web)*

Mining companies in Ghana are considering selling some gold mines because of an erratic power supply and a drop in the price of bullion, the chamber of mines said. The chamber has asked the government to lower taxes on diesel, which is used to fuel generators, Chief Executive Officer Sulemanu Koney said Thursday in the capital, Accra. He declined to name the mining companies. "I have heard of mines who are at the edge and are looking for buyers due to a combination of factors," he said. Mining companies "can't pile up other unplanned costs like using generators for long hours." Minister of Power Kwabena Donkor has vowed to resign if he can't eliminate electricity cuts by January. The power shortage in Ghana has worsened because of a shortfall in natural gas, falling water levels at the hydroelectric dam and unexpected maintenance at plants. The government cuts power to factories for 48 hours at a time and to residences for at least 24 hours. "The December deadline will be really tough, especially with companies with very tight margins," Koney said. Ghana is Africa's second-biggest gold producer, with output of 107.9 metric tons in 2013. Producers of the precious metal that mine there include AngloGold Ashanti Ltd., Newmont Mining Corp. and Gold Fields Ltd. South Africa is the largest miner of bullion in Africa. The commodity has fallen about 34 percent since reaching a record high in 2011. AngloGold is seeking a joint venture partner for its Obuasi mine in Ghana, Chief Executive Officer Srinivasan Venkatakrishnan said on Nov. 3. Stewart Bailey, a spokesman for the company, declined to comment on potential deals Thursday by phone.*(Bloomberg)*

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Kenya

Corporate News

Kenya Airways has chalked up a 41 per cent gain since touching an all-time low of Sh7.75 mid-November buoyed by market fundamentals pointing to a respite for its dire financial performance. KQ has climbed to Sh10.95 per share — a six month high — on positive investor sentiment on account of falling fuel prices and hope of an end to the Ebola crisis that robbed the airline of key West Africa n routes last year. Analysts say the low price at the counter, seen as temporary, has attracted bargain hunters who have driven up demand and in turn the price. Genghis Capital analyst Florence Kimaiyo said activity has been driven by local retail investors, with an analysis of regulatory fillings on KQ indicating little change in foreign shareholding that stood at 42.39 per cent mid-November and 42.37 per cent in mid-January. "The price surge on Kenya Airways has been mainly attributable to bargain hunting endeavours from industry savvy investors owing to the stock's tumble to an all-time low share price of Sh7.75," said Ms Kimaiyo. "Market sentiment has been that the woes plaguing the national carrier are temporary and reversible in the medium term hence the price provided a cheap entry to take up positions on the counter." KQ was hit by the Ebola crisis last year that saw the airline forced to suspend operations on the Sierra Leone and Liberia routes following fears of the disease spreading to Kenya. At the same time, a spate of terror attacks in Kenya hit tourism hard, denying the airline further passenger numbers from its European routes.

The airline is now set to recoup some of the business as the security situation normalises and the Ebola threat recedes. Health officials were on Wednesday quoted saying the ban would be lifted in three weeks. Lower fuel prices in the global market have also fuelled investor confidence that the airline will return to profitability, according to Standard Investment Bank analyst Eric Musau. KQ normally hedges part of its fuel requirement against rising prices, meaning the quick fall in prices would leave the company looking at a hedging loss. Mr. Musau said, however, the airline would benefit from the lower prices on the un-hedged fuel portion, as well as in future hedges which would be done from a lower price base. "Investors would be looking at the longer term, given that KQ's hedges are quite short term," he said. "This is a positive for the airline and will address a key challenge posed by bigger fuel costs on the expanded fleet, given that fuel accounts for about 40 per cent of costs." According to its 2014 annual report, the airline had in place fuel hedging contracts for 51 per cent of its anticipated fuel requirements for the period between March 31, 2014 and March 31 this year, and 27 per cent of anticipated fuel requirements for the subsequent period to March 31, 2016. The firm did not disclose the price at which it placed its fuel hedge. In the global market, the price of a barrel of oil has halved since June to about $50.*(Business Day)*

Economic News

The National Treasury will be seeking to spend an additional Sh137 billion before June as government speeds up investment in big projects while setting aside Sh8 billion to pay salaries and allowances for public servants. The revised estimates, which will have to be tabled before parliament in supplementary budget, are contained a draft budget policy statement published on Friday. Additional money will also finance other projects recommended by parliament during budget approval but which the government had not set out to fund. Financing will come largely from the Sh67 billion borrowed through the EuroBond, which was largely left out of the current budget as the money is to be used on specific projects. Cutting expenditure on non-priority areas is expected to save taxpayers Sh14.4 billion. "It is proposed that these expenditure be funded through expenditure rationalisation and additional domestic borrowing," Treasury Cabinet Secretary Henry Rotich notes. Last year house Budget and Appropriation Committee reviewed upward allocation to the Constituency Development Fund and their allowances. Treasury will be seeking to borrow an additional Sh46 billion reversing last year's policy to keep local borrowing to the minimum. The draft budget policy statement was published to guide public debate before a final paper is taken to the Cabinet for approval and then submitted to parliament by February 15, 2015. Once approved, it will guide government expenditure and policy over the next 12 months from July. Development expenditure will take the lion's share with Sh97 billion or 71 per cent being set aside to fund projects. Salaries and allowances will get an additional Sh8 billion, while an item identified as "other" will take Sh24 billion.

In the statement, the Treasury said while financial management by the end of 2014 was "generally satisfactory," expenditure side is still wanting especially in the face of revenue shortfall. This has put the government under pressure to meet a growing recurrent expenditure, despite previous efforts to expunge ghost workers from the payroll and cut non-priority public offices. "Despite ordinary revenues (inclusive of the Railway Development Levy) recording a slight shortfall against the target, it grew by 12.7 per cent compared to the same period in the previous financial year. Excluding the levy, ordinary revenues increased by 12.9 per cent," the National Treasury indicates in the statement. By the end of November 2014, total revenue collection including appropriations in aid amounted to Sh517.2 billion, which was below the target of Sh560.4 billion. The Treasury also noted that implementation of the FY 2014//15 budget is progressing well despite initial challenges encountered at the start of the financial year. The government has now revised its revenue projections for this financial year taking into account performance to December 2014 and is "projecting a shortfall of about Sh17.8 billion for ordinary revenues." "The key downward revisions are projected in income tax (Sh11.7 billion) largely on account of PAYE (pay as you earn), import duty (Sh3 billion) and investment income (Sh5.2 billion)," the Treasury says. Taking into account performance of revenues and expenditures by the end of December 2014, the overall financial balance (on a commitment basis and excluding grants), amounted to a deficit of Sh96.8 billion, the police statement noted. *(Daily Nation)*

The International Monetary Fund on Monday signed off on a $688 million, one-year loan program for Kenya, which is meant to support the government's economic reforms and help it weather possible outside shocks. Kenya has said it does not intend to draw on the money, but rather have it on hand in case external shocks like weather, security concerns or market volatility lead the government to run into difficulty paying its bills, the IMF said. "The new arrangements with the Fund provide a policy anchor for continued reforms, and would mitigate the impact of shocks if they materialize, supporting continued strong growth and poverty reduction," IMF deputy managing director Naoyuki Shinohara said in a statement.*(Reuters)*

Kenya's shilling firmed in early trade on Thursday helped by dollar inflows from this week's tea auctions, but traders said they still expected the local currency to weaken. By 0716 GMT, the shilling was trading at 91.45/65 to the dollar, compared with Wednesday's close of 91.50/60. The shilling, which weakened steadily through last year and since the start of this year, has been stable for the past few days helped initially by tight shilling liquidity due to last week's bond sales and then supported by this week's tea inflows. "It has been a good week for the shilling due to those factors," said Chris Muiga, a senior trader at National Bank of Kenya, but he said these would only offer temporary respite. "Once those factors are out of the way, you could probably head back to the higher (weaker) levels," he said, adding 92 to the dollar was now in sight although he did not expect a swift move to that level. Another trader noted weak dollar demand from companies which tend to seek foreign exchange towards the end of each month had also lent support to the local currency. *(Reuters)*

Kenya's central bank said on Thursday it will sell new two-year and a re-opened 10-year Treasury bonds worth up to 25 billion shillings ($273.4 million). The bank said the two-year bond's coupon will be market-determined, while the 10-year paper will have a 12.371 percent coupon. Both bonds will be on sale between Feb. 5 and Feb 17, ahead of the auction on Feb. 18. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's central bank left its benchmark lending rate unchanged at 25 percent, saying it expected inflation to trend down to around 15 percent by June partly as a result of lower fuel prices. In a statement posted on its website, the Bank of Malawi also said growth in the agriculture-driven economy, which was earlier projected at 5.8 percent, may be revised downwards due to the late on-set of rains and flooding. *(Reuters)*

<u>Mauritius</u>

Corporate News

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Economic News

No Economic News This Week

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Nigeria

Corporate News

Oil producer Afren Plc, struggling with looming debt payments, said lenders had agreed to defer a $50 million amortisation payment by a month and that it would delay the payment of a $15 million bond coupon by a month. Afren, which had about $1.15 billion in gross debt as of September last year, said on Friday that lenders of a $300 million facility had agreed to defer the payment until Feb. 27 from Jan. 31. The London-listed company, whose main producing assets are in Nigeria, said it had decided to utilise a 30-day grace period under its 2016 bonds with respect to an interest payment due Feb. 1. The company, which had previously said it was considering delaying both debt payments, said it was in talks with its largest bondholder regarding funding needs. Afren said it was also in talks with stakeholders and new third party investors regarding funding requirements. The announcement comes hours after Afren said the UK Takeover Panel had extended the deadline for Nigeria's Seplat Petroleum Development Co to make a firm offer for the company or walk away. Afren's shares closed up 26 percent at 5.3 pence on Friday on the London Stock Exchange. *(Reuters)*

British oil producer Afren Plc said the UK Takeover Panel extended the deadline for Nigeria's Seplat Petroleum Development Co to make a firm offer or walk away. Seplat now has time until 1700 GMT on Feb. 13. A previous deadline ends on Saturday. Afren said in December it had received a preliminary approach from Seplat. The companies received the first deadline extension on Jan. 19. The London-listed company, whose main producing assets are in Nigeria, has been struggling with looming debt payments and tumbling oil prices. Afren's shares rose as much as 55 percent during the day pending the deadline. The stock was up 32 percent at 5.59 pence at 1540 GMT on the London Stock Exchange. At Thursday's close, Afren was valued at about 46.7 million pounds ($70 million). ($1 = 0.6652 pounds) . *(Reuters)*

First Bank of Nigeria Limited has extended its African footprint with the completion of its acquisition of FBNBank DR Congo. The bank was formerly registered as Banque Internationale de Credit (BIC). FirstBank Nigeria disclosed this in a statement at the weekend. In 2011, FirstBank acquired 75 per cent equity interest in BIC and immediately reinforced it as one of the strongest banking institutions in the DRC. Following the recent approval by Central Bank of Congo (BCC), the Banque Internationale de Credit has now become FBNBank DR Congo, a subsidiary of First Bank of Nigeria Limited. "FBNBank DR Congo is strategically positioned to foster greater collaboration and provide better service for the country's public and private sector clients, and the general public at large. "The launch further consolidates FirstBank's position as the largest corporate and retail banking financial institution in sub-Saharan Africa (excluding South Africa) with presence in Ghana, Guinea, Gambia and Senegal as well as presence in the UK and representatives offices in Johannesburg, Paris, Abu Dhabi and Beijing, China. "The expansion represents FirstBank's strategic objective to maintain significant market share, expand its pan-African footprint and diversify earnings while delivering value to shareholders," it stated. With over 35 branches in DRC, FBNBank DR Congo is expected to leverage on FBN's international network, business expertise, which is part of the diversified synergies of the FBN Group to offer innovative, convenient and secure banking services to its customers and better seize the emerging opportunities of the market.

Speaking on the development, the Group Managing Director/Chief Executive Officer, FirstBank, Bisi Onasanya, said: "The launch of FBNBank DR Congo fulfills one of the critical stages of our ambition to steadily broaden and build a more diverse footprint across Africa. "We are committed to developing a multi-local business model that broadens our geographic revenue base while providing enhanced service delivery to our new customers and equity participation to local investors." On his part, the Managing Director, FBNBank DR Congo Cheikh-Tidiane N'Diaye noted that having built value for Nigeria over the last 120 years, FBNBank DR Congo was poised to do even more in the DR Congo financial markets. "FBNBank DR Congo will provide customers with a bouquet of banking solutions that make their financial lives less cumbersome and stressful whilst providing a delightful service experience "FBNBank has a history of leading the market with banking solutions that set the pace for other players in the financial landscape. The orientation of FBNBank towards co-creation means it is constantly listening and inputting feedback received from customers in development of products and services that are relevant," N'Diaye added. Also speaking, the Head, Marketing and Corporate Communications, Folake Ani-Mumuney stated that the refreshed launch of

FBNBank DR Congo represents a milestone in the financial institution's journey to be the largest financial services brand in Sub-Saharan Africa. *(This Day)*

The shares of P.Z Cussons Nigeria Plc appreciated by 18.6 per cent last week despite the bear run recorded in the stock market last week. The market closed negatively as the Nigerian Stock Exchange (NSE) All-Share Index (ASI) fell by 0.84 per cent. However, PZ Industries was among the price gainers that escaped the bears' grip. The equities closed as the second highest price gainer, rising from N25.00 to N29.64 per share. The gain came against expectation that the decline in six months financial results of the company ended November 30, 2014. PZ posted a revenue of N31.659 billion in 2014, a decline from N32.46 billion recorded in the corresponding period of 2013. Profit after tax fell 37 per cent from N2.317 billion to N1.441 billion. PZ UK, the parent company of PZ Nigeria said the decline in sales and profits in Nigeria were mainly due to difficult trading conditions, insecurity in the North and the naira devaluation. "These factors continue to offset meaningful growth in the south of the country, especially in the electrical goods business and food segment joint ventures. Sequentially, sales, PBT and PAT were all up 11 per cent quarter on quarter (q/q), 23 per cent q/q and 29 per cent q/q respectively. The q/q trend was mainly due to seasonality effects and as such is not surprising," analysts at FBN Capital Limited said.

According to the analysts, compared with their estimates, sales missed by -6 per cent; PBT and PAT also missed by 32 per cent and 35 per cent respectively. "The numbers also track behind consensus PBT and PAT estimates of N7.2 billion and N5.0 billion. On our published estimates, PZ shares are trading on a 2015E P/E multiple of 21.6x for 7.6 per cent earnings per share growth in 2016E. After shedding 33 per cent in 2014, PZ shares have outperformed the NSE ASI gaining 6.3 per cent so far this year. We believe this recent appreciation is as a result of the market assuming the shares have sufficiently sold off, however, on the back of these numbers we expect a negative reaction from the market," the analysts said. *(This Day)*

Skye Bank Plc's balance sheet has increased from N1.2 trillion to N1.5 trillion following the bank's recent acquisition of Mainstreet Bank Limited. Similarly, its branch network has increased from 260 to 450 branches. Group Managing Director/Chief Executive Officer of the bank, Mr. Timothy Oguntayo, disclosed these at the weekend during a 'Corporate Partners' forum held in Lagos. He said the enhanced balance sheet has put the bank in a better position to take on bigger transaction tickets, promising that its customers would be the better for it. According to him, the increased branch network would make access to the bank's services easier, adding that the bank's combined automatic teller machines (ATM) network has improved from 600 to 815. He re assured the bank customers of excellent and customised services at all time, explaining that the desire to serve the customers better informed the launch of a customer service charter in the past. Oguntayo thanked the customers for their loyalty and patronage, and promised to exceed their expectations as the partnership blossoms. A customer of the bank and Chairman, Honeywell Group, Mr. Oba Otudeko, commended Skye Bank for the bold initiatives it took to acquire Mainstreet Bank. He said a bigger and stronger Skye Bank would be better placed to satisfy the customers and deliver more value to the stakeholders. He also lauded the integrity demonstrated by the bank and urged the management of the bank not to deviate from it. He tasked the management to ensure that shareholders are given value. The bank's Head of Information Technology, Mr. Richard Amafonye, told the audience of some features of its latest IT software which allow self service and convenience anywhere. He said they include foreign exchange transfer feature, multi pay platform, trade services portal for importers and exporters, among others. *(Reuters)*

Dangote Flour Mills recorded a loss after tax of N2.920bn in the first quarter of its 2015 financial year, the company's unaudited financial statements for the period, which were filed by the company with the Nigerian Stock Exchange, showed. The statements, for the three-month period ended December 31,2014, showed that the company had reported a loss after tax of N2.806bn for the corresponding period a year ago. Dangote Flour Mills also recorded a loss before tax of N2.987bn in the review period, 3.9 per cent higher than its loss before tax in the same period of its last financial year. This comes despite a 27.5 per cent growth in its revenue year-on-year. The financial statements showed that the company's revenue grew from N8.364bn in the three months ended December 31, 2013 to N10.665bn in the review period. The increase in revenue was, however, neutralised by increases in the cost of sales and finance costs. While the cost of sales rose by 20.2 per cent to N9.498bn from N7.905bn in the corresponding period of the last financial year, the finance costs rose from N690.9m to N761.5m. The company was, however, able to reduce its distribution, administration and other expenses by 20.5 per cent in the review period. Dangote Flour Mills Plc had in November last year declared a loss after tax of N6.109bn for the financial year ended September 30, 2014, as against a loss after tax of N7.217bn the previous year. The company's audited results for the period showed that the drop in profits was recorded despite an increase in revenue. In the 2014 financial year, Dangote Flour Mills grew its revenue by 37.7 per cent to N41.269bn from N29.960bn the previous year. However, the company's cost of sales rose to N38.872bn when compared to the N29.318bn reported in the year ended September 30, 2013. The company had explained that while the performance for full year 2014 was disappointing, there was a gradual and sustained improvement quarter by quarter. It said, "The business recovered from a poor first quarter and recorded a 15 per cent topline growth in the last quarter over the corresponding period of 2013. Procurement efficiencies, improved flour extraction and other cost efficiency measures led to substantially improved margins as compared to 2013." *(Punch)*

Guinness Nigeria Plc has recorded another poor financial performance for the half year ended December 31, 2014 impacted by high operating expenses and financial charges. According to the results made available to capital market operators, the brewing giant posted growth in top line but decline of 32 per cent in bottom line. Specifically, Guinness recorded a revenue of N55.267 billion in 2014, up from N52.757 billion in the corresponding period of 2013. Cost of sale rose from N27.47 billion to N29.513 billion, leading to a margin increase in gross profit which grew from N25.285 billion to N25.753 billion. Marketing and distribution expenses also grew from N12.544 billion to N13.145 billion, while administrative expenses similarly jumped from N4.9 billion to N6 billion. Consequently, operating profit fell by 15 per cent from N8.22 billion to N6.97 billion. However, finance charges jumped by 35 per cent to N2.708 billion, from N1.954 billion, which led to the company ending with a profit after tax of N3.398 billion, compared with N4.99 billion in 2013. Assessing the results, analyst at FBN Capital, said the second quarter PAT fell by 41 per cent to N1.9bn. "Although sales grew 13 per cent to N34.2 billion, a combination of factors including a gross margin contraction of 442bps to 44.4 p cent, a 20 per cent rise in opex and a 34 per cent growth in interest expense resulted in PBT declining by 41 per cent year-on-year(y/y) to N2.7 billion. On a sequential basis, while sales increased by 63 per cent quarter-on-quarter (q/q), similar factors responsible for the y/y decline in earnings (mainly a gross margin contraction of 567bps q/q, a 45 per cent q/q rise in opex and a 28 per cent q/q rise in interest expense) resulted in PBT and PAT growing slower, by 37 per cent q/q and 29 per cent q/q respectively. Compared with our estimates, sales beat by seven per cent," they said. Meanwhile, trading at the stock market commenced the new week on a positive note as the Nigerian Stock Exchange (NSE) All-Share Index rose by 1.1 per cent to close at 29,882.28. Similarly, market capitalisation added N106 billion to close at N9.953 trillion. *(This Day)*

FirstBank of Nigeria Limited, Zenith Bank Plc, Guaranty Trust Bank Plc (GTBank) and Access Bank Plc have been ranked number one banking brand in Nigeria among the 'Top 500 Banking Brands' by The Banker magazine of the Financial Times and Brand Finance, London, in 2015. A report on Monday revealed that for the fourth consecutive year, FirstBank of Nigeria has been ranked number one banking brand in Nigeria. Country Representative of The Banker magazine - Nigeria, Mr. Kunle Ogedengbe, explained that FirstBank moved from being number 382 in 2014 to 336 in the 2015 edition. Other Nigerian banks that also made the ranking are Zenith Bank, which moved to number 388 from 453 in 2014, GTBank, which moved to 417 from 422, while Access Bank made first entry into the ranking. It showed that the Brand value of FirstBank increased to $300 million in 2015 from $228 in 2014 and according to the Economics editor of the magazine, Silvia Pavoni, the brand value is "the licensing rate that a third-party would need to pay to use that company's brand." Commenting on the methodology of the ranking, Pavoni said Brand Finance obtained brand-specific financial and revenue data; modeled the market to identify market demand and the position of individual banks in the context of all other market competitors; established the royalty rate for each bank; calculated the discount rate specific to each bank, taking account of its size, geographical presence, reputation, gearing and brand rating and discounted future royalty stream (explicit forecast and perpetuity periods) to a net present value which is the brand value.

This approach, the Economics editor noted, "is used for two reasons: it is favoured by tax authorities and the courts because it calculates brand values by reference to documented third-party transactions and it can be done based on publicly available financial information." Globally, Wells Fargo of the United States of America retained the number one banking brand in the world for the third consecutive year and was followed by banks in China, United Kingdom and Spain in the first ten. Wells Fargo's brand value for 2015 is $34.9 billion as against $30.2 billion in 2014, an increase of $4.7 billion. According to the report, the first 10 banks in the world are Well Fargo (USA); ICBC (China); HSBC (UK); China Construction Bank; Citibank, Bank of America, Chase (USA); Agricultural Bank of China; Bank of China; and Santander

(Spain). On the rise of Chinese banks, the chief operating officer of Brand Finance, Mr. Bryn Anderson noted that "the Chinese economy has been doing well for a number of years but I think this has been the first year, in terms of brand value, when Chinese banks have climbed up the tables and stood out."*(This Day)*

has said it will partner Argo-allied Farmers Commodities Cooperative Entrepreneurship Multipurpose Union to seek the release of the N50 billion credit facility. FBN also promised to help the association on its eligibility to access the N220 billion Micro, Ado Main Branch, First Bank, Mr. Solomon Aremu, stated these during a meeting with the union in Abuja. According to him, considering its existing relationship as banker to the cooperative, First Bank is willing to partner the group. "Already First Bank has a good relationship with the union, thus, by the time the Federal Ministry of Agriculture and Rural Development (FMARD) review the request, the bank will now proceed with assurance from the Ministry," he said. Stressing on the need to sign a Memorandum of Understanding (MoU) with the cooperative union, he said the r

Uwaifo, said the bank would support the union anyway it could.

He, however, urged members of the union to patronise other services of the bank until the N50 billion request is approved. He listed some Earlier, President of the union, Prof. Mrs. Aladesuyi Aladejobi, had urged the First Bank to liaise with the appropriate quarters including the CBN, presidency and federal ministry of agriculture and rural development to fast-track release of the N50 billion credit. According . "The N50 billion that I reason is that, an angry man is an unhappy man while unhappiness is the root of calamity, catastrophic, jeopardy, pandemonium and disregard for the rule of law, and derailment from the norms ethics and values of the society," Aladejobi added. *(This Day)*

DIAMOND Bank Plc, a Nigerian lender, plans to slow lending growth as companies in Africa's largest economy face an increased risk to earnings from a slump in the naira, Chief Executive Officer Uzoma Dozie said. The bank, which operates in four other West African nations, plans to cut loan growth to 10% this year from 20% in 2014 as "the market is very bearish," Dozie said during an interview Tuesday in Lagos, the commercial capital. "There is increasing business risk." The naira has come under pressure, losing about 4.5% of its value against the dollar this year, from the decline in crude prices, which fell by almost half in 2014. Africa's largest oil producer relies on crude exports for 95% of its foreign exchange and 70% of government income. The currency was 0.4% weaker at 192.25 per dollar early Thursday in Lagos. Some companies plan their cash flows well in advance and they can't easily adjust to currency fluctuations, Dozie said. Exchange-rate volatility and difficulty in accessing dollars have resulted in "companies that are profitable, becoming less profitable and those that are marginal now suffering," he said. Diamond Bank increased customer loans by 18% to 689 billion naira ($3.6 billion) in 2013, according to a statement published on its website. It seeks a gain of 30% this year, Chief Financial Officer Abdulrahman Yinusa said in April. The bank will target small- and medium-sized businesses, manufacturing companies, and the agriculture and energy industries for funding this year, Dozie said.

The Abuja-based Central Bank of Nigeria devalued the naira in November, raised the benchmark interest rate to a record 13 percent and banned the use of dollars purchased at its twice- weekly auctions for the import of items such as electronics, telecommunication equipment and generators. Governor Godwin Emefiele said last week that the central bank may halt the sale of dollars to companies importing the types of goods that are already locally manufactured. The central bank's commitment to defend the naira is blunting the impact of currency volatility for businesses, Dozie said. The lender, which has about 45% of its loan book in foreign currencies, is this year targeting non-performing loans at less than 5 percent of their holdings, he said. The bank also operates in Benin, Togo, Senegal and Ivory Coast and has a presence in London, according to its website. Oil has gained about 20% from a six-year low reached in January to trade at $54.40 a barrel on Thursday in London. *(Bloomberg)*

Indigenous oil and gas firm, Seplat Petroleum Development Company Plc, has announced that it has acquired 40 per cent interest in Oil

Mining Leases 53 and 22.5 per cent in OML 55, both from Chevron Nigeria Limited. The firm said in a statement on Thursday that it had completed the acquisition of 40 per cent working interest in OML 53, which is located onshore in the north eastern area of the Niger Delta, and that the remaining interest belonged to the Nigerian National Petroleum Corporation. The firm confirmed in the statement that the up-front acquisition cost to it after adjustments was $259.4m, of which $69m had previously been paid as a deposit in 2013, and $190.4m paid at completion. The adjustments to the up-front acquisition cost include a deferred payment of $18.75m contingent on oil prices averaging $90 per barrel or above for 12 consecutive months over the next five years. The company estimates net recoverable hydrocarbon volumes attributable to its 40 per cent working interest to be approximately 51 million barrels of oil and condensate, and 611 billion standard cubic feet of gas. Seplat said it had been designated as the operator of OML 53 pursuant to the joint operating model approved by the Minister of Petroleum Resources.

The Chief Executive Officer, SPDC, Mr. Austin Avuru, was quoted as saying that, "This transaction fits neatly with our strategy of securing, commercialising and monetising natural gas in the Niger Delta, with a view to supplying the rapidly growing and evolving domestic market. "In addition to the large scale discovered, but undeveloped gas and condensate resources that are yet to be fully classified through detailed technical work, there are near term opportunities to increase and optimise oil production significantly above current levels. "We very much look forward to working with NNPC and leveraging our technical and commercial expertise as operator to realise the full potential of this high grade acreage." The firm also said it had concluded negotiations to purchase 56.25 per cent of the share capital of Belemaoil Producing Limited, a Nigerian special purpose vehicle that has completed the acquisition of 40 per cent interest in the producing OML 55, located in the swamp to coastal zone of south eastern Niger Delta from Chevron Nigeria Limited. The NNPC, according to it, holds the remaining 60 per cent interest in OML 55, adding that its effective working interest in OML 55 as a result of the acquisition was 22.5 per cent.*(Punch)*

The Managing Director of Access Bank, Mr. Herbert Wigwe, on Thursday called on investors to patronise the on-going Rights Issue, saying the bank will deliver good return on their investments. Access Bank selling 7.628 billion shares of 50 kobo to N6.90 to raise about N52.6 billion.Speaking at the bank's Facts Behind the Figures at the Nigerian Stock Exchange in Lagos, Wigwe said investors should take position through the issue given the strong fundamentals of the bank and strategies being out in place to deliver improved returns to investors. According to him, the share price of the bank, like most of share prices in the kart is not reflecting the fundamentals of the bank, saying the bearish market has driven equities prices very low. He said, "We don't manage share price, but the fundamentals of the bank. We are going to give good returns on investment as our target is to be among top three banks in 2017." Wigwe disclosed that the bank was already talking to institutional investors, high networth investors and individuals, particularly the investors who understand the value of long term investments. He said the fresh capital will be used to boost the bank's working capital, enhance its information and expand network, which he said would lead to improved performance and returns to investors.

Already analysts at Meristem Securities Limited, have side upside potential with a target price of N8.74 for the year. "Incorporating the expected dilution of earnings from the bank's rights issue, we arrived at a target price of N8.74 for 2015, which also reflects the tighter operating environment expected. Access bank, however, remains a good company, from which we expect an impressive performance in 2015 in spite of the restrictive operating environment, in furtherance to the bank's past achievements" they said. Some shareholders of the bank have begun to take up their rights. For instance, Mr. Boniface Okezie of Progressive Shareholders Association of Nigeria, said he was subscribing to the issue despite the fact that it is coming at a period when share prices are declining in the market. According to Okezie, the additional capital will enable Access Bank to leverage enlarged balance sheet and optimise returns in a sustainable, risk-controlled manner and enhance shareholders value. Meanwhile, trading at the stock market closed on a bearish note yesterday after three days of gains. The NSE All-share Index depreciated by 1.36 per cent to close at 30,200.97points, while market capitalisation shed N121.36 billion to close at N10.08 trillion. Consequently, the market's Year-To-Date loss stood at 12.86 per cent.*(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

Foreign investors sold off Nigerian stocks valued at N846.5 billion ($4.5 billion) last year, the Nigerian Stock Exchange (NSE) data showed on Monday. This was 65 per cent more than in 2013 as decline in oil prices and the naira currency depressed sentiment. Reuters reported that with an Islamist insurgency raging in the country's north and political risk added to the mix in the rum-up to national elections later this month, the exodus has extended into 2015. Nigeria's main share index, which was up 1.1 per cent on Monday, has fallen 14.7 per cent so far this year. It shed 16 per cent in 2014. Top decliners this year include Dangote Cement, which accounts for a third of market capitalisation, down 22 per cent, and Transcorp down 13 per cent. Foreign investors increased the pace of stock market outflows from September, selling out of the relatively liquid banking, consumer and oil sectors as the price of Brent crude, the benchmark against which Nigeria's oil is priced, slumped. The Nigeria is Africa's biggest economy and chief oil exporter. The Central Bank of Nigeria has regularly intervened to try to prop up the naira. Meanwhile, the naira firmed 1. 5 percent yesterday as it was lifted by central bank intervention and dollar sales from multinational oil company Shell, dealers said. The currency, which opened at N188.70 to the dollar, firmed to N185.60, following the dollar sale. The central bank asked commercial lenders to bid for $500,000, in a move to support the naira while Shell sold an undisclosed amount of dollars, dealers said. *(This Day)*

Foreign participation in Nigerian fixed income securities market has almost halved to about 13.7 per cent, from its peak in 2013, Standard Chartered Bank revealed in its latest report titled: "Sub-Saharan Africa rates 2015 – Battling a bearish FX bias," obtained by THISDAY. Foreign investors' holdings of Nigerian bonds had swelled nearly fivefold to an estimated $5.4 billion in 2013 after the country's inclusion in a benchmark, JP Morgan Government Bond Index-Emerging Markets (GBI-EM) in 2012. The decline in the participation of foreigners in the debt market was largely attributed to the decline in crude oil prices and the depreciation of the nation's currency. The sharp oil price decline had precipitated large portfolio outflows, and analysts at Standard Chartered Bank do not see a reversal of the trend in the short-term. However, it argued that a further foreign-led sell-off in the debt market (and equities) looks less probable, saying foreign investors in the market "are already largely underweight local assets and are unlikely to fully liquidate their GBI-EM positions." The report noted that exiting market positions is also complicated by lower forex liquidity relative to 2014. "Concerns about the exchange rate outlook, lower FX liquidity, and weaker external and fiscal fundamentals will likely deter capital inflows for some time. "Should the oil price bottom out and recover modestly later in 2015, and dollar-naira firm up at a higher level, foreign investors may add to their naira positions and lock in attractive yields. "Key risks to positions in Nigerian treasury bills and bonds arise from the weak oil price and the sustainability of current exchange-rate levels," it stated.

Furthermore, the report noted that with banks' forex trading position having reverted to 0.5 per cent of shareholders' funds, forex liquidity may improve enough for Nigeria not to be excluded from the GBI-EM index in a few months. "Yet this concern is likely to persist; this, coupled with the possibility of other upcoming forex restrictions and a weak naira will probably discourage foreign inflows for now. "We also think that foreign investors are more likely to resume long positions in Nigerian T-bills and bonds as the exchange rate weakens to a more sustainable level," it added. However, it stated that onshore investors based in the country probably have more incentive to start accumulating at the long end, as bond rates above 15 per cent are close to historical highs. It anticipated that local-currency returns on naira bonds would exceed 22 per cent this year – the third-highest return in Africa. "Besides, local pension funds do not have to mark to market, which reduces unexpected duration-related risks even amid bearish external and domestic fundamentals. "Nigeria's interbank rates experienced a short-lived spike in December after an increase in the cash reserve requirement on private-sector deposits (to 20 per cent from 15per cent) on 25 November, but have since reverted to the previous trend on ample liquidity," it added. *(This Day)*

Nigeria's nominal gross domestic product (GDP), which was estimated at N84.91 trillion in 2014 is expected to grow to N95.09 trillion in 2015 and N156.29 trillion in 2019, provided this month's election outcome is favourable. However, following weak recovery in the global economy, need for improvement in infrastructure, contractionary monetary and fiscal policy stance of the Central Bank of Nigeria (CBN), the federal government and the security challenges in some parts of the north, real GDP growth rate for 2015 will be 5.68 per cent, representing a decline from estimated of 5.99 per cent for 2014. An analysis of economic and financial outlook for 2015 and 2019 made available to THISDAY by analysts at FSDH Securities Limited, showed that the nominal GDP is expected to reach N109.34 trillion by 2016, N126.86 trillion by 2017 and N142.08 by 2018 with a growth rate of 15 per cent, 16 per cent and 12 per cent respectively. While presenting the opportunities available in the economy in the years ahead, they noted that the manufacturing sector is increasingly becoming attractive, even as the power sector reform gathers momentum. The sector, the analysts stated, has the capacity to generate sustainable income stream given the favourable population and demographic pattern of the Nigerian economy. "In addition, it also has the capacity to generate employment opportunities for the country. The agriculture sector reform continues to offer rewarding investments opportunities, as output continues to expand in the production of sugar, cassava, rice, etc. There are intervention funds set up the CBN to encourage long term investments in the agriculture sector, and at affordable rates."

"We expect the recent local content development in the Information, Communication and Telecommunication (ICT) industry to drive activities in the industry in the next few years. The real estate sector is set for another boost with the growing awareness for Real Estate Investment Trust Scheme (REIT) in the country, they added. Looking into 2019, FSDH predicted that the nation's external reserve would continue to grow at a measured pace. They said the developments in the global oil industry, particularly improved oil production techniques and fuel switching technology will aid the growth. "Other factors that will support the external reserve growth include: The general and consensual agreements by all OPEC members to achieve reasonable oil price for all members; particularly supply related agreement aimed at boosting oil prices, improvement in the power supply and the continued implementation of the agriculture sector reform", the report added. It stressed that others would be, "the planning and enforcement of economic diversification programmes by the government, political stability, which could spur capital inflows in the form of Foreign Portfolio Investments (FPI) and Foreign Direct Investments (FDI)." *(This Day)*

The Nigerian Stock Exchange (NSE) has given listed companies a two-month grace to pay their 2015 listing fees. However, any of the companies that makes late payment will pay 50 per cent of its listing fee as penalty. Going by the provisions of Sections 27.2.1 and 27.2.2 of the amended Listing Rules of the NSE, the annual listing fees for 2015 were due for payment not later than January 31. However, in a notification to the companies on Monday, the NSE said it would not impose any penalties on companies that have not paid their fees for 2015. Rather it gave the company two months grace to pay the fees. Although no reason was given by the exchange for the grace period, sources said it could might not be unconnected with the prevailing economic situation where companies are battling with high operating cost and low business activities. "Please be informed that pursuant to Sections 27.2.1 and 27.2.2 of the Amended Listing Rules(effective date November 2014), the annual listing fees for 2015 were due for payment not later than January 31, 2015. You are hereby informed that between February and March 31, 2015, the exchange will not impose any penalties on listed companies that have not paid their annual listing fees. Thus, listed companies have two months of grace to pay the annual listing fees for 2015," the NSE explained in notification. It, however, warned that where a listed company fails to pay after April 1, 2015, there will be penalty of 50 per cent of the listing fees. "Where a listed company makes payment of its annual listing fees for 2015 on or after April 1, 2015, the listed company will be required to pay 50 per cent of its annual listing fee as a penalty for late payment as required by the provisions of amended rules," the NSE said. Companies listed on the Alternative Securities Market (ASeM) pay annual listing fee of N200, 000. On the other hand, the listing fees requirements for the companies on the main board vary, depending on capitalisation of each company. *(This Day)*

In order to improve liquidity in the Bureau De Change (BDC) segment of the foreign exchange market, the Central Bank of Nigeria (CBN) has disclosed plans to conduct a special intervention in that segment of the forex market this Friday. Specifically, the banking sector regulator said it will sell $30,000 each to interested BDCs. The CBN stated this in a letter titled: "Special Intervention in the Bureau De Change (BDC) Segment of the Foreign Exchange Market," dated February 3, 2015, that was posted on its website. The letter addressed to all BDCs and authorised dealers was signed by Director, Trade and Exchange Department, CBN, Olakanmi Gbadamosi. It stated: "This is to inform all licenced BDC operators that in order to improve the liquidity in the BDC segment of the foreign exchange market, the CBN will be intervening in the market by selling $30,000 to interested BDCs on Friday, February 6. "This is in addition to the weekly sales to the operators. Interested BDC operators are therefore advised to fund their accounts on or before Wednesday February 4, 2015 to accommodate the proposed intervention of Friday." The central bank had last month increased the weekly supply of dollars to the BDC operators from $15,000 per BDC, to $30,000 per BDC.

The banking sector regulator had said the move was also part of measures to deepen the BDCs segment. The policy took effect on January 28th. While the CBN had stated then that it would sell the greenback to BDCs weekly at the prevailing interbank rate, it had also warned the forex dealers not to sell to the public at more than 3.5 per cent of its selling rate. JP Morgan analysts had placed Nigeria on a negative watch for the next three to five months following reservations over the country's foreign exchange position and the bond market which was described as illiquid. But the CBN Governor, Mr. Godwin Emefiele, had urged investors and Nigerians not to panic and had also restated its determination to support the naira. Meanwhile, the Debt Management Office said it plans to raise N90 billion in sovereign bonds with maturities ranging between five and 20 years at its next regular auction on February 11. The debt office said it will auction N35 billion worth of the 5-year bond, N30 billion of 10-year paper and N25 billion of the 20-year debt note, using the Dutch Auction System. The 5-year debt note is a fresh issue, while the 10-year and 20-year bonds are re-openings of previously issued paper. *(This Day)*

Nigeria has more than halved capital expenditure to less than 10 percent of 2015 spending, axing badly needed infrastructure investment due to the collapse in the price of oil, the country's main source of revenue, according to the full budget submitted to parliament. Even though Nigeria's capital spending seldom materialises as planned, shelving projects such as port upgrades and roads will only perpetuate the inefficiencies that have plagued Africa's most populous nation and biggest economy for decades. The document, seen by Reuters, puts capital expenditure at 387 billion naira ($2 billion), or 8.9 percent of total spending of 4.357 trillion naira. This is a significant drop from the 2014 spending plans in Africa's biggest oil producer, when capex, or capital expenditure, accounted for 23.7 percent of projected government outlays. It is also only just over half the 634 billion naira that finance minister Ngozi Okonjo-Iweala, in her December budget presentation, said would go on capital expenditure and related items. Budget office director general Bright Okogu said the reductions were the direct result of the halving in the last six months of the price of crude, which normally accounts for 80 percent of the cash flowing in to state coffers. "The capex was severely affected by the huge reduction in revenue," Okogu told Reuters, adding that it was easier to wield the axe on infrastructure projects than Nigeria's notoriously bloated bureaucracy. He said wages were difficult to cut and "you cannot reduce staff numbers overnight". Despite the overall capital expenditure reduction, spending on military equipment was set to rise slightly, reflecting the need for weapons to counter Boko Haram Islamist militants in the northeast. The National Assembly is expected to start discussing the budget later this month and it is likely to be passed some time in March, regardless of who wins the presidential election on Feb. 14, though supplements could be added. One such could be for military equipment if Nigeria secures a loan of up to $1 billion, which President Goodluck Jonathan requested last year.

The oil-price slump has hammered Nigeria, whose currency has hit a series of record lows against the dollar in the last three months despite the central bank burning through 20 percent of its reserves to prop it up. The government's benchmark oil price for this year's budget is $65 a barrel, a figure the finance ministry says will not be changed despite crude falling as low as $45 a barrel in January. As well as knocking this year's overall growth forecast, the impact is being felt in the construction sector, where sources say infrastructure projects that were already moving at a snail's pace have been put on ice for this year. Construction firms have halted work on roads, railways and bridges, firing up to a third of workers and maintaining only skeleton crews. One industry source said Ministry of Works disbursements for a major highway were less than 3 percent of the project's value. "At this rate it will take 33 years to complete," the source said. The same source put layoffs nationwide at 20,000, while another said at least 5,000 had been let go in the Abuja area alone, a worry for Jonathan ahead of the election, when he faces an opponent accusing him of squandering revenues from high oil prices over the previous three years. Despite the capital expenditure reductions from December, 2.62 trillion naira, or 60 percent of total spending, continues to be ear-marked for recurrent expenditure, essentially the day-to-day cost of running the government. National Assembly spending is also in line with last year at 150 billion naira, suggesting Nigeria's political elite are being spared any belt-tightening. However, doubts are creeping in that the government will be able to meet even its day-to-day obligations should crude prices remain low for months on end. "We're paying salaries but it's going to catch up," said Bukola Saraki, a senator from the central state of Kwara. "We were struggling to pay at even $80-$90 a barrel. By June it's really going to start biting. You'll really see the effect of the low oil price." *(Reuters)*

Nigeria's naira fell 0.75 percent in volatile trades against the dollar shortly after the forex market opened as demand for the greenback surged amid thinning liquidity, dealers said. The naira, which opened at 192.70 to the dollar, quickly hit a record low of 194.30. It closed within a range of 190.10 to 192.40 the previous day. The naira is trading outside a target of 160-176 to the dollar, which the central bank set following a devaluation in November and has continued to hit record lows despite the bank's regular interventions. *(Reuters)*

Nigeria's Finance Ministry isn't wedded to an oil benchmark price of $65 per barrel estimated in this year's budget and has plans on how it will respond if crude drops lower. The government has a "scenario-based approach with accompanying adjustment measures, given the uncertainty as to where the oil price would eventually settle," Paul Nwabuikwu, spokesman for the ministry, said in an e-mail on Thursday. "The scenarios developed go as low as $45 per barrel." Crude prices have plunged by more than half since June, cutting revenue in Africa's biggest oil producer and forcing the government to tighten its budget. The currency has slumped 17 percent against the dollar in the past six months, the most of more than 30 African nations tracked by Bloomberg. The government will introduce additional measures to protect capital expenditure in the budget if oil prices remain below $65 a barrel, Nwabuikwu said, without giving details. "The focus is on critical infrastructure projects which drive growth in order to maximize impact," he said, adding that the government has no plan to fire workers. Finance Minister Ngozi Okonjo-Iweala on Dec. 4 proposed capital spending of 634 billion naira ($3.3 billion) this year, or 15 percent of total expenditure of 4.36 trillion naira. Recurrent spending, which includes salaries, makes up about 60 percent of the budget. Nigeria, Africa's biggest economy and most populous nation, is scheduled to hold a presidential election on Feb. 14. *(Bloomberg)*

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Tanzania

Corporate News

No Corporate News This Week

Economic News

Tanzania has slashed retail prices of petrol, diesel and kerosene for the fifth straight month to reflect lower import costs, the energy regulator said, in a move likely to further ease inflationary pressures. Fuel costs are the second-biggest drivers of commodity price moves in the east African nation. The Energy and Water Utilities Regulatory Authority (EWURA) said on Wednesday it had cut the price of petrol in the commercial capital Dar es Salaam by 9.56 percent to 1,768 shillings, while diesel fell by 7.53 percent to 1,708 shillings. Kerosene was reduced by 9.64 percent to 1,657 shillings a litre, the regulator said. The adjustments take place with immediate effect and will be in force for a month until a new price cap is issued. "The drop in the retail and wholesale local prices has been caused by a continued trend of falling world oil market prices," EWURA said in a statement. The energy regulator also said it had also slashed wholesale prices for petrol by 10.08 percent, diesel by 7.97 percent and kerosene by 10.2 percent. Tanzania's year-on-year inflation fell in December for the fourth straight month to 4.8 percent from 5.8 percent in November, due to slower increases of commodity prices. (*Reuters)*

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Zambia

Corporate News

No Corporate News This Week

Economic News

SCIROCCO Enterprises Limited has entered into an agreement with a consortium to construct a state of the art cement factory in Lusaka's Makeni area at cost of US$200 million. Scirocco Enterprise managing director Moustafa Saadi said at a press briefing in Lusaka yesterday that the modern cement factory will have the capacity to produce 2,500 tonnes of cement per day. Mr Saadi said the company has been incorporated in Zambia and it will be known as Amaka Cement Industries Limited. He said Scirocco has entered into an agreement with a Chinese firm and an international funder to carry out the multi-million dollar project. "The agreement has been signed and feasibility study is being undertaken to establish the viability of the project. As soon as the exploration work that needs to be carried out is finalised, environmental impact assessment will be carried out to comply with the prevailing laws. "We expect that the process can be concluded quickly without any undue delays. We are looking forward to the support of our community and various government institutions to facilitate the process in order to begin the physical work," Mr Saadi said. The factory that we will be put up will be a modern and efficient one that will exceed all the environmental regulations in Zambia and will have a positive impact on the economy of the area and the nation as a whole. He said construction of the plant is earmarked to start in September this year and it is expected to be completed by 2017. Mr Saadi said Amaka Cement Industries will be producing two grades of cement for local and international markets. He said over 500 people will be engaged during the construction period while 200 people will be employed on a full time basis once production starts. *(Daily Mail)*

Newly-elected Zambian President Edgar Lungu has directed the government to "promptly resolve" a row with mining companies over new royalties and VAT refunds, the presidency said in a statement on Tuesday. The statement also said Finance Minister Alexander Chikwanda would discuss the issues with mining companies this week. The simmering disputes over taxes have threatened investment in Africa's second-biggest copper producer. *(Reuters)*

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Zimbabwe

Corporate News

TSL Limited after tax profit declined by 26,8% to $4,9 million for the year ended October 31 2014 due to a significant drop in contribution from associated companies. In the same period in 2013, after tax profit was $6,8 million. In the period under review, turnover grew by 19% to $ 48,2 million and operating profit was up 4% to $ 7,3 million. TSL chief executive officer Washington Matsaira told an analysts briefing last week that operating profit grew by 4% due to margin pressures in the hessian business and higher than expected start-up costs for the new trading division. "We believe the positive 4% growth in operating profit is a satisfactory result and the major contributor to the decline is largely due to a weak contribution from associate companies," Matsaira said. In the period under review sector performance, Bak logistic recorded a 7% growth in revenue with growth mainly in the general cargo and distribution division. On tobacco operations, Matsaira said the company revenue grew by 16% while operating profit went up by 19% underpinned by a growth in the company's market share to 50% and expansion in the services on offer to tobacco farmers. "Sound revenue and profit performance in 2014 clearly riding on the back of a bigger crop. Market leader position increased by 10% to 50% of auction volumes and the 22% of the revenue is from handling contracts and growing," Matsaira said. During the period under review, the group recorded a target production of 3,6 million kg. Propak Hessian achieved a 24% increase in revenue, Agricura revenue surpassed the prior year by 10%.

On real estate business, Matsaira said TSL Properties recorded a growth largely driven by a strong demand for warehousing space and third party tenants improved by 8% to 33%. He, however, said the group has plans to establish an industrial park at its property near the Boka Tobacco Auction Floor, which was expected to be completed in five years. Matsaira said Cut Rag Processors Limited's performance fell below expectations and Nampak Zimbabwe Limited formerly Hunyani Holdings Limited profit's contribution to the group fell below the prior year. "Looking forward, we will continue to focus on creating sustainable value through the established clusters, that is, Logistics, Agriculture, Real Estate and Trading," Matsaira said. *(News Day)*

Zimbabwe Stock Exchange- listed resources firm RioZim is set to raise $10 million from existing shareholders to fund the reopening of the Cam & Motor gold mining project and retire other obligations. In a notice yesterday, RioZim said it will make a renounceable offer of 66 666 667 ordinary shares of a nominal value of $0,01 each in the company's share capital, at a subscription price of $0,15 each to existing shareholders in the ratio of 124,931 new ordinary share for every 100 ordinary shares already held by shareholders. Shareholders have to approve the capital raising initiative at an extraordinary general meeting on February 19. Of the total money to be raised, plant and equipment will cost $3 070 000, power supply ($480 000), civils ($2 380 000) and tailings and relocation will cost $450 000 and $290 000 respectively. The balance will go to refinancing of funds already expended and general purposes, cost of the capital raising initiative, security and fencing, Environmental Impact Assessment, and geology and mine planning software and oxygen tank. Before its closure in 1968, Cam & Motor has historically been the largest gold producer in Zimbabwe having produced 5 291 100 ounces of gold. RioZim said recent geological and metallurgic tests revealed that with the current technology and at the current grades of ore, Cam & Motor "is capable of producing significant amounts of gold at a competitive cost of production". "Geological exploration in the form of evaluation drilling has delineated a gold resource totalling approximately 6 377 300 tonnes of ore at an average grade of 4,8 grammes per tonne, which equates to 893 330 ounces of gold," it said.

RioZim said it had placed an order for 1 500 tonnes per day plant which at full capacity was expected to produce more than 3 000 ounces of gold per month. GEM RioZim Investments Limited — a 24,97% shareholder in the listed firm — will underwrite the transaction. RioZim said GEM has also agreed to advance the company $700 000 to continue progress on the project "while the rights issue process is underway". The money in addition to other amounts advanced by GEM would be treated as part of their subscription of its rights, RioZim said. In the six months ended June 30 2014 financial results, RioZim widened its losses to $7,47 million from $2,311 million, attributed to lower production at its two mines and reduced gold and copper prices. *(News Day)*

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Zimbabwe's largest platinum producer Zimplats reported a depressed performance in the last quarter ending December 2014, with the miner posting a $20,5 million operating loss due to the collapse of its largest mine, Bimha. The group — 87 percent owned by South Africa's Impala Platinum Holdings — said disruptions caused by the Bimha collapse resulted in lower production volumes. "Production during the quarter was significantly impacted by the precautionary closure of Bimha Mine (August 23, 2014)," said Zimplats in its quarterly report. "However, productivity from these teams has been impacted by constrained redundancy. Consequently, tonnes mined decreased by 15 percent from the previous quarter," it said. Tonnes milled during the quarter under review decreased by 12 percent from the previous quarter due to lower mining volumes, resulting in an 11 percent decrease in 4E metal production in concentrate. "Consequently, the company reported an operating loss of $20,5 million for the quarter.

Revenue decreased by 24 percent from the previous quarter, impacted by an 18 percent decrease in gross revenue received per (4E) ounce and a seven percent decrease in sales volumes," the miner said. In July last year, Bimha — the largest of Zimplats' four mines — collapsed due to accelerated deterioration of ground conditions associated with a major shear, affecting nearly 50 percent of the mine's current mining footprint. Direct operating costs decreased by three percent compared to the previous quarter, in line with lower production. "However, total operating cost for the period under review increased by 21 percent from the previous quarter, directly as a result of the collapse at Bimha Mine and the loss of associated underground infrastructure (development, support, plant and equipment)." "Consequently, an amount of $22,9 million has been written off during the quarter. An insurance claim is in the process of being finalised for associated plant and equipment, and any compensation received will offset the impact of the write-off," Zimplats said. In line with lower production and metal prices, revenue-based royalties declined by 25 percent. Following a risk assessment, the board initiated the re-development of Bimha Mine which commenced in December 2014 with two mining fleets deployed to reestablish reef access. Zimplats paid $497 million in levies to government between 2002 and the period under review. Shareholders received dividends of $63 million during the period. Capital expenditure to expand and maintain operations gobbled up $1,2 billion. *(Daily News)*

TETRAD Investment Bank Limited has been placed under provisional judicial management by the High Court of Zimbabwe effective last Thursday to safeguard the interests of depositors and creditors. Judicial management is essentially a process that gives prime consideration to rescuing distressed companies as a going concern through the formulation and implementation of a reconstruction plan. In a notice of order for provisional judicial management yesterday, Tetrad said the action was meant to safeguard the interests of depositors and creditors. "Creditors are hereby advised that on January 29 2015, the bank was placed under provisional Judicial Management by the High Court of Zimbabwe, in order to safeguard the interests of depositors and creditors alike in respect of the preservation of the bank's assets.
"The Reserve Bank of Zimbabwe was informed of this intended action and the reasons thereof, particularly in light of the fact that the scheme to which the bank had been subject to was due for determination on January 31 2015," reads the notice. According to the notice, the Provisional Judicial Management Order effectively substitutes the intent and purpose of the scheme in so far as it relates to the conclusion of the investment transaction with Horizon's Capital Consortium Holdings Private Limited, which continued negotiations with the government of Zimbabwe. "The order provides for a continued stay on all actions, applications, writs, summons and other processes against the bank as previously provided under the scheme. The statutory notice regarding this development will be published in the Government Gazette and national press shortly," reads the notice.

In August, Tetrad creditors voted for the scheme meeting that agreed to defer claims until October 31 to allow processes to recapitalise the institution. The creditors further agreed on January 31 2015 to allow Russian investor Horizon Capital to finalise acquisition of a controlling stake in the bank. Before the scheme meeting, creditors had obtained writs of execution to attach the bank's assets. Tetrad Investment Bank was born out of Tetrad Securities Limited, Zimbabwe's largest discount house registered in 1996. In 2009 Tetrad Securities Limited was granted a merchant banking licence by the Reserve Bank and became Tetrad Investment Bank. Capital requirements for commercial and merchant banks remain at $25 million, while that for building societies stands at$20 million and $15 million for discount and finance houses.
Commercial and merchant banks are expected to reach $100 million minimum capital requirements by 2020. In his maiden monetary policy statement, RBZ governor John Mangudya said Tetrad, alongside MetBank, Allied Bank and AfrAsia Bank, were facing solvency challenges due to liquidity, macro and institution-specific challenges. He said the distressed banks commanded low market share in terms of loans (8,8%),

assets (7,2%) and deposits (6,7%) as at June 30 2014. *(News Day)*

TSL has said it will continue to focus on creating sustainable value through its clusters after the group reported a 19 percent increase in revenue in the year to October. Chief executive Washington Matsaira told analysts last week that there were good prospects for growth in the established clusters. In logistics, the group was in the process of acquiring a complementary business, deepen the distribution service offering and to introduce new services such as rail. "In fact, a pilot rail project, where the group moved 20 000t of fertiliser from Beira was successful." Mr. Matsaira also said that the group would look beyond tobacco and have a well planned entry into other agricultural commodities. "We will however continue to focus on activities that incorporate value addition and exports." He however added that all this would be possible if the group aligns its plans with an appropriate funding structure in terms of tenure and cost. At Properties, the group would make optimal use of existing space by introducing racking while there would also be an increase in third party tenancy. "Adding to that, we are currently doing feasibility work for an Industrial Park at the Vostermans Property (near the Granville Cemetery). This is however not a short term project but we are excited all the same as it offers an opportunity for the group to unlock value. Overall, we have very interesting prospects which fit well with the handling capacity."

TSL maintained a stable growth in their business anchored by spiking tobacco and logistics businesses. In the full year financials to October 2014 the group recorded a 19 percent increase in revenue from the comparable year to $48,16 million. Operating profits however grew at a slower rate of 4 percent to $7,3 million due to a drop in Port volumes which traditionally offers higher margins. Profit before tax came in lower at $6,8 million and was attributable to a decline in associate companies' profitability and a non recurring downward property revaluation. Headline earnings were up 10 percent to 1.71c. The logistics business, which is its linchpin, recorded a 7 percent gain in revenues to $19,1 million. The logistics sector's contribution represented 40 percent of the total turnover achieved. Premier Forklift which was acquired in the preceding year for a consideration of circa $2,7m has started generating positively to the group's revenues as well as profitability. Mr. Matsaira highlighted that efforts to expand the customer's base are underway, a move that will boost revenues in the current financial year. In the period under review Tobacco operations' revenue grew by 16 percent to $13,801,780m buoyed by a bumper tobacco crop while underpinned by a 50 percent market share.

TSL is well positioned to survive and thrive in a cash-constrained environment. While the devil is in the detail, the group on the surface of it operates strong SBUs that have potential to grow. After management changes, the business got off to a good start beating expectations and registering strong growth between 2012 and 2013. The steam seems to have run out with the company failing to break some resistance at the $100 million barrier. A number of reasons are the major cause and chief among them failure to improve on the business' operating profitability. As in previous years, the business continues chewing at its bottom line with spiralling costs. Management have to realise that there is need to rationalise costs and possibly take advantage of the synergies that exist within the group. This could be done by combining some business functions to limit overheads. The idea of creating more clusters will result in a more bloated structure that will increase cost pressures for the group. The last time we spoke about TSL we commended the group for a new approach to their business model that saw the structuring of the SBUs into more focused units. We also mentioned the need to unlock value in the group's properties unit. A lot of things have happened since then, some good and a few bad. We believe the management deserves a slight slap on the wrist for a little bit of over the top excitement regarding TSL Trading, resulting in high costs that were rather not necessary.
Generally, trading groups are high volume and low cost businesses at the expense of low margins and this maintains some balance in profitability. How the company became high cost, low margin is but any one's guess, and it's not amusing. Someone got their business model wrong in that regard, possibly from poor planning and execution. While the group has managed to grow its revenues, sort out its liquidity and grow its cash generation ability it however failed on a number of points which include efficiency and wrong investment decisions. For instance what is the logic of having two operating units that seem to have a similar business strategy? If we look at TSL Classic and TSL Trading, both companies are the exact carbon copies of the other with only a slight difference. Would it not have been more cost effective to combine the two? Across the operational SBUs, TSL Trading and Avis failed to meet expectations. We continue to maintain our stance that Avis does not fit into the group's business mix as we strongly believe that the other units overlap each other and the opportunity for synergies are much strong, and thus our case for the disposal of the car rental unit is strong. *(Herald)*

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FIDELITY Life Assurance of Zimbabwe has invested over $2,5 million in its funeral assurance business and has opened a new funeral parlour in Harare. Speaking on the sidelines of the official opening of the parlour on Tuesday, Fidelity Life Assurance of Zimbabwe managing director Simon Chapereka said the group was working towards rolling out more funeral parlours in the country. "We have invested more than $2,5 million on the business setup and the equipment. We have bought a new 65-seater bus for Harare and we already have a 35-seater and we are going to add a few more," Chapereka said. "Certainly we are expecting the roll-out programme in our strategic plan, the first mortuary was opened in Bulawayo and we have opened this one. Obviously we are going to roll out another one in the Lowveld and also in the Eastern Highlands in the Mutare area." Fidelity Life Assurance offers assurance products apart from its core business of long-term assurance. The company also has subsidiaries in related financial services fields offering Medical Assurance, Asset Management Services, Funeral Assurance and Financial Services. The subsidiaries are centred on the company's core business that of Individual life assurance, employee benefits and pensions business which forms the core of the group's activities. Chaperereka said the group currently has 10 hearses in Harare, two in Bulawayo, two in Masvingo, one in Mutare. He said as the business continued to grow the group has plans to acquire more equipment to compliment the growing business. "Fidelity Life Assurance business is complimented by life and pensions, financials and financial services. We believe they are synergies in terms of our businesses and that we can do better than our competitors," he said.

On the group forecast for 2015, Chapereka said the second phase of the project was a five year development plan and the opening a new facility in Chiredzi next year. "We already have a branch which is writing in terms of funeral life and pensions and micro finance. We believe there is adequate demand in that area and we go to the Mutare area," he said. The group recorded a 15% increase in gross premiums to $7,936 for the half year ended June 30 2014 million as compared to $6,897 million earned in the corresponding period last year. In the period under review the group recorded underwriting surplus of $3,8 million compared to $3 million in 2013. Profit for the period declined by 43% to $1,2 million down 43% to fair value losses on the investment portfolio a result of depressed prices on the Zimbabwe Stock Exchange.*(News Day)*

AfrAsia Zimbabwe has recorded a $9 million loss in the full year to June last year with its Malawi investment accounting for 50 percent of the figure after revaluation, the company said in delayed financial results on Thursday. The loss is an improvement from the deficit of $16 million in the 18 months to June, 2013 as the group suffered from persistent liquidity shortages that created challenges in meeting customer cash requirements and hampered creation of interest earning assets. "The loss in the period under review included a revaluation loss on the investment in FDH Malawi amounting to $4,515,151. "The group's strategic cost containment measures managed to release $8,3 million in cost savings during the period," the group's chairman Fungai Ruwende said in a statement accompanying the group's results. The group's flagship, AfrAsia Bank reduced its losses from $20 million in the 18 months to June 2013 to $5,2 million. Ruwende said despite the loss, the bank managed to reduce impairment loss on loans and advances to $2,1 million from $23,5 million reported in the preceding 18 months. MicroKing posted a profit of $568,600 in the period under review, down from a profit of $3, 7 million in the comparative period.

"MicroKing has remained a profitable business despite the multiplicity of challenges posed by the tough operating economic environment that prevailed during the period under review," said Ruwende. He, however, noted that AfrAsia Capital Management was affected by the acute liquidity challenges resulting in the funds under management declining by 29 percent to $30,5 million as at June 30 last year. In December last year, AfrAsia Zimbabwe, a subsidiary of Mauritius-based AfrAsia Bank Limited (ABL) said it was on course to raise $15 million through borrowings to increase liquidity in the local operation and had hired local finance group, Imara Capital Finance to market its medium-term Secured Note to secure the funds. The bank is among five banks that the central bank has said are "ill" including Allied Bank, Capital Bank, whose licences have been revoked and Tetrad, which was suspended from undertaking banking activities. *(New Zimbabwe)*

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TRADING

Economic News

BUY Zimbabwe has urged government to review the 15% export tax on unrefined platinum saying its implementation is detrimental to the affected companies and the economy. Buy Zimbabwe is a local initiative promoting the production and consumption of local brands. The government recently decided to keep a 15% export tax on unrefined platinum arguing mines have failed to provide a roadmap on how they planned to set up a local refinery. In his 2015 National Budget statement, Finance and Economic Development minister Patrick Chinamasa announced that he had postponed the introduction of the tax until January 2017 to give producers time to build the smelting and refining plants. But the 2015 government's finance bill, which was published on January 9 2015, does not provide for the deferment of the export tax to 2017. The bill instead proposes its introduction from the beginning of this year. "Buy Zimbabwe fully appreciates the Government's interest to beneficiate our natural resources to create more jobs and value for our great country. However, the implications of the immediate implementation of the export tax are detrimental to the affected companies and the economy," said Buy Zimbabwe chief economist Kipson Gundani. "This will compromise any expansion projects and also likely to cause a cut back on capital expenditure, retrenchments, company closures and add to confusion on our ability to attract foreign direct investment." He said Buy Zimbabwe was for wealth and job creation.

"We therefore call on both Government and mining houses to put the economy and people of Zimbabwe first, before making decisions that are likely to jeopardize the envisaged gains from the policy intent," said Gundani. "We urge the government to validate its claims that mining houses do not have a concrete road map in place for value addition through exhaustive engagement and dialogue. In turn, mining houses are compelled to be proactive and communicate with the Government on the progress they have made to date. It is only through dialogue that the parties can come to an amiable solution for the good of the country." Gundani said the organisation was in the processes of engaging government andmining houses to immediately map the way forward. *(News Day)*

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