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	27-Feb-15	6-Mar-15	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	9593.81	9596.66	0.03%	-2.27%	1.00%	-1.10%
Egypt	CASE 30	9334.01	9575.98	2.59%	2.60%	7.08%	0.38%
Ghana	GSE Comp Index	2177.95	2173.46	-0.21%	-1.10%	-4.98%	-13.58%
Ivory Coast	BRVM Composite	260.71	261.78	0.41%	-2.15%	1.43%	-7.67%
Kenya	NSE 20	5491.37	5373.20	-2.15%	-1.81%	5.10%	4.52%
Malawi	Malawi All Share	14965.00	14971.01	0.04%	-2.16%	0.57%	5.74%
Mauritius	SEMDEX	2018.63	2001.62	-0.84%	-3.63%	-3.48%	-10.83%
	SEM 10	380.60	377.58	-0.79%	-3.58%	-2.13%	-9.58%
Namibia	Overall Index	1173.44	1171.70	-0.15%	-3.05%	6.71%	4.95%
Nigeria	Nigeria All Share	30103.81	31049.37	3.14%	3.69%	-10.41%	-18.23%
Swaziland	All Share	299.67	284.32	-5.12%	-7.88%	-4.62%	-6.20%
Tanzania	TSI	4924.66	4866.21	-1.19%	-2.30%	7.48%	1.85%
Tunisia	TunIndex	5442.26	5358.36	-1.54%	-2.70%	5.28%	-0.03%
Zambia	LUSE All Share	6149.86	6144.05	-0.09%	-0.22%	-0.27%	-8.78%
Zimbabwe	Industrial Index	167.16	165.59	-0.94%	-0.94%	1.72%	1.72%
	Mining Index	55.38	54.70	-1.23%	-1.23%	-23.72%	-23.72%

CURRENCIES

Cur-rency	27-Feb-15 Close	6-Mar-15 Close	WTD % Change	YTD % Change
BWP	9.40	9.62	2.35	2.13
EGP	7.61	7.61-	0.01	6.68
GHS	1.87	3.50	0.91	9.95
CFA	577.73	592.85	2.62	9.86
KES	89.85	89.54-	0.35	0.55
MWK	430.75	440.43	2.25-	4.89
MUR	32.01	32.93	2.89	8.24
NAD	11.45	11.80	2.99	1.68
NGN	199.34	198.30-	0.52	9.57
SZL	11.45	198.30	3.00	1.68
TZS	1,774.64	1,794.89	1.14	5.52
TND	1.93	1.96	1.19	5.31
ZMW	6.93	6.94	0.13	9.33

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

Egyptian foodmaker Edita said on Monday it would put up to 30 percent of its ordinary shares on the Egyptian stock market in a secondary public offering. The company is making a combined offering that includes an institutional offering of ordinary shares on the Egyptian bourse and global depository receipts (GDRs) to be listed in London. There would also be a separate domestic offering of ordinary shares, it said in a statement. "Edita has received permission to list its shares on the EGX (bourse) under the symbol EFID.CA," the company said. It added that shareholders were meeting to approve the combined offering. Market sources later told Reuters on Monday that the firm would seek to raise 2 billion Egyptian pounds ($262 million) in the initial offering on the Cairo bourse. The sources said trading was expected to start from early April. Edita has a capital of 72.536 million pounds, divided into 362,681,000 shares, with a nominal value of 0.20 pounds per share. The Edita offering is part of a flurry of mergers and rights issues that has boosted activity on the Cairo exchange, which had struggled to win investor confidence during four years of political and economic turmoil since the Arab Spring uprising. Egypt's government launched last year a raft of long-delayed reforms aimed at luring back foreign investors and shoring up growth while cutting a ballooning deficit. Food is seen as a fast-growing sector in the most populous Arab nation of 87 million people. Kellogg won a takeover battle in January to secure a controlling stake in Egyptian cake and biscuit maker Bisco Misr, while Europe's biggest dairy group, Lactalis, is competing with Egypt's Pioneers Holding for cheese maker Arab Dairy. Edita is being advised by Goldman Sachs and EFG Hermes. The shareholders selling stakes in Edita are Africa Samba B.V. and Exoder Limited, the statement said. *(Reuters)*

Egypt expects to agree additional liquefied natural gas (LNG) import deals with Shell and Total, and is close to paying BG Group more for the gas it produces offshore, its oil minister said on Monday. Sherif Ismail outlined several measures intended to stave off Egypt's worst energy shortages in decades, including launching a new round of talks to secure LNG until 2020 when the country hopes to kick its reliance on the fuel. "There is a very high possibility that Total and Shell will provide us with LNG for the period of two years from now," he said in an interview, noting that recent deals arranged with commodity trading firms and Algeria will meet just two years of demand. The country of about 90 million relies heavily on gas to generate power for households and industry. After four years of turmoil, rising gas demand has turned Egypt from net exporter to imminent importer while mounting oil company arrears put off new drilling and production investment. The minister declined to give contract details with Shell and Total, saying Egypt expects to either launch a new bid round or begin direct talks for new LNG supply by the middle of the year. "It is not clear yet if we will open a bid round or whether we will pursue direct negotiations," he said.

The minister said Egypt is in final stage talks with Gazprom and BP for LNG supply. A deal to buy 21 cargoes from BP should be finalised by the end of the month at the latest, he said. Although Egypt has so far struck LNG import deal in excess of $2.2 billion for the next two years, largely with European commodity traders, it does not yet have import infrastructure. The minister said that a Floating Storage and Regasification Unit, an import terminal, that it contracted from Norway's Hoegh LNG should be in place by the end of the month, when it also expects to receive its inaugural cargo. Egypt is also working to boost offshore oil and gas output by paying foreign explorers more to produce. Egypt has already agreed to pay BP, RWE Dea and Edison more for their production, and is now close to finalizing a similar deal with BG Group for output from its West Delta Deep Marine concession, the minister said. BG Group will be paid close to $5.88 per million British thermal units (mmBtu) for gas production, compared with $3.95 per mmBtu previously, he said. *(Reuters)*

Egyptian financial services firm Pioneers Holding has won the race to buy Egypt's Arab Dairy for 255 million Egyptian pounds ($33.4 million), beating a rival offer from Al Nour, the market regulator said on Monday. The battle for control of the Egyptian cheese maker is part of a recent flurry of activity on the Cairo bourse, which has struggled to revive investor confidence in the turmoil that has followed the 2011 Arab Spring uprisings. Pioneers' bid of 71.11 pounds per share came in above the 71 pounds per share offered by Al-Nour for Dairy Industries, the head of the watchdog, Sherif Samy, told Reuters. Al-Nour is a subsidiary of Europe's biggest dairy group, Lactalis. Pioneers CEO Walid Zaky said the acquisition was part of his company's efforts to expand in the food sector, a fast-growing industry in the most populous Arab nation of 87 million people. "We will pump new investments into Arab Dairy and increase production plans. We will not remove its shares from the bourse," Zaky said. Lactalis could not be reached immediately for comment. Pioneers, which already owns 25 percent of Arab Dairy, is set to start buying up the shares it does not own later this week. It initially announced its intention to bid for the company in August at 56 pounds per share, but that price was pushed up by competing bids from the Lactalis subsidiary. Saudi Arabia's Arrow Food Distribution and Denmark's Arla Foods Amba also bid for Arab Dairy last year. *(Reuters)*

Egypt|s Financial Supervisory Authority, also known as the EFSA, approved the market flotation of Orascom Construction (OCIC) in the stock exchange, AlBorsa newspaper reported on Tuesday. The head of the watchdog, Sherif Samy, told AlBorsa newspaper that the EFSA issues approval for foreign firms only, local firms can float in the stock exchange without approval from the regulator. He added that the EFSA gave an initial approval on the mandatory tender offer from Triquera B.V to Minapharm Pharmaceuticals (MIPH). Samy announced that the EFSA is looking into a lot of amendments to the rules and legislations, including the real estate finance law. *(Egypt.com)*

Egypt's Mubarak era steel tycoon, Ahmed Ezz, returned to the state a steel license acquired illegally in 2009 in response to an ongoing trial in the criminal court. The former chairman of Ezz Steel, along with the former head of the Industrial Development Authority Amr Assal, face retrial in a case of squandering public money worth LE660 million in relation to the improper acquisition and use of the license. According to his lawyer, Ahmed Shawqi, the law stipulates that a steel producer cannot have more than one steel license. They were handed ten-year jail sentences in December 2014. Ezz's lawyer Mohamed Tanweer told Ahram Online that his client has no expectations regarding the legal consequences of giving up the steel license, explaining that the motive was "technical rather than legal." "When the license was acquired [in 2009] it was to provide the company with gas and electricity, which has not happened since then and hence caused us losses... above all it is now a reason for my client to go to jail so we have decided to give it up," he said. Ezz already paid a LE10 million fine to settle another case with charges of monopolising the steel industry and is currently undergoing a retrial of a third case for allegedly illegally acquiring Ezz El-Dekheila (EZDK) steel plant, Shawqi said. Ezz, who has a 55 percent stake in EZDK, the largest steel complex in the Middle East, was released last August after spending three years behind bars on corruption charges. *(Egypt.com)*

Local product sales of Eastern Co (EAST) saw intensive sales since the new taxes on tobacco, AlBorsa newspaper reported on Tuesday. Eastern Co investor relations manager Ali Saad Eldin said the presidential decree, issued last week, led to an increase in sale in local products in the previous period, adding that the decree impacted eastern co positively. Saad ElDin added that poor and middle income classes turned towards the local product, while a relative decline occurred in the foreign products which exceeded LE16 and LE22 per pack, especially in workers and craftsmen classes. *(Egypt.com)*

Egyptian property firm Sodic (OCDI) announced the uses of its LE1 billion rights issue. Sodic said it invested LE400 million in the 301 acre land plot project till December 2014. The company said it is currently negotiating with authorities to get the land plot for the Mansoura project. *(Egypt.com)*

Sharkia National Food (SNFC) called an ordinary general meeting of shareholders on March 28. The company said shareholders will discuss a number of topics on agenda including 2014 financial results. Sharkia National Food will also seek shareholders| consent on the proposed profit distribution. *(Egypt.com)*

The first phase of the initial public of Orascom Construction was covered 2.7 times by investors. The IPO received bids for 6.37 million shares against 2.36 million shares on offer, Orascom Construction said. Orascom will be dually listed on EGX and NASDAQ Dubai as a global engineering and construction company. *(Egypt.com)*

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Economic News

Egypt expects to attract $8 billion of foreign direct investment in the current fiscal year through June, up from $4 billion last year, Investment Minister Ashraf Salman said on Monday. Salman, speaking at a business conference in Dubai, also reiterated that the government was aiming to cut its budget deficit to 10 percent of gross domestic product in the current year from 15 percent in the previous year. Egypt plans to launch a $1.5 billion sovereign bond issue by June - its first Eurobond issue after a five-year gap caused by political and economic instability - and then another sovereign bond issue in September, Salman said. He did not specify the size of the second issue. *(Reuters)*

Egypt's cabinet approved a long-awaited draft law on investment on Wednesday aimed at making deals less vulnerable to legal disputes or changes in government, and reducing stifling bureaucracy. The government is seeking to address foreign business concerns before an investment conference in Sharm el-Sheikh set for mid-March, when Egypt hopes to secure domestic and foreign investment of up to $12 billion. Announcing the new law, Prime Minister Ibrahim Mehleb said in a statement the government held discussions with investors, an industry association, law advisors and members of civil society when drawing up the legislation. It will now be referred to President Abdel Fattah al-Sisi, who is expected to ratify it. "If it hadn't been for this law, there would be no Sharm el-Sheikh conference. It will be the main focus of the conference," said Mohsen Adel, deputy head of the Egyptian Association for Financing and Investment. One of the most important elements of the law is the imposition of punishments on the company and the guilty employee, as opposed to the previous practice of often making top executives responsible for violations committed by staffers. "We had chaos before," Adel said. "Now the employee who committed a mistake will be punished and the entity itself will incur punishments, like fines, or freezing activities." The law provides certain guarantees including for deals signed with governments, and allows for incentives to encourage the funding of labour-intensive projects. Sisi, often criticised for a security crackdown against his political opponents, has embarked on a series of economic reforms since taking office last year that have won praise from investors traditionally wary of plunging cash into Egypt.

Investment Minister Ashraf Salman told Reuters in January that the new law was critical to winning the confidence of foreign investors who currently must secure permits from 78 government agencies to start a company in Egypt -- a process that can take up to five years. The legislation creates a "one-stop shop" to make Egypt, the most populous Arab nation, more attractive for foreign money. Angus Blair, chairman of business and economic forecasting think-tank Signet, told Reuters: "The whole investment system is antiquated and needs a complete overhaul." Egypt's economic growth rate over the last three years was around 2 percent, too slow to reduce widespread unemployment. The IMF has projected growth to reach 3.8 percent in 2014/2015 and to rise to 5 percent over the medium term. *(Reuters)*

Egypt expects a planned economic zone near the Suez Canal to eventually make up about a third of Egypts economy, the countrys investment minister said on Thursday. Egypt plans to build an international industrial and logistics hub near the canal to attract foreign investment, alongside a separate scheme in which the army is digging a second canal to facilitate two-way traffic of larger ships. Investment Minister Ashraf Salman said the planned hub would be the centrepiece of a key economic conference planned for the end of next week, which Egypt hopes will draw investors back after four years of economic and political turmoil. "The main project that well show in the conference is the development of the Suez Canal, which will represent 30-35 percent of Egypts new economy," Salman said during a news conference Thursday. He did not say when the economic zone would reach that share of the economy. The 145-year-old waterway is the fastest shipping route between Europe and Asia. It is one of Egypts main sources of hard currency, bringing in about $3 billion a year. Egypts GDP was $232.86 billion in 2014, according to Thomson Reuters data. The $8 billion army-led expansion of the canal is expected to increase canal revenues to $13 billion by 2023 from the current level of about $5 billion, the canals chairman told Reuters last week.

In a bid to boost the planned economic zones attractiveness to investors, Egypt cut corporate taxes in the zone to a third of the national rate last month. Salman also said Thursday that foreign direct investment is expected to reach $15 billion by the 2018-19 fiscal year. It is expected to reach $8 billion in the current fiscal year, which ends in June, and reach $10 billion the following year. Egypt's cabinet yesterday approved a long-awaited draft law on investment that aims to make deals less vulnerable to legal disputes or changes in government, while reducing bureaucracy. *(Egypt.com)*

Ghana

Corporate News

Tullow Oil Plc, an energy explorer in Africa, fell to a one-month low in London trading after saying Ghana could be ordered to suspend drilling in an offshore area where it operates. Tullow dropped as much as 8.6 percent to 354.1 pence, the lowest intraday price since Jan. 30, and was at 363.1 pence at 1:14 p.m. local time. Ivory Coast, which disputes sea boundaries with neighboring Ghana, has asked an arbitration panel to order Ghana to halt drilling in an area where Tullow operates its Tweneboa-Enyenra-Ntomme project, the company said Monday in a statement. The TEN project is set to produce its first oil in mid-2016. While a decision on Ivory Coast's request is likely before the end of April, a "full verdict" on the dispute from the panel isn't expected until late 2017, according to London-based Tullow. Tullow's legal advisers say Ghana has a "strong case" that the current boundary location will be upheld, the company said. The dispute is before a Special Chamber of the International Tribunal of the Law of the Sea in Hamburg. If the tribunal rules in favor of Ivory Coast, "the most likely impact on TEN is that it becomes part of a Joint Development Zone between the two countries, potentially impacting the fiscal regime the asset operates under," James Hosie, an analyst at Barclays Plc, said in a note. A decision in April on the provisional measures "should help clarify the risks" for Tullow's key development project, he said. Barclays values the company's stake in the TEN project at 157 pence a share, and its tangible net asset value of 527 pence a share "assumes the current boundary is upheld with no suspension of ongoing activity," Hosie wrote.*(Bloomberg)*

Economic News

The Bank of Ghana said the yield on its 91-day bill fell to 25.8029 percent at an auction on Friday, from 25.8451 percent at the last sale. The bank said it had accepted 453.1 million cedis ($129.8 million) worth of bids of the 817.3 million cedis tendered for the 91-day paper. *(Reuters)*

The Central Bank will soon close down forty illegal microfinance companies across the country. The Bank received a directive to carry out the exercise after publishing names of 20 of such companies last year. Mr. Raymond Amanfu, who is with the Financial Services Department of the Bank of Ghana told Starr News the Bank is going through the necessary procedures towards effecting the closure. "We have just got approval. We are just going to go through what the law says we should go through. We have to get data on them, we have to do an audit to find out what properties they have…and then if we will revoke the licence, we give the list and the attached documents and properties that we have identified to the Economic and Orgnaised Crimes Office (EOCO)," Mr Amanfu said. He also revealed that the minimum capital for microfinance firms will be increased to one billion Ghana Cedis as part of measures toward flushing out illegal microfinance institutions. *(Ghana Web)*

Ghana plans to issue a $1 billion 10-year Eurobond in 2015 to settle debt that matures in 2017, Finance Minister Seth Terkper told Reuters, after a financial assistance deal agreed last week with the International Monetary Fund. The government will also continue to use its oil stabilization fund, oil price hedging and monetary tightening to manage foreign exchange volatility for Ghana's cedi currency, Terkper said in an interview late on Wednesday. *(Reuters)*

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TRADING

Kenya

Corporate News

The Kenya Electricity Generating Company is scouting for a transaction adviser to steer its planned rights issue. The company is targeting to raise Sh30 billion through a cash call to finance investments in new power generation plants and expansion of existing ones. "This expression of interest is being sent for the purpose of providing information to interested and qualified bidders to enable them to submit proposals for providing KenGen with transaction advisory services in relation to the rights issue," reads a notice published on Friday. The transaction adviser will value the company to determine the indicative share price and structuring of the cash call. The adviser will also prepare KenGen's marketing and communication strategy. Failure by KenGen and the government to agree on whether the latter would participate in the offer has delayed the cash call longer than anticipated. At the moment, the government has 70 per cent stake in KenGen and its decision on whether to participate in the cash call or not is critical to the company's planning. Through the rights issue, KenGen is targeting to raise at least Sh15 billion from its largest investor, while the balance would come from minority shareholders. The rights issue was scheduled to take place last June. KenGen's managing director Albert Mugo told Nation by phone that the company was in consultation with the Treasury and the ministry of Energy regarding the government's participation in the offer.

"We are making good progress in our discussions with the government and we hope to reach a conclusion soon," said Mr Mugo. It is understood that the discussion between KenGen and the government has explored the options of converting KenGen's debt to the government into equity or the latter's fresh capital injection into the company. At an investor briefing held recently, KenGen said it owed the government Sh22 billion. The cash from the rights issue is hoped to restructure KenGen's balance sheet to maintain a favourable debt versus equity position. Together with an anticipated Sh70 billion debt from external lenders, the electricity generator hopes to raise Sh100 billion to finance the projects it has lined up for completion by 2018. KenGen is tasked with generating 844 megawatts of electricity as part of the government's plan to add 5,000 megawatts of power to the national grid by the end of next year. *(Daily Nation)*

Kenya's Centum Investment is working on selling its stakes in several firms to fund new investments in power plants, real estate and other areas, its chief executive said. James Mworia told the Reuters Africa Investment Summit the company, whose market value has jumped seven-fold over the last five years to 40 billion shillings ($438 million), was targeting new investments that would maintain growth momentum. He did not mention what the sales were, adding that such transactions could take 18 months to complete. "We have a pipeline of investments in areas with high returns and less competition," he said, referring to the real estate and energy sectors. In recent years, Centum moved into real estate, which now accounts for about 30 percent of its portfolio. The flagship Two Rivers shopping mall development in Nairobi is worth 9 billion shillings and will be inaugurated towards the end of 2015. The firm has also branched out into power generation with a 20 megawatt (MW) geothermal plant due to start production this year and a 1,000 MW coal-fired plant, due to be completed in three years. Before Mworia took over as chief executive five years ago, Centum focused on quoted equity and fast-moving consumer goods. Its other investments include the franchise to distribute Carlsberg beer in Kenya.

Half of the company's investment portfolio consists of private equity while 20 percent is cash and marketable securities such as shares in listed firms. Mworia said the firm liked to keep cash and securities at about a quarter of the portfolio to allow it to move swiftly on targets. "The liquidity gives you flexibility," he said. Centum has not paid a dividend for the past five years, a policy it intends to keep in place for the next five, to boost it war chest for investments. In January, Centum sold its 13.75 percent stake in Kenyan insurer UAP Holdings to Old Mutual for 3.7 billion shillings, a deal that took 18 months to complete. Selling the minority stake highlighted the firm's preference for control. "Our strategy is to take more of controlling positions now because we can drive the value creation process as opposed to relying on other people," Mworia said. *(Reuters)*

East African Portland Cement swung to a first-half loss after a maintenance shutdown of its packing and clinker units but the Kenyan firm said it hoped to recover its market share after the repairs. The company reported a pretax loss of 124 million shillings ($1.36 million) for the six months to end of December, against a profit of 171 million shillings in the same period in 2013. The firm, which also operates in Uganda, said it hopes to regain its market share in the industry after completing a plant refurbishment in the second quarter of this financial year. "Despite the growing competitive environment, there are opportunities for growth to meet the increasing local and regional demand for cement," the company said in a statement. East African cement makers hope to benefit from major infrastructure projects in fast-growing regional economies, as well as improving business conditions. The cement maker said its total revenues fell 9.6 percent to 4.1 billion shillings, while the cost of sales increased 8 percent to 3.5 billion shilling. Its earnings per share fell to -0.75 shillings from 2.03 shillings in first half 2013. It did not recommend payment of a dividend, having paid no dividend in the comparable period a year earlier. *(Reuters)*

National Bank of Kenya posted a 34 percent jump in pretax profit last year to 2.43 billion shillings ($26.62 million), driven by growth in net interest income and transaction fees, chief executive Munir Ahmed said on Wednesday. *(Reuters)*

Kenya's Keroche Breweries is investing 5 billion shillings ($55 million) to increase its capacity tenfold and help it grow its share of the alcohol market six-fold to 20 percent in about a year, its chief executive said. Tabitha Karanja told the Reuters Africa Investment Summit the money was being used to build a new 1 million hectolitres-a-year brew house and bottling line to be launched this month that would help the company raise its market share from 3 percent. "With the right team in the market it will take us only one year," Karanja said at the brewery in Naivasha, an hour's drive north-west of the capital Nairobi. Owned by the Karanja family, Keroche started by making spirits and wines in 1997 before diversifying into beer in 2008. Its Summit Lager and Summit Malt beers compete with products by Diageo's East African Breweries, which enjoys a commanding lead with popular brands that include Tusker. "It only took us one or two years and we started experiencing capacity problems. It has been a challenge trying to build up and fill that gap," Karanja said. The expansion is 80 percent funded through a loan from Barclays while the rest was generated internally.

Karanja said the increased production will also allow Keroche to start distributing its other products, which include spirits and table wines, in Uganda and Tanzania. Keroche will raise further capital for investment in about five years when it offers its shares on the Nairobi Securities Exchange, the chief executive said. Keroche will consider putting up a malting plant in the future if no other investor will step forward to build one, at a minimum cost of 1 billion shillings, Karanja said, adding that Kenyan brewers rely on imported malt. "We have that challenge now we as Africans, to be part of investing in our own continent. Africa is rising," she said. *(Reuters)*

Telecommunications giant Safaricom and East African Breweries Limited (EABL) are among listed firms expected to outperform their major foreign shareholding companies, noted a report by Citigroup investment banking arm. Citi's report said Safaricom and EABL's revenue growth is expected to outpace Vodafone and Diageo, which are the respective foreign companies holding the single largest stakes in the Kenyan entities. The report looked at 27 stocks of public companies in frontier markets which are subsidiaries of larger listed multinationals in the beverage, banking, cement, tobacco, telecommunication and food industries. "The frontier market subsidiaries have grown revenues and earnings by more than their parents in recent years.

They are also expected to keep growing them by more — albeit not by a huge margin," noted the Citi report. CfC Stanbic, Barclays Bank, Standard Chartered and BAT are other companies listed on the Nairobi Securities Exchange (NSE) that are on the list of 27 frontier market stocks. Citi said local subsidiaries are growing their sales at a faster rate than their parent companies because they are serving a younger and new market which has more opportunities than more developed and mature economies. Analysts said the phenomenon of local subsidiaries outdoing their parent companies is expected since most developed regions, especially the US and Europe, are still recovering from various shocks unlike regions in East and West Africa. "For quite a while, growth has been tepid in Europe and the US are now showing signs of shrugging off the 2008 to 2009 melt-down after-effects. Africa, and more precisely sub-Sahara Africa, on the other hand, has had a fairly bullish decade 2003 to 2013," said Julians Amboko, a research analyst at financial advisory firm Strat Link Africa. Citi, however, noted that the growth in sales is not uniform for all subsidiaries with the EABL in particular being vulnerable to government policy. Introduction of excise duty on EABL's Senator Keg beer brand in October 2013 resulted in sales for the popular drink slowing down and the brewer has since cut back production and introduced alternative products to make up for lost sales. *(Business Daily)*

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Beer maker, East African Breweries Limited, is seeking to raise Sh11 billion debt through a corporate bond barely two months after maturity of its short-term debt. The company targets Sh5 billion in the first tranche of the bond which will be offered to investors for two weeks beginning Wednesday for a return of 12.25 per cent. A Sh5.4 billion commercial paper issued by the brewer last year matured in January. "It is for general use and for capital expenditure, replacing our now retired commercial paper programme," said EABL's chief executive Charles Ireland, adding that the issue was "part of a series of moves to ensure we have a well-structured balance sheet." In the six months to December, EABL had reported a Sh4 billion cut in its short-term borrowings and bank overdraft as it kept an eye on rising financing costs. Despite the debt cut, its financing costs went up to Sh2.18 billion compared to Sh2.04 billion in December 2013. The brewer's short-term borrowings stood at Sh9.67 billion, down from Sh12.54 billion in June 2014, while the bank overdraft dropped to Sh566 million from Sh1.75 billion over the six-month period. A major debt in the EABL books is a Sh19.5 billion five-year loan from its majority shareholder, Diageo, taken in 2011. "We believe part of the strategy for this offer is to also partially reduce the related party, arm's length foreign-denominated loan payable in 2017," said analysts at Standard Investment Bank.

Mr Ireland, however, dismissed this position, saying the issue had no connection to the intercompany loan. As per the information memorandum, the company will use a bulk of the bond, Sh5.9 billion in working capital investment and general commercial purposes while Sh5.1 billion would go to long-term capital expenditure. Minimum subscription to the three-year offer is Sh100,000. Currently, the government is paying 10.9 per cent for a one-year Treasury paper. EABL will have to receive at least Sh2.5 billion from the bond to consider it successful and thereafter list it on the Nairobi Securities Exchange. CfC Stanbic and Barclays Bank are the arrangers of the bond issue. In December, a debt issue by real estate firm, Home Afrika, became the first publicly issued bond to be unsuccessful in the Kenyan market. EABL announced an 11 per cent net profit growth in its half-year performance boosted growth in sales. The beer maker earned a net profit of Sh4.6 billion in the six months to December compared to Sh4.1 billion in similar period in the previous year. In Wednesday's trading on the bourse, EABL's share price dropped to Sh295 a unit from previous day's Sh298 with 2,463,800 shares traded. *(Business Daily)*

The Nairobi Securities Exchange (NSE) should have powers to approve capital raising activities by companies listed on the Growth and Enterprise Market Segment (Gems), a consultant hired by the Capital Markets Authority (CMA) has recommended. Genesis Analytics, which was contracted to look into ways of increasing listings on the Gems, said the current structure was rigid, slow and uncertain. Firms are required to get approval from both the CMA and NSE, which charge application fees, before being listed. The consultants reckon that having the NSE vet public offers would cut the time taken and costs involved in the approvals. The CMA teamed up with the NSE and Financial Sector Deepening Trust Kenya — an NGO working on financial inclusion — to commission Genesis Analytics to come up with the recommendations. "Giving the NSE the authority to approve public offers would reduce the time, risk and cost of public offers and encourage their greater use," said the consultants adding that this was a common practice for second-tier markets in other jurisdictions. Luke Ombara, acting director regulatory policy and strategy at CMA, said the regulator would not be opposed to NSE approving listing by introduction, which requires less scrutiny than public offers, so long as the exchange improves is self-regulatory policies.

Only four companies are listed on the Gems, two years after its introduction, with three of them having entered the market in the last quarter of 2014. The segment was expected to attract medium-sized firms which had previously been locked out by the stringent rules associated with listing on the main and alternative market segments. Stephen Wells, of Genesis Analytics, said companies listed on the Gems opted to conduct private placements before listing because of the stringent and lengthy process involved in capital markets. Flame Tree Group and Atlas Development which listed last year conducted private placements before coming to market where they listed through introduction which does not inject cash in the company. The consultants also noted that there were not enough tax incentives to attract firms to the segment. Potential companies fear listing would expose them to backdated claims from Kenya Revenue Authority based on regulatory financial disclosures they file. Genesis Analytics recommended that KRA clarifies tax amnesty offered to companies that issued their shareholding to the public. Companies that opt to sell less than 30 per cent of their shareholding to the public should also qualify for tax waiver, said the consultancy.

Listing companies are charged a corporate tax of 20 per cent for five years after listing compared to the usual 30 per cent. Companies listing on the Gems, however, have the option of listing as low as 15 per cent of their ownership locking them from the tax incentive. The low listing threshold is meant to encourage family-owned businesses to list without fear of losing control of the entity. The consultants also blamed poor share pricing during introduction for huge price drops and illiquidity in the Gems market. They recommended an auction process be used to determine the price of the share and more stringent qualification be set for companies that qualify as market advisers. “It would be better if the initial price were to be determined by an auction or similar process so that companies' opening prices were not to be followed by immediate declines,” said Genesis Analytics. Shares of shariah-compliant investment firm, Kurwitu, which is the priciest in the stock market at Sh1,500, are yet to trade this year. Low liquidity on the segment has resulted in the counters missing out on the price rally witnessed at the market since mid-last year.*(Business Daily)*

Kenya's Mumias Sugar reported a bigger first-half loss from a year ago, which it blamed on lower prices of the sweetener as well as a prolonged shutdown but forecast an improved second half. Cash-strapped Mumias, which received a cash bailout from the government at the end of January, said its loss widened to 2.08 billion shillings ($22.8 million) from a restated loss of 407.4 million shilling loss a year earlier. The firm, whose sugar output accounts for about a third of Kenya's annual sugar output, said net revenues for the period to end-December fell 62 percent to 2.67 billion shillings. Mumias said the loss was largely due to an unscheduled and out of crop maintenance of its factory located in western Kenya in October, November and December due to cane shortage. "The revenues were impacted by the production time lost during the two and a half months maintenance shutdown as well as cane shortage and a lower average net cane price per tonne of sugar realised during the first quarter," Mumias said. "Despite the challenges ... the company looks forward to better performance in the second half of the year following successful resumption of production," it said in a statement. Low sugar production, high production costs and low prices resulting from illegal sugar imports further compounded the company's half year, the firm said. Mumias reported a loss per share of -0.95 shillings compared with -0.19 shillings in the first half of 2013. Mumias said as part of its medium term to long terms plan, it was re-negotiating its payment schedules with creditors. The government said as part of the bailout, it would seek to change the company's management and prosecute any managers who may have led to the company's near-collapse. *(Reuters)*

Barclays Bank of Kenya's pretax profit jumped 10 percent to 12.3 billion shillings ($135.11 million) in 2014, it said on Friday, largely due to growth in net interest income and lower costs. *(Reuters)*

Economic News

Oil prices would probably need to rise to about $75 to $85 a barrel from around $60 currently for Tullow Oil and Africa Oil to go ahead with their Kenyan project, the chief executive of Africa Oil said. CEO Keith Hill told the Reuters Africa Investment Summit he was confident that crude prices would recover to around those levels long before a final investment decision, due by the end of 2016, is made. "We still need oil prices to recover probably above today's levels to pull the trigger on the project sanction," he said. "I am quite confident that oil prices will recover by the end of the year." Hill said a level of $75 to $85 would be "just perfect for us", saying that level "makes us very cost competitive and many of our competitors not," pointing to more expensive shale production or deep sea oil developments. The oil plunge, in which prices fell from $115 last June to below $50 in January, has forced energy firms to slash spending. Tullow and Africa Oil, 50-50 partners in Kenya where they have found an estimated 600 million of recoverable reserves, have cut their 2015 budget to about $400 million, half that of 2014. The venture, in which Tullow is operator, had planned to drill about eight wells to boost reserves in 2015 but reduced that to four, with the rest pushed into 2016, Hill said. Kenya could start producing at the end of 2018 or early 2019, but the pace of progress may depend on how quickly Kenya decides on a route for an oil export pipeline. Uganda, which has also found oil, is expected to use the same pipeline. Hill said the government could announce a decision by mid-year, adding: "There will come a point, by about mid-year, if we don't have pipeline certainty, I think you will see us cutting expenditures even further." Raising capital has become more expensive. Africa Oil raised $125 million in a private placement last month with shares priced at $2.74 each, while in November 2013 it raised $435 million in a placement at $8.35 a share. Hill said the firm had enough cash to meet its needs until the end of 2015 based on its slowed spending programme. Africa Oil had hoped to sell or "farm out" part of its stake by early 2016, but falling oil prices could delay that. "We are prepared to stay in this project through 2015, even through 2016 if necessary, to get the best value for our shareholders," said Hill, who has said his firm would like to keep at least a 25 percent stake in the project. *(Reuters)*

Kenya is due to become one of the fastest-growing economies in east Africa, with a growth forecast of 6.0 percent in 2015 and 6.6 percent in 2016, the World Bank said on Thursday, citing falling oil prices and bigger infrastructure investments. Kenya's economy grew by an estimated 5.4 percent in 2014, the bank said in its latest economic update, while growth could accelerate to 7.0 percent in 2017. "After growing an estimated 5.4 percent in 2014, its economy is poised to be among the fastest growing in the region," the report said. But the bank also said Kenya's exports growth has been lagging that of imports, and urged the country to support the manufacturing sector to boost exports. "Sluggish external demand for exports, especially from the Euro area and emerging economies, has contributed to the widening of the current account deficit in recent years," the bank said. Last September, Kenya changed the base calculation year for measuring its gross domestic product to 2009 from 2001, sending the east African nation into the continent's top 10 economies. Analysts say the east African nation has struggled to achieve its full growth potential in recent years. Its tourism sector, one of Kenya's top foreign currency earners, has been struggling due to a spate of attacks blamed on al Shabaab militants from neighbouring Somalia, including the 2013 attack in Nairobi's Westgate Mall that killed 67 people.*(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius expects its trade deficit to widen by 9.2 percent to 83 billion rupees ($2.48 billion) in 2015 from 76.83 billion rupees last year, the statistics agency said on Friday. Statistics Mauritius said that total exports for 2015 are forecast at 97 billion against 180 billion for imports. The agency said last year's trade deficit narrowed by 0.9 percent to 76.8 billion rupees as exports rose 8.1 percent from 2013 to 95.19 billion rupees. The cost of imports were up by 3.8 percent to 170.02 billion rupees. Britain was Mauritius' top market in Europe, accounting for 13.6 percent of exports last year. India was the main supplier of the island nation's goods, accounting for 21.6 percent of imports. *(Reuters)*

Mauritius central bank plans to buy gold from Australia to keep the Indian Ocean economy's currency from extreme fluctuation, its finance minister said on Monday. In 2009, Mauritius bought two tonnes of gold from the International Monetary Fund, valued at an equivalent of $72 million at the time. Finance Minister Seetanah Lutchmeenaraidoo said the central bank will buy an undisclosed amount of gold from Australia's Perth Mint. He has said the depreciation of the euro against the rupee was hurting exports industries and tourism operators. Gold remains an essential insurance policy in the present economic context where currencies are extremely volatile, Lutchmeenaraidoo told reporters on the sidelines of an IMF forum in Balaclava, to the north of the island. It was not immediately clear how much Mauritius€™ gold holdings will reach out of its total foreign exchange reserves after the purchase. Lutchmeenaraidoo said there was also a plan to introduce a Mauritius Gold Fund on the Stock Exchange of Mauritius, which he said would be exempt from tax for its citizens who invest in it. *(Reuters)*

Mauritius' year-on-year inflation rate rose to 2 percent in February from 0.7 percent a month earlier, official data showed on Friday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Nigeria

Corporate News

The Group Managing Director/Chief Executive Officer of Forte Oil Plc, Mr. Akin Akinfemiwa, has said the company will consolidate its achievements and grow its market to maximise value for its esteemed shareholders. Speaking against the background of the company's 2014 performance, Akinfemiwa said the company had successfully completed its three-year business transformation in December 2014.
"Having successfully completed our record-breaking three-year business transformation in December 2014, we are set to consolidate our achievements as we grow our market to maximise value for our esteemed shareholders. We have now built a sustainable business model which has contributed to the Group's profitability of N6 billion against the backdrop of a slowing economy, increased insecurity (which has led to revenue loss in the North Eastern market), political uncertainty, weaker petroleum products demand and a volatile exchange rate to mention a few. We shall continue to navigate through an ever challenging business environment and industry in our quest to actualise our vision of being Africa's foremost integrated energy solutions provider," he said. According to him, the company will continue to innovate with respect to products and service offerings and "diversify our revenue base, maximise our Non- Fuel Revenue opportunities, as a part of our strong resolve to building a long-term successful company."

Forte Oil ended 2014 with a revenue of N170.13 billion, by 32.88 per cent from N128.03 billion recorded in 2013to N170.13 billion compared to N128.03 billion recorded same period in 2013. Operating profit increased by 30 per cent to 8.14 billion compared to N6.27 billion recorded in 2013. Profit after tax fell by 11 per cent from N5 billion to N4.4 billion in 2013. The directors recommended a cash dividend of N2.50 and a bonus of one for four shares already held. Commenting on the results, Group Chief Financial Officer, Forte Oil Plc Mr. Julius Omodayo-Owotuga, said: "The 7.94 per cent drop in the profit before tax is largely attributable to the 10 per cent devaluation of the Naira in November 2014 andincreased finance costs caused by huge subsidy receivables from the Federal Government of Nigeria. These receivables were outstanding for an average of 270 days compared to the 45 days provided for in the PSF scheme." *(This Day)*

Debt-laden oil producer Afren Plc said it had been given another payment extension by some creditors, a day after the Sunday Times reported that China's Fosun International Ltd was backing a takeover bid for the company. Afren's shares rose as much as 39 percent to 12 pence in early trading on the London Stock Exchange on Monday. The company, whose main operations are in Nigeria, made no reference to Fosun in its statement but said it was having discussions with other stakeholders and new third-party investors regarding plans to recapitalise the company. The Sunday Times said the Chinese conglomerate was backing a $500 million (325 million pound) bid led by Afren co-founder Bert Cooper. An Afren spokesman declined to comment on the report, which also said that the China-Africa Development Fund had put up money for a deal. Afren ended sales talks with Nigeria's Seplat Petroleum Development Co Plc month. Afren said lenders of a $300 million facility had agreed to defer a $50 million amortisation payment until March 31, having already extended the deadline in January by about a month to Feb. 27. Afren's gross debt stood at about $1.15 billion as of September. The company also said it was still using a 30-day grace period for $15 million in interest that was due on Feb. 1 on its 2016 bond. *(Reuters)*

Nestle Nigeria's chief executive expects the firm's capital expenditure to slow to its lowest level in five years after a currency devaluation dampened customer spending in Africa's biggest economy. Dharnesh Gordhon told Reuters Africa Investment Summit that consumers in Africa's most populous nation were suffering from the devaluation triggered by a sharp drop in the price of oil, Nigeria's main export. A raging Islamist insurgency in the north had also limited the company's product distribution plans. "Consumer sentiment is definitely much lower... it's about the oil price, it's about the currency, it's about the uncertainty in the economic climate," Gordhon said in Lagos. "We realise that consumers are finding things tough... but at the same time we cannot pass on cost."
Gordhon said the Nigerian unit of the world's biggest food group Nestle SA had invested $400 million over the past six years into its food and cereal business to lift capacity. He said the firm would spend $200 million over the next 18 months to maintain growth, such as investing in packaging which currently has to be imported, but would shift its focus to managing costs given the challenges facing the economy. "It's lower (spending) than what we had over the last five years. Our capital expenditure has definitely dropped ... because we ramped up

capacity," Gordhon said. Nestle Nigeria's annual turnover hit 143.3 billion naira ($716.50 million) in 2014, up from 133.06 billion naira in 2013. Pretax profit last year fell 6 percent to 24.44 billion naira. It said two years ago it aimed to triple sales to 350 billion over a 10-year period and would invest 100 billion naira over the same period to boost its growth. Gordhon said on Monday he expected the market to grow modestly and not in double-digits this year. He also expected a weaker naira, ranging between 220 to 250 this year to the dollar after the currency devaluation. The naira crashed through a psychologically important level of 200 to the dollar last month in a rout triggered by weak oil prices and escalating tension over the postponement of a presidential election in Nigeria. Security has become a major concern for investors because of the Boko Haram insurgency, which is battering Nigeria with almost daily attacks and has killed many thousands over the past five years. Gordhon said Nestle had started exporting its seasoning product, Maggi, to Britain to tap demand from Nigerians living abroad. Maggi already reaches 20 million consumers at home. "We are exporting Maggi to the UK... I have a request from Nestle U.S. to export Maggi. It represents about 3-4 percent of the business," he said. *(Reuters)*

Nigerian conglomerate Honeywell group plans to invest 150 billion naira ($750 mln) over the next 2-3 years to fund growth across its businesses and will list one or two subsidiaries on the local bourse, its chairman said. Oba Otudeko told the Reuters Africa Investment Summit on Monday that Honeywell, with interests in agriculture, real estate and energy, is expanding capacity to tap into the consumer base in Africa's biggest economy. "We have a plan to invest up to 150 billion naira in the next 2-3 years and we have started," Otudeko said in Lagos. He said 50 billion naira of that investment would be in Honeywell Flour Mills, its flour milling business which it listed six years ago. The company has a market capitalisation of 23.5 billion naira ($117.5 mln) and is the country's second-biggest maker of pasta. But it faces growing competition at home, not least from Flour Mills of Nigeria and Dangote Flour Mills, a unit of South Africa's Tiger Brands. Otudeko said the parent firm, set up 40 years ago, was recapitalising the flour milling business in a bid to remain competitive. The parent has invested 20 billion naira in the past two years across its businesses. Otudeko acknowledged that consumers in Africa's most populous nation had been hit by a devaluation of the naira currency, triggered by a sharp drop in the price of oil, Nigeria's main export. But he expected his businesses to weather the storm by continuing to invest to develop scale. "We actually plan to go to the market. You would see us in the market in another two years, listing one or two of our enterprises," he said. He would not say which companies would be listed because the plans were still being drawn up. The naira crashed through a psychologically important level of 200 to the dollar last month in a rout triggered by weak oil prices and political uncertainty after Nigeria postponed its presidential election. Security has become a major concern for investors as Nigeria battles an insurgency in the north by Islamist militant group Boko Haram that has killed thousands in the past five years and displaced 1.5 million. The violence has recently spread beyond the group's stronghold in the northeast. *(Reuters)*

Debt-laden oil producer Afren Plc has defaulted on its 2016 bonds after declining to make a $15 million interest payment in order to preserve cash pending completion of a review of its capital structure. The company said any restructuring or additional funding deal with bondholders could result in the issue of new equity, which would "substantially dilute the interests of the company's current shareholders". Afren's shares fell as much as 50 percent in early trading on Wednesday on the London Stock Exchange. Afren, which has most of its oilfields in Nigeria, has lost more than 90 percent of its market value since the end of July, hit by a slump in oil prices, the dismissal of top executives and the absence of proven or probable reserves at a field in Iraqi Kurdistan. The interest payment on the 2016 notes had originally been due on Feb. 1. The company was granted a 30-day grace period, which expired on Tuesday. While the non-payment would result in a default under the 2016 notes, Afren said it would have no immediate obligation to repay the notes. The non-payment will not result in any cross-default on its other debt facilities. Afren's gross debt stood at about $1.15 billion as of Sept. 30. *(Reuters)*

Nigerian energy company Seplat expects its gas business to contribute around a third to its profits over the next two years, up from less than 10 percent today, as demand for electricity generation in Africa's biggest economy soars. CEO Austin Avuru told a Reuters Africa Investment Summit on Tuesday, that the company, which listed in London and Lagos last year, aimed for at least a 20 percent share of the domestic gas market by 2018. Nigeria privatised its electricity sector 18 months ago, aiming to end decades of blackouts which have hampered economic growth. Most of the plants it sold were gas-fired, operating below capacity due to inadequate gas supply. Avuru said Seplat aimed to increase gross output from around 120 million standard cubit feet (scuf) per day to 400 million scuf by 2017, as demand for gas in Nigeria rises from 1.2 billion scuf per day to an estimated 3 billion scuf per day by 2017, ten times the 300 million of six years ago. "By the end of 2017, our target is to ... achieve a reserve/production ratio of 20 years," he said, adding that would mean more than 50,000 barrels of crude and a net gas output of 200 million scuf. Shares in Seplat on the Lagos bourse have gained 27 percent this year but are still down 22 percent from their listing price of 576 naira in April last year.

Avuru said the performance had mirrored the drop in global oil prices. Seplat shares were down 1.5 percent on the London stock market on Tuesday at 145.50 pence. Avuru said Seplat had cut capital spending for 2015 to $300 million, down from the $480 million initially planned, due to the oil price drop. The company would only need to tap capital markets to finance acquisitions, he added. He said Seplat had finalised the acquisition of a 40 percent stake in OML 53, an onshore oil block, from Chevron, despite an ongoing legal case in which Nigeria's Brittania-U has sought to block the U.S. company from selling the assets which it says it had paid a deposit to buy. "We have now been able to move that to closure and Chevron has handed over the asset to us," Avuru said, adding that the company would be operating the oil block "while we thrash out whatever is left of the litigation." Avuru said his company was budgeting for 2015 with an oil price assumption of $50 a barrel, and $60 for 2016 and was not impacted by the devaluation of the local currency because the gas business with naira revenues provided a hedge.

Access Bank Plc has extended its Rights Issue by two weeks toMarch 18, following an approval the bank received from the Securities and Exchange Commission (SEC). Access Bank Plc's Rights Issue of 7.627 billion ordinary shares of 50 kobo each at N6.90 had opened on January 26, and was expected to close yesterday. However, the bank said the issue had been extended by two weeks. The extension, according to Access Bank, is due to the need to give shareholders, who are yet to take up their rights more time to do so considering the prevailing economic and political situation. Access Bank embarked on the capital raising via the right issue to raise N52.6 billion. The proceeds of the issue will be used to boost the bank's working capital, enhance its information technology and expand branch network, which is expected to ultimately lead to improved performance and returns to INVESTORS. Commenting on the extension, the Group Managing Director of Access Bank, Mr. Herbert Wigwe, urged shareholders of the bank to take advantage of this extension in date to fully exercise their rights, assuring them of quality return on their INVESTMENTS.

"We are going to give good returns on INVESTMENT as our target is to be among top three banks in 2017," Wigwe said, disclosing that the bank was already talking to institutional investors, high net-worth investors and individuals, particularly investors who understand the value of long term investments with regard to the issue. Meanwhile, trading at the STOCK MARKET continued on a positive note yesterday though the gain was marginal. The Nigerian Stock Exchange (NSE) All-Share Index appreciated by 0.05 per cent to close at 30,614.93, while market capitalisation added N4.6 billion to close at N10.2 trillion. A total of 26 STOCKS appreciated compared to 22 that dipped in value. International Breweries Plc led the gainers with 5.2 per cent. Union Bank of Nigeria Plc and Portland Paints followed with 5.0 per cent and 4.9 per cent in that order. Conversely, Wema Bank led the price losers with 5.1 per cent trailed by Champion Breweries and Airline Services and Logistics Plc with 4.8 per cent and 4.7 per cent respectively. *(This Day)*

Nigeria's Diamond Bank said it plans to build up cash reserves to ride out a slowdown in the economy that will depress lending after a sharp drop in global oil prices and the weakening naira. Abdulrahman Yinusa, the chief financial officer of Nigeria's sixth biggest lender by assets, told Reuters Africa Investment Summit on Wednesday that overall loan growth would slow this year compared with last year. The bank will release its results soon when it will say how much its loan book grew in 2014. "Loan growth is going to be very minimal, we don't see anything more than 10 percent," Yinusa said in Lagos. Africa's biggest oil producer expects to lower its forecast for 2015 economic growth again, after cutting its forecast to 5.54 percent in January, as oil prices fell and the naira weakened further last month. Yinusa said the bank also planned to increase its holding of government bonds, where yields are at around 15 percent. Government bonds accounted for 35-40 percent of assets, which is expected to grow to 45 percent this year, he said.

"Our philosophy for 2015, is to put cash first. Liquidity is the first order of priority and ... then conservative lending." Yinusa also expected half of its deposits to come from consumers over the three-year period, up from 40 percent now. Yinusa said he expected return on equity (ROE) to fall this year to 15 percent, after it sold shares last year. But ROE would climb back above 20 percent by 2017. Yinusa said he expected the naira to trade at 200 to the dollar by year-end, as pressure on the currency was expected to ease after a presidential election in three weeks time. But he said the currency could fall to between 220-230 to the dollar if the outcome of the elections brought violence. The naira fell through the psychologically important level of 200 to the dollar last month after Nigeria delayed its presidential election by six-weeks to March 28, sending financial markets into a tailspin. A five-year insurgency by Islamist Boko Haram militants has also rattled the economy. Shares in the bank are down 23.5 percent so far this year. "We've started the year quiet slowly. Everybody is waiting and watching to see. We all hoped the elections had taken place so that may be we'd have had some direction," Yinusa said. *(Reuters)*

Flour Mills of Nigeria expects to cut capital expenditure by almost half this year, down from 40 billion naira a year ago, as the slowdown in the economy, caused by the oil price collapse and the weakening naira, hurts consumer spending. Chairman John Coumantaros told Reuters Africa Investment Summit that Flour Mills had spent around $750 million over the past 3-5 years to build capacity but would expected to spend around 19 billion naira ($95.53 million) this year, from cash flows and development loans. A year ago, Flour Mills had planned to invest $1 billion over the next 3-5 years to fund growth and expand into West Africa. But Coumantaros said the company with a focus on food processing, agriculture and logistics, was shifting focus to driving efficiencies and cutting cost to deliver growth. Nigeria expects to lower its forecast for 2015 economic growth again, after cutting its forecast to 5.54 percent in January, as oil prices fell and the naira weakened further last month. "Rather than growing, investing and expanding, we now have to look inwards," Coumantaros said.
Revenue for the manufacturer of pasta, flour, vegetable oil and livestock feed grew 10-15 percent over the last five years. He expected that growth rate to continue this year largely due to the inflationary effect of a weaker naira.

Shares in Flour Mills have shed 10.7 percent so far this year, outperforming the drop in the main share index, down 11.6 percent. Coumantaros was bearish on the outlook for the naira currency, but said he expected the fall to enable Nigeria reduce reliance on imports and consume goods made at home, an advantage for Flour Mills. Flour Mills' reported half-year results in November, with profits down 21.3 percent to 5.77 billion naira. Revenues also fell to 165.54 billion naira. "We've definitely seen the spending power of the consumer slow ... in certain areas like biscuits ... when one tries to increase prices there is a corresponding drop in demand." Coumantaros said his firm, set up more than 50 years ago in Nigeria, was on track with its expansion plan into the rest of Africa over the 3-5 year period in order to tap into a greater population on the continent and diversify revenues. *(Reuters)*

Zenith Bank Plc and Guaranty Trust Bank (GTBank) Plc have announced their 2014 results, with growths in gross earnings and profit for the year. The two banks also declared dividends of N1.75 per share apiece. However, in absolute terms, Zenith Bank recorded a higher profit after tax of N99.4 billion compared to N98.7 billion posted by GTBank Plc. Specifically, Zenith Bank grew gross earnings by 14.76 percent to N403.3billion, up from N351 billion. Interest Income grew by 15.9 per cent from N272 billion to N313.4 billion, while non-interest income rose by 39.1 per cent to N90.1billion. Profit before tax (PBT) increased by 12.8 per cent from N106 billion to N119.8 billion while profit after tax (PAT) for the year rose by 8.6 per cent N91.5 billion to N99.5 billion. The board has proposed a final dividend of N1.75 per share. On the other hand, GTBank grew its gross earnings by 14.8 per cent to N278.5 billion, from N242.7 billion recorded in 2013. Interest income rose by 8.2 per cent from N185.4 billion to N201 billion, while interest expenses rose by 20 per cent from N48.4 billion to N58.2 billion.However, credit impairment charges soared by 146 per cent from N2.9 billi to N7.1 billion. Similarly, operating expenses increased by 14.9 per cent to N95.7 billion, from N82.4 billion in 2013. PBT rose by 8.7 per cent from N 107.1 billion in 2013 to N116.4 billion in 2014. PAT rose by 9.6 per cent from N90 billion to N98.7 billion.

Based on the performance, the directors recommended final dividend of N1.50 per share. This brings the total dividend to N1.75 per share, having paid an interim dividend of 25 kobo before now. Commenting on results, the Managing Director/CEO of GTBank, Mr. Segun Agbaje, said,said financial performance attested to the inherent soundness of its strategy and resilience of its earnings. According to him, Group has delivered a respectable PBT of N116.39billion in spite of all the headwinds the industry experienced in 2014. "We remain committed to maximising shareholder value and delivering superior and sustainable returns. Our objective is to remain a leading player in the financial services sector whilst expanding our franchise in select, high growth African markets where we believe we have a competitive advantage," Agbaje said. Also speaking on the GTBank's results, analysts at FBN Capital Limited, said the N116.4 billion PBT came in ahead of bank management's full year guidance of N110 billion. "The PBT also came in ahead of consensus full year PBT forecast of N109 billion.Given that the positive surprise in the results was driven by non-interest income (and in particular FOREIGN EXCHANGE TRADING), we do not expect much of the surprise to be carried forward as far as consensus forecasts are concerned. More importantly, these results do not yet reflect the fallout from the worst of the marked decline in oil prices. We believe that GT Bank will fare better than most banks and should be viewed as a core holding for investors through the challenging times ahead. However, we also acknowledge that growth, particularly for risk assets, is bound to slowdown in 2015. GTBank's exposure to the oil and gas sector at over 20 per cent of its loan book is a slight concern also," they said. *(This Day)*

Economic News

The Chief Executive Officer of the Financial Reporting Council (FRC), Mr. Jim Obazee has attributed the growth in foreign investments recorded by Nigeria in the past few years to implementation of the International Financial Reporting Standards (IFRS). Obazee, also said the IFRS also contributed significantly to Nigeria becoming the number one investment destination in Africa. The federal government had on July 28, 2010 accepted the recommendation of the committee on the roadmap to the adoption of IFRS in Nigeria. It had then stated that adopting the global accounting standards would be in the interest of the Nigerian economy for reporting entities in the country to adopt globally accepted, high-quality accounting standards with the IFRS, using a phased transition, effectiveJanuary 1, 2012. Obazee stated at weekend that the "implementation of IFRS increased the assurance and comfort of both local and foreign investors, in the financial statements that are issued by companies in Nigeria. "The International Accounting Standards Board classified Nigeria as an IFRS-based country and even sent their priced officials to come and run a three-day 'train-the-trainer' workshop on IFRS for SMEs." He also pointed out that as a result of the adoption of the IFRS by the country, the Accountant General of the Federation and his colleagues in other states in the country have been working tirelessly to ensure that they prepare their financial reports to comply with the International Public Accounting Standards (IPSAS), of which his agency is overseeing its implementation in the country.

In addition, the FRC regulates financial reporting and corporate governance in both public and private sector in Nigeria. The essence of that, according to the FRC boss, is to mitigate corruption and promote accountability, transparency and good governance. A number of inspection and compliance monitoring had been initiated and carried out by the FRC. "Nigerians can see that professionals who engage in the financial reporting process of entities (in both public and private sectors of the economy) have to mandatorily register with the FRC. They also attest and take responsibility for the accuracy and reliability of the financial reports issued by such entities. "Nigeria is the first country of the world to require this. Had this been the global practice, Arthur Andersen (chartered accountants) will still have been in existence today, as only the registered professionals would have been punished for the fraudulent reporting of Enron. "Nigeria also saw that public institutions such as the Central Bank of Nigeria and the Bank of Industry were investigated for fraudulent financial reporting. This is also the first time that federal government institutions are subjected to this level of inspection," Obazee added. *(This Day)*

The government of Nigeria is unlikely to make withdrawals from the sovereign wealth fund in Africa's largest oil producer, even as the price of crude declines. The Nigeria Sovereign Investment Authority, set up in 2012, isn't yet large enough to make withdrawals worthwhile, Uche Orji, managing director and chief executive officer, said in an interview with Bloomberg Television at the Global Financial Markets Forum in Abu Dhabi. Withdrawals will be an option in future years once the fund is larger, he said. The Nigerian government has proposed cutting the oil-price benchmark to $52 a barrel from $65 a barrel suggested in December as a result of slumping prices. The plan, supported by the Nigerian senate, must be approved by lawmakers in the House of Representatives. Nigeria relies on oil exports for more than 90 percent of foreign exchange income and 70 percent of government revenue. Revenue raised from oil sold for more than the budgeted benchmark is saved in the Excess Crude Account. The NSIA, as the sovereign fund is known, has around $500 million to invest in Nigeria, Orji said. The fund will focus on allocations to Nigerian power, real estate, agriculture and health care this year, he said. *(Bloomberg)*

Nigeria expects to lower its forecast for 2015 economic growth again, after cutting its forecast to 5.54 percent in January, after oil prices

fell and the currency weakened further last month, the country's statistics bureau said. Yemi Kale told the Reuters Africa Investment Summit on Tuesday he did not expect a reduction of more than 1 percent in the 5.54 percent forecast. Final figures will be released by half-year, he said. Nigeria lowered its forecast for economic growth in January from 2014's 6.22 percent after the government cut spending because the price of oil had slumped. "Because of the changes in the macro-variables ... we are not sticking with those forecasts any longer. The exchange rate, crude oil forecast have changed," Kale, the head of the National Bureau of Statistics, told Reuters by telephone. "I'm assuming the growth rate may drop further," to around 4 percent," Kale said, "but again other sectors may compensate for the drop in oil prices and the depreciation." Nigeria's currency suffered its biggest monthly decline in more than five years last month, amid concern over political uncertainty and the central bank's ability to manage the currency as oil prices fell. The naira fell through a psychologically important level of 200 to the dollar in February, prompting the central bank to scrap its bi-weekly forex auctions, in a de facto devaluation.

Kale expects inflation in Africa's biggest economy to inch up to around 9 percent, the upper end of the central bank's target, from its January forecast of 8.78 for 2015. More than half of Nigeria's population of 160 million live in villages and imports account for only 13 percent of total domestic consumption, Kale said, so the effect of imported inflation has been limited following the devaluation. Reforms to the non-oil sector and investments in power and infrastructure should help cushion the loss of revenues from weak oil prices, he said. "The price of commodity (oil) has gone down, but the exchange rate weakness has cancelled the impact on the inflation," he said. Kale said data on imported capital for the past two years showed a significant amount of foreign capital flowed into the country. But it flowed out as oil prices started to plunge last year, exerting pressure on the currency. The stock exchange said last month foreign investors sold shares valued at 846.5 billion naira ($4.5 billion) in 2014 as oil dropped and the currency weakened. *(Reuters)*

Oil-rich Nigeria's main cities are facing acute gasoline shortages as importers feel the pinch of a plummeting local currency, tighter credit lines and unpaid government subsidies, oil traders and local industry sources said. As queues of double-parked cars stretch outside filling stations in the capital Abuja, empty tanks elsewhere are forcing consumers onto the black market just weeks before presidential elections on March 28 in Africa's biggest economy. "I have spent 12 hours here," taxi driver Bartholomew Odey Akpa told Reuters on Monday. "I work at the airport as a car hire ... and there is no fuel for me to go." Nigeria exports around two million barrels per day of crude but a neglected refining system means it is almost wholly reliant on imports for the 40 million litres per day of gasoline it consumes. The picture is an unwelcome one for President Goodluck Jonathan, who faces former military leader Muhammadu Buhari in what is expected to be the tightest election battle since the end of military rule in 1999. Nigeria's state oil company tried to reduce panic buying on Friday by announcing additional supplies but to little avail. Obafemi Olawore, the executive secretary of the Major Oil Marketers Association of Nigeria (MOMAN), said they began receiving the stop-gap gasoline on Tuesday morning. Gasoline is heavily subsidised by the government via the Petroleum Products Pricing Regulatory Agency (PPPRA), and Jonathan's own efforts to scrap them in early 2012 caused riots. Credit problems due to erratic subsidy payments have been magnified by the plunge in global oil prices and the country's currency, leading to the buying freeze. "It's a mess for financing ... I don't think there is enough product on the way to fill up the tanks," a trader said.

Nigeria's naira hit a record low of 206.60 to the dollar in February, down 20 percent since its devaluation in November, and the central bank scrapped biweekly currency auctions in February to protect its haemorrhaging foreign reserves. The move left importers with no choice but to pay higher interbank rates, further complicating financing. "Marketers who handle about 50 percent of the market are not importing, as the banks are not opening letters of credit for them," an industry source said. Finance Minister Ngozi Okonjo-Iweala said on Tuesday 320.8 billion naira had been paid to marketers in December last year from the country's rainy day fund, the Excess Crude Account. "Last week we met the marketers and negotiated the terms of payment of the 185 billion naira," she told a press conference. She said the government will begin issuing Sovereign Debt Notes (SDN) to marketers on Wednesday to repay the remaining capital. SDNs, which serve as guarantees for marketers' imports, are expected to be treated like cash. MOMAN's Olawore said a more immediate payment covering part of foreign exchange and interest costs was expected on Tuesday. "We were told ... the letters of credit would be reopened now that a payment was promised," Olawore said. Further subsidy payments are expected throughout March. Even some of those with access to financing were running down stocks, fearing that a missed payment for just one cargo could push them into bankruptcy. This has put the burden on crude-for-products contract holders Sahara, Aiteo and state trader Duke Oil, operating through state agency Pipelines and Product Marketing Co

(PPMC), which usually only import half of the country's fuel. Fear of chaos in both subsidy payments and at import terminals after the elections also caused shipments to dry up close to the original poll date of Feb. 14. A similar move is happening again. "There is now a huge drive to get product there before the election," one trader said. "It's all going through the PPMC." *(Reuters)*

Nigeria's total pension asset has the potential to rise to N140 trillion between the year 2022 and 2025. Total pension asset stood at N3.8 trillion($24b) as at October 2013, representing only 0.003 per cent of the world's total pension asset of $70 trillion. Finance expert and Managing Director Lancelot Ventures Limited, Mr. Adebayo Adeleke stated this at the annual insurance and pension awards organised by Inspenonline , an insurance and pension online medium in Lagos . He said Nigeria's pension sub sector has great potential to grow up to the above figure in the next seven to ten years. Adeleke who is also Secretary General Independent Shareholders Association of Nigeria said pension asset will in the nearest future surpass market capital of Nigeria Stock Exchange with great margin. He attributed the potential growth to the effectiveness of the current pension regime in the country, saying one of the good features of the contributory pension regime is that workers are now being fully responsible for their retirement savings. The contributory pension scheme regime enthroned by the former president Olusegun Obasanjo's administration is a funded scheme that gives room for employees and employers to contribute to a common pool of retirement savings account opened by the employee. Both employer and employee contribute a total of 18 per cent of employee's monthly salary to the pool managed by a Pension Fund Administrator (PFA) of his or her choice. The fund is invested on behalf of the employee by pension fund custodian who also adds interest to the accumulated funds monthly . At the annual pension and insurance award, immediate past president Chartered Insurance Institute of Nigeria (CIIN) Fatai Lawal emerged the Inspenonline Insurance Man of the year for 2014 . Fatai who is the Managing Director Sterling Assurance Nigeria Limited bagged the award among many other nominees after due selection by voting conducted by the organisers.

Speaking at the event,Chief Executive Officer Inspenonline Media, Chuks Udo Okonta, said Lawal was picked from the votes casted by the public and other considerations made by the award's panel of assessors. He noted that the winner raised the bar at the institute and the industry by opting to serve a tenure which was eventful and impactful. He added that amongst the legacies left by the winner was the printing and donation of Insurance books to secondary and tertiary institutions aimed at deepening insurance awareness. Okonta noted that the award, which started two years ago with the recognition of two distinguished individuals and and underwriting company, has now come to stay. "This year, we decided to raise the bar by setting high standards to judge the operations of companies and impacts made by individuals in moving insurance and pension business forward. "To achieve this, we gave the public the opportunity to select those to be celebrated by calling for votes. Having harmonised the votes which came from different parts of the country, we benchmarked the scores with the set standard to arrive at the winners we are celebrating today," he said.

Other winners at the event are AIICO Insurance Plc, which clinched Insurance company of the year; award, FUG Pensions Limited which went home with the Pension Fund Administrator of the Year; YOA Insurance Brokers Limited and Glanvill Enthoven Insurance Brokers Limited, which won Insurance Broker of the year. Professional Excellence Award went to Professor Joe Irukwu;, while Best Professional Group went to the Chartered Insurance Institute of Nigeria and Association of Registered Insurance Agents of Nigeria; Corporate Brand went to Mansard Insurance Plc and Leadway Assurance Limited while Corporate Social Responsibility award was won by Sovereign Trust Insurance Plc. The organisers also recognised organisations that distinguished themselves, with Excellence Award. organisations in this category include the National Pension Commission, Lagos State Pension Commission, Goldlink Insurance Plc and Pension Transition. *(This Day)*

Nigeria's electricity industry is being hindered by producers' inability to raise finance and natural-gas shortages, curbing companies' ability to boost INVESTMENT in output as the country suffers from daily blackouts, the country's energy regulator has said. Peak electricity output of Africa's biggest economy is about 3,800 megawatts, with another 1,500 megawatts unavailable because of gas shortages, Bloomberg quoted the Chairman of the Nigerian Electricity Regulatory Commission, Sam Amadi to have said. South Africa, with a third of Nigeria's population, has eight times more installed capacity. One megawatt is enough to provide energy to 2,000 average European homes, or about 333 in Japan. "There are still issues of creditworthiness. Power generation is not coming on board because the distribution companies are weak, they're not credit-worthy and can't get financing." Distribution companies are struggling to get consumers to pay their bills and this means that their revenue is so poor they are unable to pay producers for power, he said.

Nigeria, beset by frequent blackouts, dismantled the state monopoly and sold hydro- and gas-powered plants to try bring in INVESTMENT needed to expand electricity supply. The industry requires $18 billion to $20 billion to boost supplies to 10,000 megawatts within six years, according to the nation's privatisation agency. Power generation and distribution companies can now access a N213 billion ($1 billion) bailout announced by authorities in September to shore up struggling operators, Amadi said. The fund is supposed to help them pay off gas-supply debts and meet debt-service obligations to lenders on loans of almost N500 billion, on which some were falling behind. While Nigeria was the world's fourth-biggest exporter of liquefied natural gas in 2012, it's struggling to meet local demand for the fuel used by plants that generate at least 70 percent of the country's electricity needs. The nation, which holds Africa's biggest gas reserves of more than 180 trillion cubic feet, is expanding pipeline networks so that they can service power plants and industries and not just exports. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

SWISSPORT Tanzania has posted a net profit gain of 78 per cent thanks to increased traffic, foreign exchange, enhanced operational efficiency and strict cost control. Swissport, the biggest ground handler in the country, announced the results yesterday saying last year's net profit ballooned from 7.48bn/- of 2013 to 13.31bn/- of 2014. The handler attributed the robust performance to increased traffic, use of wide body aircraft by airlines and more important -- enhanced operational efficiency and strict cost control. "The prospect of the local aviation market indicates a slight increase in the number of flights while the volumes of cargo are expected to remain constant at best," Swissport said in a statement. During the year under review, the listed firm at DSE main market expenses increased by merely 4.0 per cent to 25.89b/- indicating a prudent cost control. While total revenue in 2014 rose by 23 per cent to 44.58bn/-. Swissport share price went up by almost 6.0 per cent to yesterday since the start of the year to 5,410/- . The share price envisages rising as dividend per stock rise by 73 per cent to make a total of 287/50.

The board announced the final dividend of 6.42bn/- or 178/43 per share. Last November an interim dividend of 3.92bn/- or 109/07 per share. On the future outlook, Swissport said they are optimistic this year's performance will be favourable as the number of flights indicates a slight increase. "Éto cope with changing and demanding business environment several strategies and plans has been put in place, including continue investment in ground support equipment and human resources development," Swissport said. Among them to construction of import cargo which was partially commissioning last November and full migration expected to take place in this August. "The current cargo terminal will be turned into a full fledge export facility," the ground handlers said. The profitability rate, on other hand, has pushed up the earnings per share by 73 per cent to 359/36 in 2014 against 208/22 of 2013. Swissport is an aviation services provider for ground handling and cargo operating at two major airports Julius Nyerere and Kilimanjaro international airport. The company is a subsidiary of Swissport International and provides passenger services, ramp handling, executive aviation, cargo services and other aviation related services. *(Daily News)*

Economic News

UP to six companies, most of them banks and microfinance institutions, could list on Tanzania's stock exchange this year, the chief executive of the bourse said. Mr. Moremi Marwa said at the Reuters Africa Investment Summit he also expected the government to approve regulations for the mandatory listing of shares in mobile phone operators by April. Like other African bourses, Tanzania's exchange wants to encourage more firms to list or use the exchange to raise funds via corporate bonds, a potentially cheaper route than borrowing from banks where lending rates can be 18 to 30 percent. "This year we anticipate five or six IPOs (initial public offerings)," Marwa said in an interview in the commercial capital Dar es Salaam. "Four listings will be on the Enterprise Growth Market and we anticipate one or two listings on the main market. These IPOs will mainly be from the financial and banking sector," he said. Micro-finance firms offer financial services to lowincome individuals or those who do not have access to typical banking services. In 2014, there was one cross-listing of Kenyan -based Uchumi Supermarkets on the main Tanzanian bourse and two IPOs on the exchange for smaller firms, Mr. Marwa said.

The corporate bonds could be listed in the first half of 2015, said Mr. Marwa, adding the exchange also wanted to promote the issuance of municipal bonds. He said regulations required to implement a 2010 law demanding mobile telephone firms list were awaiting approval. Telecoms has been Tanzania's fastest expanding industry. Operators include Vodacom Tanzania, a unit of South Africa's Vodacom; India's Bharti Airtel; Tigo, a unit of Sweden's Millicom Cellular International; and United Arab Emirates telecoms operator Etisalat (Zantel). Mr. Marwa said moves to ease restrictions on foreign investment had expanded the bourse's market capitalisation by 35 percent in 2014 to reach 22.1 trillion shillings ($12.04 billion). Tanzania scrapped a rule in September that had barred foreign investors from buying more than 60 percent of shares in a listed firm. "We uplifted the foreign investors limit but also as a country we partially opened up the capital account in order to attract more foreign investors to participate in our market both on the equity side and the fixed income side," he said. "Previously foreign investors used to participate on the buy side, they usually weren't selling. But since September, we have seen a significant increase in terms of foreign investors selling their positions as well to other foreign investors." (*Daily News)*

Tanzania will get a $300 million concessional loan from the World Bank's International Development Association (IDA) to help improve roads and other facilities in its commercial capital of Dar es salaam, the bank said. Fast-growing Dar es Salaam generates more than 40 percent of Tanzania's GDP but is exposed to a range of risks from climate change, including flooding, sea level rise, coastal erosion, water scarcity and insect-borne diseases. The credit from IDA, which gives grants or low-interest loans to the world's poorest countries, will boost the capacity of local governments in the east African country's biggest city of 4.6 million people to better plan and provide services. Philippe Dongier, World Bank Tanzania country director, said in a statement seen by Reuters on Wednesday that investments in infrastructure over the next five years would help improve a city envisaged to have 10 million people in 15 years. The bank said the funding will improve services directly for 1.9 million residents in the city, one of the fastest-growing in Africa, by preventing flooding, easing urban mobility, and improving basic infrastructure in low-income communities. *(Reuters)*

Tanzania slashed retail prices of petrol, diesel and kerosene for the sixth straight month on Wednesday citing 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 country after food. The Energy and Water Utilities Regulatory Authority (EWURA) said it had cut the price of petrol in the commercial capital Dar es Salaam by 6.57 percent to 1,652 shillings, while diesel fell by 8.49 percent to 1,563 shillings. Kerosene was reduced by 8.08 percent to 1,523 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 continuing 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. Tanzania's year-on-year inflation fell in January for the fifth straight month to 4.0 percent from 4.8 percent in December, due to slower increases of commodity prices. *(Reuters)*

Zambia

Corporate News

ZESCO Limited is expected to lose about US$480 million annually through buying electricity from independent power producers (IPPs). This is much higher than the price at which the power utility sells electricity to consumers. Company director of finance Rodgers Chisambi said Zesco, being the off-taker of power from the IPPs, buys electricity at an average rate of US$11 and later sells it at US$0.06 cents, resulting in a tariff differential deficit that will impact negatively on the company's cash flow. "At the current selling average tariff of 6.02 cents per kilowatt hour (kWh) compared to the IPP average cost of buying of US$11.03 per kWh, [there will be] a loss of US$479.5 million per year," Mr Chisambi said. He said this recently when senior officials from Zesco led by acting managing director Victor Mundende appeared before the parliamentary committee on economic affairs, energy and labour. Zesco Limited is expected to buy 1,880 megawatts of power at an annual cost of US$884 million from Kariba North Bank Extension, Itezhi-tezhi Hydro Power Corporation, Kafue Gorge Lower, Ndola Energy, and Maamba Collieries Limited, among others.

Mr Chisambi also said IPPs demand for security payment of close to US$200 million to secure their monthly billing receivables from Zesco Limited. "These amounts have to be maintained throughout the life of the agreement and this will result in a serious strain on Zesco's cash flow. Zesco's financial statements have for a long time been positive, but this development will result in the company making losses," he said. Earlier, Mr Mundende explained that IPPs are depending on Zesco to buy their electricity due to lack of cost-reflective tariffs in the country. "Several projects are under construction [and] given the current market structure and uneconomic tariffs, these projects are looking to Zesco to underpin their development as the sole off-taker. However, the tariffs arising from the projects are all significantly above Zesco's current average selling price," he said. *(Daily Mail)*

Economic News

THE International Monetary Fund (IMF) will assist Zambia in developing the macroeconomic framework that supports the country's development objectives. IMF resident representative Tobias Rasmussen said his organisation would work closely with the Zambian Government to promote economic stability and growth. "IMF works closely with the Zambian authorities to promote economic stability and growth. This involves assisting the Ministry of Finance and the Bank of Zambia in developing the macroeconomic framework that supports Zambia's development objectives," Dr Rasmussen said. IMFThe IMF also provides technical assistance in a numbers of areas, including central banking, public financial management, tax administration, and compilation of economic statistics. Commenting on the copper prices, Dr Rasmussen said the decline in copper prices on the international market presents a considerable challenge on Zambia's overall export receipts and on the exchange rate. He said with copper accounting for about three quarters of Zambia's export, the 20 per cent fall in copper prices that has occurred over the past years has had a significant impact on the country's overall export receipts.

Dr Rasmussen said in an interview in Lusaka that in turn, the reduced supply of foreign exchange had put pressure on the exchange rate. "The drop in copper prices on the international market presents a considerable challenge for Zambia's economy," he said. He explained that prices of commodities like copper are cyclical and subject to high volatility, saying that normally price movements do not have much of an immediate impact on the level of copper production. But the combination of lower prices, high production costs at some Zambian mines, and the new mining tax regime has raised uncertainty about what would happen to production and investment in the copper sector.
Dr Rasmussen said this had added to pressures on the kwacha. *(Times)*

THE World Food Programme (WFP) has approved a budget of US$9.2 million for the Zambia country programme. The budget comes with an extension of 10 months from March to December this year. According to a statement from Zambia's ambassador to Italy Frank Mutubila, the WFP board approved the proposed budget increase on its first regular session. In line with the Zambia country strategy of 2011 to 2015, WFP is implementing the programme to support social protection for vulnerable households. This includes assisting Government in its national social protection strategy and home-grown school feeding programme. WFP executive director Ertharin Cousin awarded a certificate of appreciation to Zambia through Mr Mutubila in recognition of Zambia's contribution to the WFP operations of fighting hunger and malnutrition worldwide last year. Mr Mutubila commended WFP for recognising Zambia's contribution to its work and saying Zambia attaches great importance to the fight against hunger and poverty, hence Government prioritising agriculture in its national development plan. *(Daily Mail)*

Zimbabwe

Corporate News

MBCA Bank, a unit of South Africa's Nedbank, has concluded a US$20 million, medium term line of credit with Afreximbank. The main purpose of the credit line is to fund capital expenditure, mainly completing technology renewals and retooling programs to enhance productivity for both local and export markets. MBCA Bank managing director Charity Jinya said funding under the deal would cater for clients keen to purchase or upgrade machinery, retool manufacturing operations and fund expansion programs in all the key sectors of the economy such as agriculture, mining, construction and the health sectors. "At MBCA Bank, we understand that an economy can only perform well with state of the art equipment and healthy workers hence the specific inclusion of the health sector in our funding programs," she said. Tenures for the facility will be for periods of up to 60 months and will be subject to annual reviews at respective anniversary dates. "Drawings under the facility may be in the form of direct advances, that is, loans and or letters of credit in line with client requirements," Jinya said.

In its unaudited interim condensed financial results for the half year ended June 30 2014, the bank said it continued to support the country's industrial sector, with loans and advances growing substantially. Management said despite the growth in the loan book, the non-performing loan ratio at the end of June last year remained relatively low at 2,65 percent against an industry average of around 18 percent, demonstrating the quality of MBCA's loan book in an extremely challenging economy. A number of financial institutions in Zimbabwe continue to suffer the effects of non-performing loans as individuals and companies fail to service loans owing to deteriorating economic conditions. *(New Zimbabwe)*

Mauritius-based Sino Properties (Proprietary) Limited (Sino Properties), is now the majority shareholder in Zimplow after snapping up a 59,4 percent stake in the agro-industrial concern. Sino Properties increased its stake in Zimplow after underwriting a $5 million rights issue, which was under-subscribed. Maxwell Chinorwadza, the Zimplow Company Secretary said the renounceable rights offer had 77,8 million shares of a nominal value of $0,0004 each. The shares were trading at $0,0642 per rights offer share on the basis of one rights offer share for every two ordinary shares held at the record date. The rights issue had a 40,53 percent subscription level, this translated to the underwriter taking position 59,47 percent. Out of the total number of rights offer shares (77 840 000), the ordinary rights offer shares subscribed amounted to 31 548 469, while ordinary shares issued to the underwriter were 46 291 531. 1 947 040 additional ordinary shares were issued to Sino Properties as payment of underwriting fees pursuant to the underwriting agreement. Sino Properties is an investment vehicle domiciled in Mauritius. It represents a Singaporean company which has interests in mining. The Singaporean company has other interests in the country. The $5 million rights issue was aimed at reducing expensive short-term debt. The company's total debt stood at $13,15 million as at October 31, 2014, with $8,4 million of it being short-term at a cost of 11 percent. Zimplow is paying close to $1,3 million annually in interest charges.

Group chief executive, Zondi Kumwenda is on record saying the legacy debt was assumed when the group took over Tractive Power Holdings (TPH) in 2012. At the time, Zimplow raised $11 million through a rights issue to finance the purchase of TPH. Last year, Sino Properties initially increased its shareholding in Zimplow following the foreclosure of part of the stake held by Tetrad. Tetrad held a 43,2 percent stake in the group but a lot of those shares were placed as security for non-performing loans. The majority of the shares have now been foreclosed by various creditors. More that two years ago Tetrad was offered 11 cents for its stake but turned it down. Zimplow's recent restructuring saw the group disposing of non-core assets, while it pounced on farm implements distributor, Tractive Power Holdings. The company acquired a 57,2 percent stake in Tractive Power after raising $11,2 million through a rights issue in August 2012. Last year, the agro-implements manufacturer disposed its remaining non-core assets to raise funds to reduce borrowings. The group, which had offloaded its engineering unit Tassburg together with motoring subsidiary Puzey & Payne for nearly $2 million, also sold its property in the Harare CBD along Robert Mugabe Road for $3,2 million. *(Daily News)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

AfrAsia Bank Limited's (ABL) has divested from Zimbabwe to refocus on profitable business lines elsewhere after ceasing operations in AfrAsia Bank Zimbabwe Limited (ABZL) last week. In a statement, group CE James Benoit said the difficulties that ABZL was facing arose primarily from legacy issues within the bank and the difficult economic environment within the country. The Reserve Bank of Zimbabwe (RBZ) cancelled the bank's operating licence citing viability issue. Benoit said the group has over the past months, been working diligently to shore up liquidity and capital, in order to provide tangible and sustainable solutions to the current economic situation faced in Zimbabwe. "ABL will continue to focus its efforts on its profitable core business lines and regional expansion as part of its strategic vision," he said. Benoit said discussions with one international investor had reached an advanced stage but the group was unable to get through to a conclusive agreement on satisfactory terms and conditions," he said. "Zimbabwe has been going through an economic slowdown due to liquidity challenges and a fragile global financial environment," he said. He said the termination of ABZL's banking activities in Zimbabwe will not affect the operations, clients and commitments of ABL in Mauritius and other parts of the world. "AfrAsia Bank Limited remains a financially solid institution, well capitalised with strong local and international shareholders," he said. *(New Zimbabwe)*

Hwange Colliery Company Limited (HCCL) has successfully closed two capitalisation transactions worth $31,2 million with the company expected to take delivery of equipment by April as it moves towards the projected 450 000 tonnes monthly output. The two transactions, which are vendor-financed, include the PTA funded $18,2 million BELAZ facility and the India Exim Bank's $13,03 million BEML facility. HCCL will get 10 dump trucks, five front-end loaders and two wheel dozers from BELAZ. BEML will supply HCCL with two excavators, two water bowsers, three front-end loaders, three bulldozers, three drill rigs, a motor grader and one tyre handler. The new equipment, together with the work of a contractor — Mota Engil — would see output totalling a minimum of 450 000 tonnes per month by the second half of the year, the company said in a progress report shared by executive management. Mota Engil was engaged last year to produce 200 000 tonnes of coal monthly. It began open cast mining in August. Mota Engil's total output has reached 996 000 tonnes. "The contribution of the contractor has enabled HCCL to work on stabilising its own production while bridging the gap between the purchase of new equipment and the commissioning of this equipment in May," HCCL said.

"The overall combined production target is to achieve a minimum of 450 000 tonnes monthly by H2 [second half], split between HCCL's own production and the contractor." HCCL said balance sheet restructuring would commence after management and board secure necessary support from major shareholders to launch a rights offer to retire a significant portion of the company's debt. This will ultimately result in the company generating positive cash flow and reducing its interest burden. "The excess cash that is expected to be generated by the business post the rights offer will be applied towards the retiring backlog in statutory obligations and payments for salary backlogs. The rights offer process is expected to be launched soon upon receipt of all relevant regulatory approvals," HCCL said. *(News Day)*

Mwana Africa subsidiary Bindura Nickel Corporation (BNC) has completed its $20 million bond issue, a key step towards the restart of the existing Bindura Smelter and Refinery. The refinery will process ore into refined nickel metal. The smelter is expected to be re-opened in the fourth quarter of this year and requires a funding of $26,5 million. Mwana chief executive officer Kalaa Mpinga said he was happy with the completion of the bond offering. "The closing of the corporate bond offer demonstrates the confidence the Zimbabwean financial institutions have in the prospects for BNC and its management team to provide a financial return while delivering tangible social benefit through job creation and in-country beneficiation of Zimbabwe's natural resources with the support of the Government of Zimbabwe," Mpinga said. He said Ecobank Zimbabwe ensured that the bond issue was a success, reaffirming its commitment to help build a market for those seeking investments. "This is the first corporate bond to be issued for a mining company with both Prescribed and Liquid Asset status, and we shall endeavour to deliver on the stated 12-month accelerated smelter restart plan," he said.

Funds to restart the smelter would be provided through private placement and a redeemable fixed rate secure bond of $20 million and the balance would be from internal resources. The company extended the period for the bond to last month from January. For the quarter ended December, BNC's Trojan Mine nickel concentrate was down 30% due to fewer tonnes of ore milled, lower head grade and reduced recoveries. The mining company said equipment taken out for the refurbishment exercise alongside ongoing maintenance reduced resources available for mining development, which in turn restricted access to massives. This resulted in a 23% drop in mill head grade. Recoveries were 2% lower than in the September quarter as a result of the lower nickel head grade. *(News Day)*

REFRIGERATOR manufacturer Imperial Refrigeration has sealed a $3 million deal to produce 3 600 units to Delta Corporation. Speaking during a tour of the company by Minister of Industry and Commerce Mike Bimha on Wednesday, Imperial chief executive officer Callisto Jokonya said the new order from Delta would be in addition to the 2 100 units supplied to the beverages manufacturer. The new order is expected to be delivered by the end of the month. "We are quite excited with the relationship we have with Delta, Schweppes and African Distillers Limited, I can say all the Coca-Cola brand companies. We have got government approval to be able to support them by bringing in units into the country which meet international standards," said Jokonya. "With the help of Frigoglass Company from South Africa this can make us double the number of what we have been producing in the past. We can actually do more than 20 000 units per year." He said the company had stopped producing refrigerators for domestic use and was now concentrating on manufacturing products for commercial purposes.

Imperial manufactures 80 units per day. The company is operating at 40% capacity and there are plans to increase the output. "We can actually comfortably say from October to now we have not been able to close, in certain cases we have been working on Saturdays but this does not mean we are operating at full capacity. But from 0 to 40% is a big jump," Jokonya said. Bimha said Imperial's new model of doing things showed innovation urging the business community to take a leaf from that. "We would want to encourage most of our local producers, we want to support them and they should also take the initiative. They are so many ways of doing things rather than saying I'm waiting for someone to give me money, but there is this collaboration with the end user who has an interest to make sure that the products are of a very high standard," Bimha said. *(News Day)*

Zimbabwean fast food and retail group Innscor Africa reported a 7 percent decline in half-year earnings on Thursday due to shrinking consumer spending and said it would look to expand in Africa to spur future growth. The southern African country is experiencing an economic slowdown, marked by company closures as businesses struggle with power cuts and lack of capital. Growth this year is expected to be lacklustre, hit by a lack of foreign investment and low commodity prices. Innscor runs the Chicken Inn and Pizza Inn chains, as well as the local operations of supermarket Spar. The group also runs Chicken Inn and Pizza Inn chains franchises in some southern African countries. Innscor Chairman Addington Chinake said in a statement the Zimbabwean economy would continue to slow down this year and the key to Innscor's future growth was expanding in Africa. Without giving details, the company said it plans to open 55 new fast food outlets in the rest of Africa, which would become an important part of its future growth strategy. "It is vitally important for the group to look to capitalise on its growing African platform and this will be an important part of its future growth strategy and desire to be a pan-African organisation," Chinake said. Innscor said headline earnings for the six-months to December were 2.54 cents down from 2.73 cents the previous year. Headline EPS strips out certain one-off items and is the key profit gauge in Zimbabwe. The group's revenues fell to $513 million from $525 million previously while gross operating profit was flat at $46 million. *(Reuters)*

Economic News

THE Zimbabwe Stock Exchange (ZSE) recorded mixed performance in the second month of the year with the market capitalisation declining to $4,35 billion from the $4,36 billion in January this year. Statistics from the ZSE shows that the market capitalisation of the local bourse has been on a downward trend since December 2014. Market capitalization measures the total value of the issued shares of a publicly traded company. The poor performance has been attributed to the depressed economic activity marked by liquidity challenges and low foreign direct investment inflows. The country has also been failing to attract significant investors that could participate at the local bourse. Value traded for the month of February stood at $34,7 million compared to $16 million in January last year. The mining index gained during the month of February to 58,13 points from 55,38 points in January. The mining index was buoyed by the performance of Bindura during the period under review while the other mining counters were trading at low levels. The counters included RioZim, Falgold and Hwange. The Industrial index gained 167,16 points in February from 164,90 points in January this year. The ZSE in 2014 registered subdued trading and the market capitalisation averaged between $4billion and $5 billion. The mining index rose in 2014 from 45,79 points to 70,38 points.*(News Day)*

The International Monetary Fund said it would consider extending new financial support to Zimbabwe only if the southern African country agrees to clear arrears with international financial institutions. Zimbabwe owes $9 billion in external debt, half of it in arrears and has not received financial support from the IMF, World Bank and African Development Bank since 1999 due to policy differences between President Robert Mugabe and the West. Zimbabwe's economy is slowing down due to lack of foreign investment, electricity shortages and expensive loans. Cheaper imports are damaging local industry, forcing firms to close. Domenico Fanizza, who is leading an IMF team to review Zimbabwe's progress on the fund's staff programme, told a committee of parliament on Wednesday that the country was on course to meet its set targets under the programme. Some of the targets include stabilising the financial sector, re-engagement with Western countries and reducing the budget deficit. "We would consider financial support only when there is agreement on how to solve the arrears because otherwise we cannot do it," Fanizza said. "We need to have a credible plan for clearing arrears." Answering questions from the members of parliament, Fanizza said IMF shareholders like the United States who have imposed financial sanctions on Zimbabwe were unlikely to stand in the way of new funding for the southern African country. Fanizza said Zimbabwe should open up the economy to allow greater participation by the private sector and attract foreign investment. *(Reuters)*

Disclosures Appendix

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