

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index			WTD % Change		YTD % Change	
		23-May-14	30-May-14	Local	USD	Local	USD
Botswana	DCI	9021.42	9096.73	0.83%	0.06%	0.48%	0.44%
Egypt	CASE 30	8727.54	8242.94	-5.55%	-5.78%	21.53%	17.85%
Ghana	GSE Comp Index	2243.70	2319.12	3.36%	1.77%	8.11%	-14.53%
Ivory Coast	BRVM Composite	232.31	230.61	-0.73%	-1.25%	-0.61%	-1.73%
Kenya	NSE 20	4925.58	4881.56	-0.89%	-0.69%	-0.92%	-2.33%
Malawi	Malawi All Share	13132.27	13233.53	0.77%	1.69%	5.61%	13.44%
Mauritius	SEMDEX	2071.78	2077.87	0.29%	-0.02%	-0.85%	-1.36%
	SEM 7	406.26	405.98	-0.07%	-0.39%	0.58%	0.06%
Namibia	Overall Index	1119.10	1094.17	-2.23%	-2.97%	9.75%	10.27%
Nigeria	Nigeria All Share	39831.83	41474.40	4.12%	4.15%	0.35%	-0.68%
Swaziland	All Share	284.32	284.32	0.00%	-0.75%	-0.47%	0.00%
Tanzania	TSI	3102.40	3206.25	3.35%	3.19%	12.76%	7.89%
Tunisia	TunIndex	4534.70	4537.54	0.06%	-0.33%	3.57%	4.21%
Zambia	LUSE All Share	6030.31	6027.98	-0.04%	-3.07%	12.70%	-10.04%
Zimbabwe	Industrial Index	172.40	174.89	1.44%	1.44%	-13.47%	-13.47%
	Mining Index	28.81	35.44	23.01%	23.01%	-22.60%	-22.60%

CURRENCIES

Cur- rency	23-May-14	30-May-14	WTD %	YTD %
	Close	Close	Change	Change
BWP	8.58	8.65	0.77	0.04
EGP	7.11	7.13	0.25	3.12
GHS	1.87	2.98	1.57	26.48
CFA	479.58	482.10	0.53	1.15
KES	86.49	86.31	-0.21	1.44
MWK	387.60	384.10	-0.90	6.91
MUR	29.08	29.17	0.32	0.52
NAD	10.36	10.44	0.76	0.47
NGN	161.24	161.19	-0.03	1.04
SZL	10.36	161.19	0.76	0.47
TZS	1,624.37	1,626.90	0.16	4.51
TND	1.62	1.63	0.40	0.62
ZMW	6.68	6.89	3.13	25.28

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Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

No Corporate News this week

Economic News

Egypt aims to buy about half of its domestic wheat harvest this year at 4.4 million tonnes and is unlikely ever to get much more from farmers, who need to reserve the rest for seed and to feed their families. Egypt, the world's largest wheat importer, is striving to boost self-sufficiency and reduce its 32 billion Egyptian pound (\$4.6 billion) food import bill. But at most, the government will be able to increase domestic supply by around 1 million tonnes a year through improving storage and transportation. Supplies Minister Khaled Hanafi, whose ministry is in charge of local wheat procurement, said this week the government had purchased 2.75 million tonnes to date in the harvest season that began in mid-April, on track to meet its target. The harvest is now in full swing in northern parts of the breadbasket region of the Nile Delta and nearly finished in fields further south. Hanafi said his ministry was pushing ahead with the plan to buy 4.4 million tonnes of domestic wheat this year. The target consistent with the target set, but not met, last year by the government of ousted Islamist President Mohamed Mursi. The government says that improvements to the outdated storage system and the addition of new silos could cut down on the more than 1 million tonnes lost yearly due to storage and transportation problems. Yields for the Egyptian wheat crop are already among the highest in the world. Unlike fellow wheat producers such as Australia with inconsistent production, the Egyptian crop is reliable. Many farmers in rural agricultural areas in the verdant Nile Delta region are willing to sell only about half of their harvest to the government. Men who eke out a subsistence living on their land, using mostly the technology that their fathers and grandfathers did, say they are already selling the maximum amount they can.

Farmers such as Ahmed Sagheer say, given the needs of his own family, he cannot sell more wheat unless their small plots produce much more. Sagheer, from a small village in Sharqiya province in the heart of the Egypt's breadbasket north of Cairo, complains of water shortages and expensive fertilizer and says he does not expect the yield on his roughly one acre of land to increase dramatically soon. "We don't have a good supply of water, fertilizer is too expensive, and sometimes insects attack our crops," he said. Traders surveyed in a Reuters poll ahead of the harvest put the year's crop at around 7 million tonnes, in line with last year's total. Private traders' estimates for the local crop are consistently below government estimates, which also do not vary significantly from year to year. The U.S. Department of Agriculture (USDA) expects Egypt's production to reach 8.95 million tonnes this year, up only 300,000 tonnes from last year. Any efforts to expand wheat production onto uncultivated land are hampered by soaring population growth and illegal building on farmland, which officials say has increased since the 2011 uprising that ousted Hosni Mubarak. The government has steadily increased the fixed price it pays for local wheat in recent years. This year it raised the fixed price from 420 Egyptian pounds (\$58.88) per ardeb (150 kg) from 400 pounds, hoping to encourage farmers to sell to the government. The local price exceeds the price Egypt pays in the international market by more than \$100 per tonne. But 59-year-old farmer Hussein Sobhi Hussein, standing by his water buffalo near his already harvested field, said the Egyptian pound "buys less than it used to", suggesting that it was a safer bet to keep a large part of his crop for his family rather than taking cash for it.

Another farmer from al-Baheira province, in the northernmost part of the Delta, where the harvest is currently in full swing, explained why he cannot afford to give up more of his crop. "I have only one feddan [1.038 acres]. I have to plant it half with wheat because the other half is alfalfa for my livestock to eat," said Mohamed Seshar, a father of three who farms part of his late father's land, having split it with his brothers. "Then I need to keep half of my wheat harvest for my family to eat," he said. "I'm living day to day," he added. "I'll store half at home and sell the rest because of my family's needs," said Walid Ali, 25, a father of three who stood sweating in the midday heat. He and his young wife worked with other family members to put stalks of wheat that they had cut by hand into a threshing machine, which would have been replaced by a combine machine in a more mechanised farm. "I'd like to sell more but for now it is not possible," Ali said as he turned to get back to work. *(Reuters)*

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With nearly all votes counted, Egypt's former military chief has won a crushing victory over his sole opponent with more than 92% of the votes, according to results announced by his campaign early on Thursday. The campaign of retired field marshal Abdel-Fattah al-Sisi said he won 23.38 million votes, with left-wing politician Hamdeen Sabahi taking 735 285. Invalid votes were 1.07 million, or nearly 350 000 more than the number of votes for the 59-year-old Sabahi. Al-Sisi's win was never in doubt, but the career infantry officer, also 59, had hoped for a strong turnout to bestow legitimacy on his ouster last July of Egypt's first freely elected president, the Islamist Mohammed Morsi. However, al-Sisi's campaign said turnout nationwide was around 44%, even after voting was extended for a third day on Wednesday — well below the nearly 52% won by Morsi in June 2012. In his final campaign TV interview last week, al-Sisi set the bar even higher, saying he wanted more than 40 million voters — there are nearly 54 million registered voters — to cast ballots to "show the world" the extent of his popular backing. Al-Sisi supporters held all-night celebrations in Cairo, with several thousands gathered at the central Tahrir square, birthplace of the 2011 uprising that toppled longtime autocrat Hosni Mubarak. They waved Egyptian flags, al-Sisi posters and danced. There were similar celebrations in the Mediterranean city of Alexandria and a string of other cities north of the capital and in the Oasis province of Fayoum southwest of Cairo. Critics said the lack of enthusiasm at the polls was in part due to apathy among even al-Sisi supporters, knowing that his victory was a foregone conclusion. Others said it showed discontent with al-Sisi, not just among his Islamist foes but also among a broader section of the public that believes he has no concrete plans for Egypt's woes and fears he will return Egypt to the autocratic ways of Hosni Mubarak.

The tepid turnout was particularly embarrassing because the government and media had been whipping up adulation for al-Sisi over the past 10 months, depicting him as a warrior against terrorism and the only person able to tackle Egypt's economic problems, high unemployment, inflation and instability. Al-Sisi's supporters in the Egyptian media have been in a panic the past two days. Political talk show hosts and newscasters urged people to vote, warning that otherwise the Brotherhood will be encouraged to step up its challenge to the new government. Prominent TV talk show host Amr Adeeb angrily said that by not voting, Egyptians might as well "go directly to the prison and return Mohammed Morsi to power". "Tell him, 'Your Excellency, president Mohammed Morsi, please come out and rule us,'" he said. The abrupt decision by the election commission to add another day of voting on Wednesday raised complaints that authorities were tipping the playing field in al-Sisi's favour. US-based Democracy International, which had been observing the vote, said the extension "raises more questions about the independence of the election commission, the impartiality of the government, and the integrity of Egypt's electoral process". It said its observer teams outside of Cairo had ended their mission as scheduled on Tuesday. Some other international monitoring teams also left the country, since they had only planned for two days of voting, though EU monitors stayed on. Sabahi, al-Sisi's only opponent in the race, protested the extension, saying it aimed to "distort" the will of the people. His campaign pulled its representatives from polling stations on Wednesday in protest against what it called a campaign of intimidation and arrests of its campaign workers. He, however, refused to bow to pressure from his camp to withdraw in protest, arguing that staying in the race qualifies him to "fight future battles." Sabahi's spokesperson, Hossam Moenis, told ONTV network that a member of the campaign has been referred to a military tribunal. "We are digging a channel for democracy ... in the face of an undemocratic project," he said. "The same mentality that we thought we managed to topple on Jan. 25, is back and ruling," — a reference to the start of the 18-day, anti-Mubarak uprising in 2011.

Only a handful of voters, or none at all, were at polling centres in multiple districts toured by Associated Press reporters Wednesday. At some, music played and kids painted Egyptian flags or al-Sisi's name on their faces as the occasional voter drifted in. TV images beamed from more than a dozen locations across Egypt showed similar scenes. "People are lazy, depressed or frustrated. They knew what the result will be even before the vote," said Amani Fikry, a manager in a privately-owned company. "They are exhausted from three years of constant troubles." In Cairo's Sayeda Zeinab district, loudspeakers played patriotic songs at an empty polling centre. Two al-Sisi backers scribbled words of support on posters of the candidate that had been defaced with insulting graffiti. "Sissi doesn't need a program," said one, Mohammed Hussein. "We just want security." Morsi's Brotherhood supporters and other Islamists boycotted the vote and scattered protests by Morsi supporters were quickly dispersed by security forces. In Fayoum, the province southwest of Cairo, riot police fired tear gas after protesters hurled stones and fire cracks while marching and chanting slogans against elections. Along with Islamists, some of the youths who took part in the 2011 uprising that toppled Mubarak either stayed away from the polls or supported Sabahi. "Where are the youth? What do they want? Do they want to destroy Egypt?" Said Sayyed, a laundry worker in his 70s, said of the boycott. (AP)

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Egypt needs to impose anti-dumping duties to protect power-hungry industries including steel if the government reduces energy subsidies, one of its top steelmakers said on Thursday. Energy subsidies are one of the most explosive issues facing Egypt's former army chief, Abdel Fattah al-Sisi, whose victory in this week's presidential vote will put a military man back in power in Egypt after the brief hiatus of Islamist control. Cuts to energy subsidies, which account for 13 percent of the state budget, are seen as necessary by leading business figures to repair government finances. But some are now saying they would need other protective measures if energy costs rise. "I am pro cutting subsidies," said Ahmed Abou Hashima, chief executive of Egyptian Steel, which expects to be the country's No. 2 steel maker by end-2015. "The government has no money. We know this and we can make compromises, but at the same time Egypt must protect industry in order to attract investors," he added in a phone interview. Egyptian Steel has recently raised 5.2 billion Egyptian pounds (\$ 727.25 million) from existing shareholders and loans from Egyptian banks. It plans to use the money to expand annual production capacity to 3.5 million tonnes by end-2015 from 355,000 tonnes at end-2013, and to double the workforce to 5,000 people. The IMF estimates that Egypt's energy subsidies amount to seven times what it is spending on healthcare. A clear move to cut subsidies could restore confidence among investors, who have viewed successive governments as indecisive. This investment, if it is directed towards the energy sector, could in turn stem the country's blackouts. While this alone would help firms such as Egyptian Steel, Abou Hashima insists they would still need anti-dumping measures to prosper. Abou Hashima cited imports from Turkey, the world's top steel rebar exporter, as a particular concern.

Egypt's trade ministry said late last year it was studying the possibility of imposing anti-dumping duties on Turkish steel imports, but there are currently no such tariffs in place, he said. "Turkey has had (energy) subsidies since 1990, and they protect their steel industry. In Egypt today there are no anti-dumping measures of any kind in steel. If Egypt removes its energy subsidies, it must protect its industry," he said. Relations between Egypt and Turkey have deteriorated since the overthrow last year of Islamist President Mohamed Mursi, who had close ties with Istanbul. Egypt's Industry Ministry confirmed that no import duties were in place on Turkish steel but declined to comment on whether or not the government was considering such a measure. "So far the minister has not made a decision on this," a ministry official said. According to steel industry body Worldsteel, Egyptian steel output fell at an annual rate of 8 percent in the first four months of this year to 2.05 million tonnes, after rising just 1.9 percent last year amidst the turmoil surrounding Mursi's overthrow. Even so, there are some positives for the industry. Ezz Steel, Egypt's top steelmaker, recently posted an 8 percent profit rise in 2013, citing an increase in private house-building and the former interim government's two stimulus packages, each worth 30 billion Egyptian pounds. "Egypt has potential. Almost two-thirds of our population is 30-years-old and under, and we are also the gateway to Africa, but we must start a revolution of work and production," said Abou Hashima said. Egyptian Steel, which was established by Egyptian and Qatari investors in 2010 by combining three existing firms, is planning an initial public share offering around 2016. (*Reuters*)

Egypt has approved the introduction of a 10 percent capital gains tax on profits made on the stock market, the country's Finance Minister Hany Dimian told Reuters on Thursday. The tax is part of the first phase of income tax reforms in the country expected to bring in 10 billion Egyptian pounds (\$1.40 billion), Dimian said. He said the tax will not be retroactive and will be implemented once a law is issued. "The council of ministers agreed to impose a 10 percent tax on net capital gains that individuals make at the end of the tax year," Dimian said. "A tax of ten percent was also imposed on cash dividends and bonus shares." Profits from stock market transactions are currently tax free. Egypt has been voting this week to choose a new president. Abdel Fattah al-Sisi, the general who toppled the country's first freely elected leader following mass protests, has taken more than 90 percent of the vote according to provisional results. The country is keen to encourage investment but also find additional sources of revenue after more than three years of economic and political turmoil since a popular uprising ousted Hosni Mubarak in 2011. Growth expectations for this financial year are between 2-2.5 percent, the finance ministry has said.

To help to encourage direct investment there will be a reduction in the tax on cash dividends and bonus shares for those holding strategic investments of more than 25 percent in companies listed on the stock market, Dimian said. "The percentage is decreased to 5 percent if the participation level is more than 25 percent, which would encourage direct investment," he said. Dimian said there would also be an exemption from the tax for parent or holding companies that receive dividends from their affiliates if their stake is no less than 25 percent of the capital in those firms for at least two years. Dimian said a 0.001 percent stamp tax on stock market transactions will be cancelled. He

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also said the new tax would not have adverse effects on foreign investment. "With regard to foreign investors there will be no change in their tax burdens because the tax they pay in Egypt will be discounted in their countries," *(Reuters)*

Egypt's central bank left key interest rates unchanged on Thursday, a day after Egyptians voted to elect former army chief Ab del Fattah al-Sisi as president, as it tries to balance growth and inflation pressures. The central bank kept the overnight deposit rate and the overnight lending rate at 8.25 percent and 9.25 percent, respectively, it said in a statement on Thursday. Growth has been sluggish for three years in the Arab world's most populous country as tourists and foreign investors have stayed away in the wake of the popular uprising that ousted autocrat Hosni Mubarak in 2011 and the political turmoil that has followed. Three of the six economists Reuters spoke to had expected the bank to cut its benchmark rates by either 25 or 50 basis points to give economic activity a boost. The other three forecast no change in rates. As well as high inflation, a tumbling Egyptian pound has pressured the central bank to keep interest rates high to lure funds out of foreign currencies. "The downside risks to domestic GDP combined with the negative output gap since 2011 will limit upside risks to the inflation outlook," the central bank said in a statement on its website. "Given the mixed balance of risks surrounding the inflation and the GDP outlooks at this juncture, MPC (the Monetary Policy Committee) judges that the current key CBE rates are appropriate," it added. The central bank kept its deposit and lending rates unchanged at its last meeting as well, on April 28.

Economic growth has been sluggish this year, with gross domestic product only rising 1.2 percent in the first half of 2013/14. The government has cut its growth forecasts for this year to 2-2.5 percent from a previous 3-3.5 percent. The annual consumer inflation rate slowed to 8.9 percent in April from 9.8 percent in March, while annual core inflation slowed to 9.11 percent in April from 9.9 percent in March. To support the local currency, the central bank has also been burning through its foreign currency reserves, now at around \$17 billion compared with around \$35 billion before the 2011 uprising. *(Reuters)*

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Ghana

Corporate News

Stanbic Income Fund Trust (SIFT) recorded a net assets of GH¢5.96 million in 2013 as against GH¢4.75 million in the year 2012, representing an increase of 26 per cent. Out of the amount, 50 per cent was invested in government notes, 21 per cent in corporate notes at a weighted average return of 22.9 and 25.1 per cent respectively. Mr Kwabena Boamah, Portfolio Manager of the Fund, announced these at the fund's Annual General Meeting in Accra on Thursday. He said the Fund also made a net return of 22 per cent in 2013 better than that of 2012, which was 16 per cent with a normalized return of 22 per cent and a three-year return of 71 per cent from inception. Mr Boamah said returns were driven by investments in the secondary market within the fixed income asset class, adding that net investment gain in 2013 grew by 62 per cent to GH¢1.1 million from GH¢0.68 million while total ratio declined from 2.34 per cent in 2012 to 2.3 per cent in the year 2013. The Portfolio Manager said the economic outlook for 2014 was weak, as the twin deficits burden maintained a destabilizing influence on positive economic outcomes. "These deficits have fueled inflation, and a key challenge will be to put the brakes on increasing wage expectations and by extension even higher inflation. "It is anticipated that the first half of the year would see a significant upward movement in interest rates which may remain stable in the second half of the year as Bank of Ghana works to improve the economic situation of the country," Mr Boamah added. (*Ghana Web*)

AngloGold Ashanti will lay off thousands of workers at its Obuasi gold mine in Ghana and cease underground production for up to 24 months, mining union leaders told Reuters on Friday after talks with the company. Representatives of the Ghana Miners Union (GMU) and the Professional and Management Services Union (PMSU) said they agreed with decisions announced by the company at a meeting in Obuasi on Thursday and said they hoped production could resume later. "It just came to light that they are going to lay employees off to put the Obuasi under care and maintenance and to bring it back in 18-24 months," PMSU secretary Samuel Dwamenah Gyimah said. AngloGold did not respond immediately to requests for comment. The century-old Obuasi mine has not made a profit for a decade, partly because of heavy operational costs, and has required bailouts from head office. It has also been hit hard by a slump in gold prices in 2013. "Cutting jobs is not a pleasant thing to do, but in this case we all believe and have agreed that it is the better evil. The other alternative is to allow the situation to deteriorate further and one day the Obuasi mine will be no more," Prince Ankrah, general secretary of the GMU said. (*Reuters*)

Ghana Commercial Bank (GCB) Limited recorded a total income of GH¢568 million and profit before tax of GH¢317.1 million at the end of last year. This represents 64 per cent growth over the previous year. "This was in spite of the decline of about five percentage points in rates of instruments on the money market where GCB is structurally dominant by the end of the year," the Board Chairman of the bank, Dr Fritz A. Gockel, said at the 20th annual general meeting (AGM) of the bank in Accra. Mandated by law to make public its report and financial statements annually, the 20th AGM brought together board of directors, auditors, shareholders, customers and the public to hear how the bank fared in 2013. The forum was also used as an opportunity to allow shareholders and customers to ask questions that bothered them about the operations of the bank for the year under review. Dr Gockel said GCB remained committed to paying dividends to its shareholders as a first step of remunerating them. "We are pleased to propose a cash dividend payment of GH¢66.25 million, (2012: GH¢37.1 million) representing a cash dividend per share of GH¢0.25, (2012: GH¢0.14), a growth of 78.6 per cent over 2012. "This payment also represents a payout ratio of 29 per cent of profits after tax or 30 per cent of total comprehensive income of 2013," he said.

The Board Chairman stated that in 2013, the bank took a distinctive approach to community support through its philosophy of "Touching lives wherever they are." Consequently, the bank built a five-unit classroom block with rest room, kitchenette and toilet facilities at the cost of GH¢38,000 for Fawoman, a community in the Ahafo-Ano South District in the Ashanti Region. By that approach, he said he believed the bank was making connections with society for a long term. Briefing the media, the Managing Director of the GCB, Mr Simon Dornoo, said the bank was putting in measures to ensure improved customer service at the bank. He said there were a lot of complaints by customers about queuing at the banking hall, which was being resolved with pragmatic measures, saying that it had increased and doubled its Automated Teller Machine (ATM) service. He indicated that the bank also had internet banking, as well as other services which customers could access

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without going to the banking hall. Mr Dornoo stated that GCB also had a better understanding of the Ghanaian market, and was prepared to deliver the best services to consumers. (*Ghana Web*)

The lead operator in Ghana's Jubilee oilfield, Tullow Oil plc has selected Vallourec to supply premium line pipes and welding services for the Tweneboa, Enyera and Ntomme (TEN) ultra-deepwater oil and gas project, operated by Tullow Oil and executed by a consortium of Subsea 7 and Technip. Vallourec will provide Subsea 7 with seamless offshore line-pipe including anticorrosion coating for a total of 15 000 t. The pipes will be dedicated to production flowlines and gas export line. Vallourec's subsidiary Serimax, an international welding company, will accomplish associated welding services for the double jointing operations related to the production pipe in pipe and the gas export lines. Those operations are to start within the next three months. Dominique Richardot, Managing Director of Vallourec's Pipe and SURF activities, declared: "Vallourec's involvement in several parts of the TEN project demonstrates our ability to generate added value for our clients through flexibility, synergies and close cooperation. By providing an important number of non-standard pipe dimensions we help Subsea 7 facilitate the pipe-in-pipe design optimisation, and thus reduce total costs. Moreover, thanks to our lean logistics, our performing welding services, as well as our strong execution team, we offer a full support to our client to efficiently conduct this offshore project in Ghana." Tullow Oil has said that the development of its second major oilfield in Ghana, being the TEN field, is on track to deliver first oil by mid-2016. The oil exploration and production company has said that work is progressing steadily on fabrication of the Floating, Production, Storage and Offloading (FPSO) vessel with a capacity to process 80,000 barrels of oil per day.

Production at the field is expected to peak at between 75,000 and 76,000 barrels of oil per day, and the project is expected to recover approximately 216 million barrels of oil. The government of Ghana approved the plan of development for the project on May 29, 2013, paving the way for Tullow and its partners to proceed with development of the field, estimated to cost US\$4.5billion. According to Tullow, development of the TEN Project requires the drilling and completion of up to 24 development wells, which will be connected through sub-sea infrastructure to the FPSO. The Tweneboa-Enyenra-Ntomme (TEN) fields are located in the Deepwater Tano licence, which covers an area of more than 800 sq km and lies around 20km west of the Jubilee Field. The first discovery of oil was made by the Eirik Raude drill rig in March 2009. Tullow is operator of the Deepwater Tano Contract Area with an equity interest of 47.175%. Other partner interests are Kosmos Energy (17%), Anadarko Petroleum (17%), Sabre Oil & Gas Holdings Ltd -- a wholly owned subsidiary of Petro SA (3.825%), and the Ghana National Petroleum Corporation (15%). (*Ghana Web*)

GCB Bank Limited is preparing its systems in anticipation of the implementation of Value Added Tax (VAT)?charges on non-core financial services. The Managing Director of GCB Bank Limited, Mr Simon Dornoo, said the charges would take effect from next month, and explained that the early preparation was to ensure that the bank was not overtaken by events when the time for implementation was finally due. According to him, the bank handles large volumes of business, adding that for now the bank is awaiting the final list of services that will attract the charge from the Ghana Revenue Authority (GRA) to comply with accordingly. The imposition of the VAT?on what the government describes as non-core financial services has raised a lot of eyebrows from the general public, forcing the government to postpone the implementation date. "For us we work from a default position because it is a matter of automation; we automate, so if you tell us its only four out of 10 then we only do four out of 10. From a technology point of view, we just make sure that we are able to assume responsibility," he told the GRAPHIC BUSINESS on May 20, 2014 after a training programme on business/ financial analysis and reporting in Accra for financial journalists. The government introduced a 17.5 per cent VAT levy on some financial services rendered by commercial banks in a bid to boost revenue and keep its fiscal-stabilisation plans on track. The levy is also part of the expansion of the scope of taxes under the VAT Amendment Law, which raised tax rates. Mr Dornoo said the banks were only agents of the government and so would be collecting on its behalf. He said VAT?was a consumption tax and, therefore, it was the end user of the service who paid. "You realise that it is more at the corporate level and so the general public will not be so much affected," he said.

Some selected journalists participated in the training which was sponsored by the GCB Bank Limited as part of its social responsibility programme to improve the skills of journalists in financial, economic and business issues. Given that there is so much discussion about the national economy in recent times, Mr Dornoo said GCB's financial reporters' forum was timely, especially when the financial sector was

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experiencing rapid growth and new trends were emerging. The banking sector, he said, was becoming sophisticated, as banks introduced new risk management products to help their customers' hedge against risks they might be exposed to. (*Ghana Web*)

Tullow Oil Ghana, paid more than 300 million dollars, including production entitlements in barrels of oil, to government in 2013. The payments were Production entitlements of 812,000 barrels of oil, Income tax of 106.9 million dollars, Licence fees of 64,000 dollars, and Infrastructure improvement payments of 5.95 million dollars. The rest are Value Added Tax of 2.32 million dollars, Withholding tax of 61.01 million dollars, Pay As You Earn and NI: 14.73 million dollars, Carried Interest of 18.57 million dollars, Customs duties of 4.68 million dollars, and Training allowances of 250,000 pounds. The figures were contained in a Report made available to the Ghana News Agency on Thursday by Akua Twumasi, External Communications, Tullow Ghana Limited. The Report said in 2013, almost half of the 1.2 billion dollars that Tullow Ghana and its partners spent on supplies went to Ghanaian suppliers or international companies registered in Ghana. It said 128 million dollars was spent with Ghanaian suppliers on behalf of the Jubilee and TEN partnerships, up from 69.2 million dollars in 2012; 430 million dollars was spent with international companies registered in Ghana, while 678.8 million dollars was spent with international companies on work relating to the Jubilee Field and TEN project. The Report said Tullow and its Partners in line with commitment to capacity building in Ghana in 2013 invested 600,000 dollars in 2013 and had committed 5 million dollars in total to the Government-led Enterprise Development Centre in Takoradi. According to the Report, the centre supports small and medium-sized Ghanaian enterprises to better position themselves to take advantage of business opportunities within the Oil and Gas industry. The Report said in 2013, the Jubilee Partners invested over five million dollars in the Jubilee Technical Training Centre, as part of their ongoing investment in the project. It said the centre is the first vocational training polytechnic in West Africa to offer National Vocational Qualification accredited courses in technical subjects such as instrumentation, process, mechanical and electrical engineering.

According to the Report, Tullow sponsored over 1,400 people from 26 fishing communities in the Western Region, to receive training from the Jubilee Livelihood Enhancement and Enterprise Development project, one of the Social Investment projects being managed by Tullow on behalf of the Jubilee Partners in partnership with local NGO, Pyxera Global. It noted that the week-long training covered subjects such as strategic business management, entrepreneurship development, soap making and oven and ice box construction. The Report said as at December 31, 2013, Tullow employed 266 Ghanaians representing 87 per cent of Tullow Ghana's permanent staff. It said of the company's senior leaders, Tullow Ghana's Executive Chairman, General Manager, Chief of Staff, Human Resources Manager, Finance Manager and Regional General Counsel are all Ghanaians. Simon Thompson, Non-executive Chairman of Tullow Oil, in a comment said: "Part of our responsibility is to try and create coalitions of interests, making people aware of the opportunities and challenges and building a common vision of the outcomes we all aspire to. This is why we publish a detailed Corporate Responsibility report every year." Aidan Heavey, Chief Executive of Tullow Oil, remarked that: "Creating shared prosperity is a never-ending journey. I want Tullow to deliver year-on-year progress that continues to show how seriously we take our responsibilities." (*Ghana Web*)

The Ghana Oil Company Limited (GOIL) on Thursday declared dividend per share of GH¢0.016 for 2013, up from GH¢0.015 in 2012. In 2013 there was a GH¢20 million bonus issue of shares to shareholders thus increasing the number of outstanding shares from 210,186,240 to 252,223,488. This resulted in an increase in dividend payable by 28 per cent. The total dividend to be paid would move from GH¢3,152,796 for 2012 to GH¢4,035,576 for 2013, Professor William A. Asomaning, GOIL Board Chairman, said at its 45th Annual General Meeting (AGM) of Shareholders in Accra. He said the continuous improvement in the performance of the Company had resulted in increased profitability in recent times. On the company's financial contributions to the government, Prof Asomaning said over the past year the Company honoured all its due financial obligations to the government. It increased the 2012 payout to the government by 12 per cent, with a contribution of GH¢82.313 million. Customs duties & other levies was GH¢76.956 million in 2013 up from GH¢68.585 million in 2012; Income Tax GH¢3.743 million in 2013 as against GH¢2.894 million in 2012; Dividend Payment GH¢1.608 million in 2013 as against GH¢1.500 million in 2012 and Total Payment GH¢82.313 million for 2013 as against GH¢72.979 million in 2012. On Sales Performance, Prof Asomaning said despite the challenging economic conditions, the underlying strengths of GOIL's brand and leading market position remained unchanged as the company managed to increase its volume of sales by 8 per cent compared to the year 2012. He said this was about four per cent above that of the industry. The products that contributed to this achievement were gasoline and diesel. Aviation jet fuel performed

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extraordinarily well, recording a 61 per cent growth, though national consumption fell by seven per cent.

"Recognizing GOIL's growth prospects as being dependent on the prudent management of the retail fuel sector, the Board and Management implemented a number of changes and initiatives to streamline operations at the forecourts," he said. The GOIL Board Chairman said these changes contributed to the growth in the volume of sales, stressing that the rebranding of GOIL's retail outlets also preceded well. He said in 2013 GOIL constructed 17 stations that are six company-owned and 11 joint venture stations with the characteristics of the new brand image. He said in response to the challenges brought by increased competition, over 80 oil marketing companies operating in the country, a programme for pump replacement and rotation was implemented. "This resulted in better and more reliable fuel delivery at the Goil stations, boosting customer confidence and loyalty," he said. *(Ghana Web)*

Economic News

Ghana has cancelled plans to issue a seven-year domestic bond worth 100 million cedis (\$33.4 million) this month to avoid having to pay a high yield, government officials and analysts said on Tuesday. The central bank in January announced plans to issue a series of short- and medium-term papers including a third seven-year bond as part of government debt restructuring. Central bank treasury head Yaw Abalo told Reuters the auction, open to offshore investors, had been called off by the finance ministry. "Current market conditions are not favourable and it's obvious the government didn't want to lock itself in a high interest rate for such a long period," a debt specialist said. Debt yields have risen this year, reflecting investor concerns about Ghana's rising fiscal deficit and weakening currency. The rate for the Bank of Ghana's benchmark 91-day bill stood at 24.0778 percent on Friday, compared with 19.2330 percent at the start of the year. A treasury dealer said the new seven-year bond would have attracted a yield of around 30 percent. Similar paper issued in November attracted an 18 percent yield. The government scrapped a five-year domestic bond worth 300 million cedis in March to avoid a higher yield and has delayed plans for a third Eurobond of up to \$1 billion this year. The cancellations could further strain government efforts to tame a stubborn fiscal deficit and stem a slide in the currency, analysts said. *(Reuters)*

In a move for Ghana to recapture its past enviable position as world largest producer of cocoa, the country's cocoa industry regulator, COCOBOD, is just about signing a \$ 2 billion syndicated loan facility with International financial firms for the purchase of this year's crop. While the initiative is geared towards Ghana securing its previous number one spot in World cocoa production, the move is also targeted at shoring up the nation's reserves thereby arresting the never-ending and fast depreciation national currency, the cedi. The \$ 2 billion syndicate loan, which is expected to hit COCOBOD's account by the end of the third quarter of this year, financial analysts say will fill the big hole in the country's almost depleted foreign reserves at the Bank of Ghana and aid the BoG 'fight' the cedi depreciation. The Ghana COCOBOD's aims at raising the country's annual average cocoa production from the present 800, 000 tones, which makes Ghana trail behind neighboring Cote d'Ivoire as world leading producer of the crop to 1 million tones. The Chief Executive Officer of COCOBOD, Dr Stephen Opuni and Board Chairman, Ambassador Daniel OheneAgyekum have confirmed in separate interviews. According to the two senior government officials, who incidentally are both chieftains of the ruling party, the decision to increase the yearly syndicated loan from last year's figure of \$1.2 billion to about \$ 2 billion would position Ghana towards reclaiming its past envious position as leading producer of cocoa in the world. The decision, the duo noted, is also geared towards achieving.

President John Dramani Mahama's vision to make the cocoa sector attractive for investments and to sustain it beyond the present generation. The COCOBOD syndicated loan, a yearly initiative by the industry regulator is used to purchase cocoa beans from farmers ahead of each crop year in Ghana. COCOBOD syndicate loans through local and international financiers from Europe. According to players in the cocoa industry, the high participation of international and local banks in the annual phenomenon is as a result of Ghana's integrity and image of producing quality cocoa beans. Ghana in its heydays was the world's leading producer of cocoa but lost that position to Cote d'Ivoire to factors such as unimproved farming methods, smuggling and low incentives to farmers. But, Dr Opuni and Mr OheneAgyekum have both assured government's commitment to lead Ghana to take back its past glory. The \$2 billion syndicated loan meant for the

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purchase of cocoa beans is expected to hit COCOBOD's account by end of third quarter of this year. Financial analysts believe that the move will help the already announced Bank of Ghana measures to stem the persistent depreciation of the local currency, the cedi, against major trading currencies which has contributed to the ongoing hardships in the country. *(Ghana Web)*

The Ghana Government has signed a memorandum of understanding with Ivory Coast and Equatorial Guinea under which they will begin discussions to create a regional gas company. The Energy Minister, Emmanuel Armah Kofi Buah joined Adama Toungara, Minister of Petroleum and Energy of Ivory Coast, and Gabriel Mbega Obiang Lima, Minister of Mines, Industry and Energy of Equatorial Guinea, on May 16 in Abidjan, the Ivorian capital, to review the benefits that would result from this initiative. Those benefits would include new sources of revenue, job creation and greater access to this energy source for power plants, industries and households. The governments of Ghana, Equatorial Guinea, and Ivory Coast have agreed to share the cost of a feasibility study on the project in the coming months. The result of this study will guide their next steps. During the meeting, Adama Toungara said, "I'm happy with the progress that has been accomplished so far to promote this project. I hope that all parties work closely to accelerate the completion of the Memorandum of Understanding for the next month, under which my Government will continue to work with our partners to fulfill our obligation as set forth in this Memorandum of Understanding." *(Ghana Web)*

Ghana accepted 372.55 million cedis (\$124.6 million) worth of bids for an oversubscribed three-year bond on Thursday at a 24.44 percent yield, slightly lower compared with an April auction, the central bank said. The bond, open to offshore investors, was the third in a series planned for this year and is meant to roll-over maturing debts, deputy head of treasury Collins Antwi said. Yields on Ghana's government debt have risen above the average in sub-Saharan Africa since January, reflecting the government's battle to bring down a stubbornly high budget deficit and halt a slide in the currency. A similar 3-year paper in April sold at a 25.48 percent yield. Antwi told Reuters bids totalled 626.02 million cedis and ranged between 24.24 percent and 31.0 percent. Offshore take up was 80.53 percent of bids accepted. The Bank of Ghana's benchmark 91-day bill yield rose to 24.0778 percent at the most recent auction, from 24.0517 percent previously. The government cancelled a planned seven-year bond slated for this month to avoid having to pay a higher yield. *(Reuters)*

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Kenya

Corporate News

Equity Bank of Kenya plans to launch a mobile telecoms service in July, eyeing a piece of the fast-growing cellphone-based financial services market, it said on Monday. Kenya has led the world in mobile money, with the M-Pesa platform of its largest telecoms operator Safaricom offering banks a cheap and easy way to reach the large number of people without access to formal financial services. In the year ended March, Safaricom reported M-Pesa service revenue of 26.56 billion shillings (\$302.51 million), up 21.6 percent from the previous year. James Mwangi, Equity's chief executive, said it had teamed up with the east African nation's No. 2 telecoms firm, the local arm of Bharti Airtel, to roll out its new service. Equity was licensed as a Mobile Virtual Network Operator (MVNO) by the telecoms regulator earlier this year, giving it permission to run a service using a telecom operator's network. It will offer its customers sim cards linked directly to their bank accounts. They will then be able to access their accounts and apply for loans via their mobile phones. Mwangi said Equity, Kenya's biggest lender by depositors, will seek to expand the service across east African countries where both firms operate, if the service catches on in Kenya. "The good thing with this partner is that then we are able to look at east Africa as they are in Uganda, Rwanda and Tanzania," Mwangi told an investor briefing. "As soon as we succeed in Kenya, we repeat the same in the region."

Equity has outlets in Uganda, Tanzania, Rwanda and South Sudan. Adil El Youssefi, Airtel Kenya's chief executive, said the service would help his firm chip away at Safaricom's market share. Mwangi said Equity's investment was minimal as it did not need to spend money on telecoms infrastructure. Airtel agreed to let the bank use up to 60 percent of its spare network capacity at a variable rate depending on usage. "There is no capital expenditure because we are being hosted," Mwangi said. "It's plug and play." Safaricom's M-Pesa platform has grown rapidly since its launch in 2007. One service run by Commercial Bank of Africa on M-Pesa - called M-Shwari - had attracted over 24 billion shillings in deposits and lent 7.8 billion shillings by February this year, after it was launched in 2012. Equity said its mobile customers would be able to take loans on the platform at interest rates between 1-2 percent per month. Its first quarter profit rose by 21 percent to 5.4 billion shillings (\$62.14 million), lifted by growth in its loan book, it said in April. *(Reuters)*

Kenya's ABC Bank raised 1.021 billion shillings (\$11.62 million) through private placement of a corporate bond, the bank said in a statement seen by Reuters on Wednesday. The bank, which had sought to raise 650 million shillings but accepted the full amount offered by investors, said it will use the cash to boost lending to small and medium enterprises. Proceeds of the bond, which comes with a tenure of 5.25 years, will also be used to help the lender meet new capital adequacy requirements, it added. ABC did not say what yield the bond attracted. *(Reuters)*

Standard Chartered Bank of Kenya raised its pretax profit in the first quarter by almost a third to 3.6 billion shillings (\$41 million), compared to the same period a year earlier, the lender said on Thursday. The bank, which is controlled by Standard Chartered Plc, grew its net interest income by 19 percent during the period to 4.5 billion shillings, it said in a statement. Lamin Manjang, the bank's chief executive, said he expected the first quarter momentum in the business to gather pace as the year goes on, due to opportunities in infrastructure construction as well as in the energy and manufacturing sectors. Non-performing loans rose to 11.2 billion shillings during the first quarter, from 2.2 billion shillings in the same period last year, as a small number of large borrowers experienced difficulties. "While we do not see a broad-based deterioration in asset quality, we have increased the number of clients subject to additional, precautionary monitoring," the bank said. *(Reuters)*

Economic News

Demand for dollars to pay dividends to foreign shareholders by companies is to blame for the depreciation in value of the Kenyan shilling,

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the Central Bank has said. In moving to allay the fears that have gripped the market following a decline in value of the Kenyan shilling against the US Dollars to a two and a half year low in the last week, the Central Bank, on Monday said that the increased pressure on the local currency is attributed to seasonal factors as corporations pay out dividends to external shareholders. "This phenomenon has been observed around this period in the previous years," the CBK said in a statement. Analysts have blamed the weakening of the shilling to prevailing insecurity challenges in the country, which has hit the tourism sector hard and reduced dollar inflows and panic buying from importers. In the last two weeks, the shilling has depreciated to a two and a half year low of 88 to the dollar. It recovered slightly at some point during trading last Friday after Central Bank sold dollars to commercial banks. The CBK however said that the current level of foreign exchange reserves of \$6.24 billion (Sh549 billion), equivalent to 4.4 months of import cover, are sufficient to provide adequate cushion against temporary shocks.

In addition, the CBK noted that proceeds from the debut Eurobond will significantly raise the level of foreign reserves with the exchange rate expected to come under pressure to appreciate in the coming months. "The Central Bank therefore expects the situation to normalize as the impact of seasonal factors dissipates," the CBK said. On Monday, the shilling opened trading at 87.70/87.90 to the US Dollar but is expected to weaken further amid support from CBK's continuous mop-up of liquidity from the market. Last Friday, the CBK mopped up Sh7.25 billion. Analysts say the shilling remains vulnerable to the current insecurity problems and pressure from importers and manufacturers. Kenya has faced a number of terror attacks in Nairobi and Mombasa, a situation that has seen the United Kingdom, United States and Australia, the country's key source market for tourists, issue travel advisories that have seen hundreds of tourists vacate the country. *(Daily Nation)*

The highest price for top-grade Kenyan tea edged up to \$3.08 per kg at this week's auction from \$3.06 per kg at last week's sale, Tea Brokers East Africa said on Wednesday. Kenya is the world's leading exporter of black tea. The crop is a top foreign exchange earner for east Africa's largest economy, together with horticultural products and tourism. Prices for Best Broken Pekoe Ones (BP1s) fetched \$2.18-\$3.08 per kg at the sale held on Monday and Tuesday, compared with \$2.10-\$3.06 per kg last week. Best Brighter Pekoe Fanning Ones (PF1s) sold at \$2.21-\$2.72 per kg compared with \$2.34-\$2.76 per kg at the last sale. Tea Brokers said demand was strong with only 12.98 percent of the 168,216 packages - or 10.88 million kgs - on offer were not sold. The bulk of the tea offered at the Mombasa auction is from Kenya, but it also sells tea from Uganda, Tanzania, Rwanda, Burundi and other regional producers. *(Reuters)*

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Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

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Mauritius

Corporate News

No Economic News this week

Economic News

No Economic News this week

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Nigeria

Corporate News

The Infrastructure Bank Plc yesterday revealed that it has recovered 95 per cent of the N10.5 billion (about \$66 million) loans it granted under the first phase of its Public Mass Transit Revolving Fund (PMTF) in the country. A statement quoted the Managing Director of the Infrastructure Bank, Mr. Adekunle Oyinloye to have said the recovery of the fund grew the mass transit revolving loans base to N15 billion (about \$100 million). Handing over of 65 mass transit buses worth N800 million (about 7.3 million) to beneficiaries in Lagos, Oyinloye said the bank was already working on ways to recover the remaining five per cent through effective risk management system. He said that the bank, as the fund manager of the PMTF Scheme II, was working in collaboration with the Subsidy Re-investment Empowerment Programme, the financier of the scheme. Oyinloye admonished beneficiaries of the scheme not to regard the buses as 'political largesse'. He said that the government had to change the five per cent interest rate per annum under the scheme one to zero per cent interest under scheme two. According to him, the bank expects beneficiaries under the scheme two to pay on time because of the zero interest rate. The bank chief said that the buses were to be fully paid for in order to sustain the scheme, which he described as "laudable and people-oriented." Oyinloye stressed that it was only through prompt re-payment that more Nigerian road transporters could benefit, warning that the bank would not tolerate any default by beneficiaries.

He said that under the scheme two, every beneficiary had to collateralise their loans to ensure recovery of the facilities. "There is a risk management framework around the scheme, so every beneficiary has to collateralise what he has taken one way or another. "If we morally persuade them and it does not work on time, we will consider the next step to get our money back because the money belongs to the federal government. "It is meant for the masses because for other beneficiaries to benefit, previous beneficiaries must pay back," Oyinloye said. He said the aim of PMTF was to enhance national transport services through the Federal Government resources under the SURE-P. "I can tell you that from the offices of LAMATA, Transport Ministry to LAGBUS, everybody is indeed happy with the presence of our buses on the streets. "I want the public to know that this is not the first time Lagos is benefiting from the scheme. Since 2010 when the first scheme started, a lot of our buses ply Lagos roads," he added. (*This Day*)

Sterling Bank Plc said it intends to grow its loan book by 25 per cent in 2014. The bank also said it anticipates to grow its customer deposit by 29 per cent in the current financial year. According to a report on the bank's first quarter 2014 results presented to analysts and investors, the financial institution also plan to achieve a cost-to-income ratio of 68 per cent this year. In terms of its key strategic initiatives going forward, the bank said it intends to complete its capital raising exercise, upgrade its physical infrastructure to reflect its retail look and feel, roll out its conventional and alternative channels to deepen market penetration of its products. Furthermore, it stated that it would continue to roll out its agency banking model to drive financial inclusion, drive its private banking business which is targeted at high net worth individuals as well as launch its One-education initiative targeted at the education sector value chain. Sterling Bank also pledged to deploy new core banking application to fully enhance service delivery to its customers and also strengthen its performance management system for sales and back-office workforce so as to improve productivity of its members of staff. The first quarter 2014 results showed that Sterling Bank's earnings rose 24 per cent to N24.6 billion, compared to the N19.8 billion it recorded in the comparable period of 2013. Net interest income also climbed by 58 per cent to N10.3 billion, as against the N6.5 billion recorded in the first quarter of 2013, while non-interest income was up by seven per cent to N6 billion, from N5.6 billion in 2013.

Similarly, in the period under review, the bank's profit before tax increased by 17 per cent to N3.5 billion, from N3 billion, while profit after tax improved by 15 per cent to N3.1 billion. In the same vein, Sterling Bank's net loans and advances was up by five per cent to N337.21 billion, from N321.7 billion in 2013. "Total assets moderated by 0.8 per cent due to a five per cent reduction in deposits. Decline in government securities due to the redemption of sovereign bonds re-invested in higher yield assets classes. "The bank was a net placer of

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funds with interbank placement at N60 billion representing 35 per cent of cash and short term investments," it added. "Sterling Bank is in a strong growth phase –three per cent market share by assets. Strong capital base of N71 billion, expanding retail foot print -168 branches-168 branches, 300 ATMs, 5,000 PoS," it added. *(This Day)*

The revenue of Caverton Offshore Support Group will witness a boost as the company has received a two-year contract extension from Total Exploration and Production Nigeria Limited. Besides, Caverton is expecting a new AW139 helicopter which will be devoted to its long-term contract with Shell Petroleum Development Company. Caverton, a week ago listed its 3.35 billion shares on the Nigerian Stock Exchange (NSE), thereby making history as the first Nigerian oil services company to go public. The company grew its revenue by 16 per cent in 2013 to N18.7 billion, while profit rose 32 per cent to N5.9 billion on the back of contracts from international oil companies (IOCs). The growth in revenue and profit is expected to increase further as Total has extended its contract with Caverton. The contract, won in 2011, was initially for three years for the operation of four helicopters into Total's offshore fields. That contract would have come to an end this year but Total has exercised the option to extend the contract by two years till 2016.

Reacting to the development, the Chief Executive Officer of Caverton, Mr. Olabode Makanjuola, said: "We are pleased to continue rendering offshore and onshore oil field logistics to Total. This contract extension demonstrates Caverton's service reliability and our commitment to provide safe and efficient services to our clientele. We are confident that this will positively impact our revenue over the next few years." Also, the company is expecting a new AW139 helicopter that will be dedicated to the Shell Petroleum Development Company contract, which Caverton won in 2010. The expected aircraft will ramp up the number of AW139 in Caverton's fleet to seven and is part of Caverton's earlier stated plans to embark on fleet expansion. The contract is valued at \$648 million and is on record as the biggest ever awarded to an indigenous company by the oil giant. Meanwhile, trading at the stock market closed on a positive note as the NSE All-Share Index garnered 0.77 per cent to close at 40,061.24. *(This Day)*

The Chairman of Wema Bank Plc, Mr. Adeyinka Asekun, yesterday attributed the bank's return to profitability to the success of the management's turnaround plan. Addressing shareholders at the annual general meeting (AGM) of the bank in Lagos, Asekun said despite the challenging operating environment, Wema Bank achieved a significant milestone as it returned to full profitability following concerted efforts in implementing the first phase of the bank's turnaround project. He assured all stakeholders that Wema Bank was confident of achieving its growth targets while remaining nimble, efficient and responsive. He also thanked shareholders for their unquantifiable support and contributions over the years. Also speaking, the Managing Director of Wema Bank Plc, Mr. Segun Oloketuyi, said Wema Bank has emerged as a bank to reckon with especially within the retail and small and medium enterprise (SME) business segments. According to him, the bank will continue to differentiate itself in the industry by the quality of its service, product offerings and best-in-class alternative channels. "With the focused and continuous execution of our transformation plan - Project LEAP, we are expanding gradually and efficiently and establishing our presence in areas that have significant growth potential. We have started work on repositioning our brand, re-tooling our workforce and aggressively deploying alternative channels", he explained.

Shareholders, who spoke at the AGM commended the performance, saying the management's strategy led to a positive turnaround in the bank's fortunes the transformation project began in 2009. They also pledged their continued loyalty and support for the bank's long term objectives while reiterating their confidence in the ability of the bank's management towards driving the institution to its goal of being a best-in-class institution in the Nigerian banking sector. Wema Bank reported an operating income of N20.9 billion for the year ended December 31, 2013, up from N12.5 billion in 2012. Profit before tax stood at N1.9 billion compared with N4.9 billion in 2012, while profit after tax was N1.6 billion, as against N5 billion in 2012. Total assets rose 26 per cent from N245 billion to N331 billion, while customer deposits grew by 25 per cent from N174.3 billion to N217 billion. Net loans and advances improved by 34 per cent from N73.7 billion to N98.6 billion. Non-performing loan ratio improved from 14.2 per cent in 2012 to 3.9 per cent, just as liquidity ratio stood at 77 per cent, up from 65 per cent in 2012. Capital adequacy ratio improved from negative 16 per cent to positive 27 per cent. *(This Day)*

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Economic News

Federal government has said it is anticipating a huge increase in its national gross domestic product (GDP) from \$510 million in 2013 to \$558.45 million in 2018 especially from the implementation of the National Quality Infrastructure (NQI). Chairman of the national steering committee for the Nigeria National Quality Policy, NQP, Mr. Olusegun Aganga, who stated this at the 2nd meeting of the committee, said the figure would be a 10 per cent growth within the first five year of implementation period. According to Aganga, who is the Minister of Industry, Trade and Investment, "the increase in the services sector from the previous 26 per cent to 51 per cent, shows the tremendous contributions of the services sector to the economy." He added: "Since the National Quality Policy, NQP is now known to strengthen institutions, private businesses, competence of measurements, laboratories/testing, persons etc, all energies must be channelled to fast-track its early take off to also stimulate our targeted industrial growth and job creation aimed at achieving the Vision 2020." Represented by the President of the National Association of Small and Medium Enterprises (NASME), Alhaji Ibrahim Gusau, he recalled that the need for a NQP to enhance the country's reputation as a provider of quality products and services globally led to the signing of agreement on trade facilitation markets at the 9th ministerial conference of World Trade Organisation (WTO) in Bali in December 2013. Aganga added that "Nigeria must ensure that necessary quality infrastructures is in place to make quality a part of our national lives, to sell what we have to both the domestic and foreign markets as well as sustain investments through an established and functional NQI".

In his remarks, the Director-General of the Standards Organisation of Nigeria, SON, Dr. Joseph Ikem Odumodu, explained that the government inaugurated the committee for national quality policy to boost economic growth through an articulated industrial revolution plan known as the NQP. "In the next three weeks will be going on a road show in all the six geo-political zones of the country, because we want our programme to be acceptable not only to the formal sector, but the generality of the people. "We want the people to take advantage of the programme to contribute their views to the policy. I can observe that we have more government people here than the private sector whereas policy is not made for the government, but for the people. "We need to go on the road show to talk to the people on the policy and get their feedback before we come back to write our report for submission through the minister to the Federal Executive Council, FEC. We expect that the report will be approved by FEC before the last quarter of this year," Odumodu said. The DG said the committee's works continue after the submission of the report, explaining that "it is an enduring document that will last even till the next five years," adding that there were some policy documents that are as old as Africa. Odumodu noted that lack of National Quality Policy made the influx of substandard products prevalence in the country, regretting that some people don't value quality. "Though like I always said, there are substandard products all over the world, the difference is that we seem to embrace these products. People know they are substandard and dangerous to their lives, but always complain of lack of money to buy quality ones," he stressed. The programme is supported by the European Union, EU and United Nations Industrial Development Organisation, UNIDO. (*This Day*)

The Central Securities Clearing System Plc (CSCS) had a very fruitful 2013 as it ended the year with a profit before tax (PBT) of N4.82 billion, showing an increase of 56 per cent above the N3.1 billion in 2012. The capital market clearing house ended the year with a total revenue of N6.8 billion, up by 33 per cent from N5.17 billion in 2012. However, profitability witnessed higher growth with PBT rising by 56 per cent while profit after tax appreciating by 45per cent from N2.577 billion to N3.738 billion. Based on the impressive results, the directors recommended a dividend of 22 kobo per share was recommended by the directors and approved by the shareholders at the 20th Annual General Meeting (AGM) held in Lagos recently. Speaking at the AGM, the Chairman CSCS, Mr. Oscar Onyema said with the results, the company delivered on its promise of enhancing its profitability. "In fulfilment of our promise to continually pursue annual growth in revenue and also to steadily scale up our business operations, your company has during the year under review improved its services significantly through the deployment of world class information technology whilst it continues to focus on expanding its businesses," Onyema said.

He disclosed that CSCS in 2013 commenced the clearing and settlement of transactions on the Over-the-Counter platforms of NASD Plc and the Financial Markets Dealers Quotations (FMDQ). "Additionally, the company has been engaged to provide clearing, settlement and warehousing services for transactions that will take place on the floor of the Nigerian Commodity Exchange (NCX)," he said. Speaking in the

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same vein, the the Managing Director of the CSCS, Mr. Kyari Bukar said the while total revenue grew by 34 per cent during the year, operating expenditure decreased due to efficient cost management approach adopted by the company in 2013. According to him, the financial statements of the company were prepared in line with International Financial Reporting Standards (IFRS) as prescribed by the Financial Reporting Council of Nigeria (FRCN) and the Securities & Exchange Commission, having first adopted the IFRS in 2012. (*This Day*)

The federal government is planning to construct the longest pipeline in the country from Calabar via Ajaokuta to Kano State, as part of efforts to ensure adequate supply of gas to meet the growing market demand for the product. The Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, disclosed this while delivering a paper titled: "Encouraging Investment in Gas Production, Supply and Consumption" at a three-day National Conference on Gas Resources organised by the Senate Committee on Gas Resources in Abuja. "By the end of the year, we will be commencing, via public private partnership (PPP) scheme, the nation's longest pipeline from Calabar via Ajaokuta to Kano State," a statement yesterday by the Group General Manager of the Nigerian National Petroleum Corporation (NNPC), Mr. Ohi Alegbe, quoted Alison-Madueke to have said. Represented by NNPC's Group Managing Director of the corporation, Mr. Andrew Yakubu, the minister said the construction of the strategic East-west pipeline was progressing while the Lagos end segment of the Escravos to Lagos Pipelines System (ELPS) was nearing completion. She explained that almost 500km of new gas pipelines had been completed and inaugurated including the doubling of the capacity of the EPLS between Escravos and Oben and the extension from Oben to Geregú and River Imo to Alaoji respectively. She said by the end of 2018, the backbone pipeline infrastructure for gas would have been delivered, concluding an initial phase of over 2500km of gas pipeline infrastructure development. According to the minister, government was strategising to leverage on the full potential of gas to achieve massive impact on the economy and the national Gross Domestic Product (GDP).

"We are focused on jumpstarting gas supply to enable usage in gas to power, gas based industrialisation, compressed natural gas for transportation and commercial usage, cooking gas for domestic usage and regional pipeline for gas export," she added. She stated that for government to support the aggressive short-term demand growth in the power sector, a domestic gas supply obligation regulation which mandates a certain amount of gas supply for the domestic market pending the full maturation of the market was introduced. While expressing the hope that the market will ultimately drive itself for supply growth, Alison-Madueke stated that the long run expectation is for less dependence on supply via obligation. In order to boost investor confidence in natural gas in the country, she said government had reviewed the contractual framework for gas through the development of world-class standardised gas supply agreements in addition to Network Code which governs the flow of gas across the nation's pipeline network and provides rules for open access. She said the use of natural gas instead of petrol had translated into significant savings for over 4,000 taxi drivers in Benin City who are already using this alternative energy source. The minister also said federal government's efforts at eliminating gas flaring had recorded tremendous success as flare out rate has dropped to 11 per cent.

"Many of the International Oil Companies (IOCs) are fast approaching full flare out as the gas obligation and infrastructure growth have all combined to enable utilization of hitherto flared gas," Alison-Madueke stated. She finally called on all stakeholders to direct more effort towards full market liberalisation and address the very urgent challenge of increasing supply to the power sector. The GMD however put the country's current gas production at about 8.5 billion cubic feet per day (bcf/d). He explained that of the total production, 3.5bcf/d (41 per cent) is exported, 2.3 bcf/d (28 per cent) is consumed domestically for power and industries, 1.2 bcf/d (15 per cent) was used in the upstream for gas re-injection and balance of 0.8bcf/d (10 per cent) is flared. In her welcome address, the Chairman Senate Committee on Gas Resources, Senator Nkechi Nwaogu, said Nigeria with per capita consumption of natural gas put at about 1.06kg, ranks lowest in Africa with only five per cent of her citizens having access to domestic gas. She explained that the aim of the conference was to look at ways of filling the huge gap between gas production and utilisation in the country as well as reducing routine gas flaring for the benefit of the nation and its citizens. (*This Day*)

Chairman, Pension Fund Operators Association of Nigeria (PenOp), Mr. Misbahu Yola, said yesterday that the total pension fund assets has increased to about N4.3 trillion from about N4.1 trillion in the first quarter of 2014. Speaking in Abuja at a world press conference

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preparatory to the maiden World Pension Summit Africa billed to begin July in Abuja, he said the contributory pension scheme currently has six million contributors. He noted that the pension reform Act 2004 was arguable the most critical step direction in reposition the industry. The acting Director- General, National Pensions Commission (Pencom), Mrs. Chinelo Anohu-Amazu, said the summit which would have 55 African countries in attendance would help shape the industry conversation within the next decade as it is expected to attempt to address present shortcomings and other problems related to pensions. She said the summit's focus would also be to woo more states of the federation to pass enabling laws in order to join the scheme and thereby deepen pensions enrollment. She added that the forum would also provide an opportunity to recognise states and entities which had done well regarding pension matters as well as create further awareness about the benefits of the scheme. Importantly, the meeting could help to provide insights into how to create investible instruments to tap into the huge amount of pension funds, which remained unutilised partly for want of viable projects with minimal risks and which could guarantee timely returns to owners.

Also speaking at the briefing, Chairman, World Pension Summit, Mr. Eric Eggink, said the gathering would help to share inspiring and new ideas and insights to harnessing the potentials and better position Africa's pension industry. He described Nigeria's pension reforms as one of the best in the continent and having the possibility to provide the spinoff for Africa. He said the country's position as largest economy in the continent made it important in terms of providing leadership in pensions administration. In the same vein, Co- founder, World Pension Summit, Mr. Harry Smorenberg expressed gladness that the African pension sector particularly that of Nigeria was maturing at an interesting pace. *(This Day)*

The management of the Nigerian Aviation Handling Company (nacho aviance)Plc has said the establishment of Free Trading Zone at the Murtala Muhammed Airport Lagos would attract about \$500 million investment to the nation's economy within five years. This was disclosed by the Chairman of the company, Mallam Suleiman Yahyah during the national executive council meeting of the Air Transport Services Senior Staff Association of Nigeria (ATSSSAN) in Ijebu Ode, Ogun State. Yahyah said when the FTZ would become fully operational, it would create employment opportunities for many Nigerians and also boost the nation's economy. The nacho aviance chairman, who reiterated the importance of making Lagos the aviation hub in the West Africa sub-region, said failure to actualise this goal would be retrogressive and counter-productive for the aviation sector in the country. He explained that Senegal and Cote d' Ivoire are making good progress towards developing their aviation infrastructure and that soon any of these may be designated the West African hub, noting that the implication of such designation is that Nigeria would lose its prime position as aviation capital of the sub region. He said for the country to develop the aviation sector to be in tandem with international standards, Nigeria needs to invest a minimum of \$10 billion in the aviation sector with the plan to target 25 million passengers annually from its airport designated as hub. While applauding the unique advantages of Lagos as a capital which connects to major world capitals in five to six hours, Yahyah pointed out that there is also the need to develop the soft infrastructure of the aviation sector. He emphasised the need for the development of the human capital resource of the aviation industry while warning that the country should not jeopardize its Category 1 status.

Yahyah commended the maturity of ATSSSAN in tackling issues in the sector, adding that the aviation industry cannot survive a strike especially at this time when the security infrastructure of the country is undergoing severe stress. In his remarks at the occasion, the Director of Operations, Nigerian Airspace Management Agency (NAMA), Mr. John Chuks Onyegiri observed that ground handling companies are a very important part of operations in the airport. Onyegiri remarked that the task of managing the air space safely is made more difficult by operators in the sector who fail to pay for services rendered. "The attitude of people wanting service and yet refusing to pay for such a service would not help the industry," he said. On his part, the National President of ATSSSAN, Benjamin Okewu, said that while the supervising Minister of Aviation may be doing a well, the industry needs the full attention of a substantive minister. "Our members are presently disturbed and agitated by the plan of the Federal Government to merge three agencies of the ministry of aviation, NCAA, NAMA and NIMET. As we have profusely stated in our various public engagements in the media, petitions and appeals to pertinent authorities, this proposed merger grossly violates the principles, letters and spirits of standards as prescribed by International Civil Aviation Organisation (ICAO) conventions and protocols. It is logical to perceive that if a regulatory agency like NCAA and a service provider body like NAMA are bundled into a single organization, the aviation industry would most likely become a bedlam of confusion." *(This Day)*

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Zambia

Corporate News

ZANACO Bank has introduced a loan scheme for the small and medium-scale entrepreneurs (SMEs). The bank has set aside about K5 million for the scheme where entrepreneurs will access trailers from Agro Fuels Investment (AFIL) Limited where Zanaco will cater for 70 percent of the total trailers and the remaining 30 percent will be met by the individual. Zanaco managing director Bruce Dick said recently in Lusaka that the launch of the initiative dubbed 'The buy-a-trailer scheme' that the bank is committed to making a meaningful contribution to the growth of the SMEs. "At Zanaco we believe in going beyond the normal banking norm to ensure we come up with initiatives aimed at offering financial solutions to our customers. Our partnership with AFIL will see us add value to SMEs, particularly in the transportation business. Part of the initiatives we put in place include strategic partnership with organisations who share our passion of enriching our customers' experiences with us, it is against this background that we signed a contract with AFIL Limited, a Zambia company that manufactures trailers for transporters in Southern Africa Development Community (SADC) region," he said. Mr Dick said SMEs are key drivers in any economy and play an important role in developing the country's economic prosperity. He said the beneficiaries can either repay the loan in 12 months or 24 months, depending on their capability. Earlier, AFIL Limited Sajev Nair said the scheme will help SMEs acquire machinery which will in turn develop their business. "AFIL believes that the scheme would definitely give a boost to local manufacturing and value addition activities, which our Government is promoting in various sectors," Mr Nair said. At the same occasion, the two companies handed over two trailers to Swim Tech Contractors who are the first beneficiaries of the scheme valued at K390,000. *(Daily Mail)*

THE recently established Bond and Derivatives Exchange of Zambia (BaDEX) last Friday conducted the second trading of financial instruments, with Finance Bank trading contracts with a South African client. On Friday May 23, BaDEX, an electronic market that facilitates trade between buyers of financial instruments and licensed and regulated by Securities Exchange Commission of Zambia, launched a new currency futures contract which was a kwacha-South African rand contract with an underlying value of R10,000 following increased demand. BaDEX deputy chief executive officer Peter Situmulaho said Finance Bank successfully traded futures contracts, making it the second trader after BancABC, which in April conducted the first trade on the market. "Finance Bank Zambia has successfully gone live as a clearing member on the Zambian Derivatives Exchange. BaDEX would like to thank Finance Bank for its commitment to growing the exchange and the Zambian financial markets. Finance Bank is now the second Zambian bank to become clearing members after BancABC concluded the first trade on the exchange in April this year," he said. Derivatives are financial instruments that can be used to pay school fees overseas, to trade in second-hand vehicles, by mining suppliers who import machinery and parts as well as other traders that export or multinational companies who pay dividends in foreign currency.

Mr Situmulaho said in a statement in Lusaka yesterday that plans are underway to list kwacha-British pound contracts. "BaDEX has listed US dollar-Zambian kwacha contracts and the rand-kwacha and will soon list the pound-kwacha contracts," he said. In currency futures, the financial instrument is the underlying spot exchange rate while the underlying value is the rate of exchange between one unit of foreign currency and the kwacha, which is a minimum contract size of 1,000 foreign underlying currency such as US\$1,000. He explained that the bond and derivative market is critical because it reduces financial risks. "There are two basic economic functions of the bond and derivatives market in Zambia. The first is price discovery of commodities and financial products. This price is discovered as buyers and sellers continuously post prices and respond to information in the market. The second basic economic function is risk management [hedging]. This is where buyers who have risks [predict] that prices will go high can use derivatives and, on the other hand, sellers who are worried about the drop in prices will use the derivatives exchange," he said. *(Daily Mail)*

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Economic News

ZAMBIA'S copper production is expected to reach 1.5 million tonnes in 2016 due to investment in mining infrastructure and technology. Zambia Extractive Industries Transparency Initiative (ZEITI) says in a report that the increase in copper production is relative to the 700,000 tonnes recorded in 1972. ZEITI national coordinator Siforiano Banda availed the 2014 Fourth Reconciliation report on Friday in Chipata during a consultative meeting. The ZEITI report says the increase will also be driven by the opening of new mining projects and increased foreign investment in the country. According to the report, the copper production in 1972 was triggered by the high metal prices on the international commodity market spurred by increased demand for metals from Asia, especially China. "However, Zambia's copper production has surpassed the 1972 figure and in 2016, the production is expected to reach 1,500,000 tonnes on account of investment in rehabilitation of infrastructure and technological innovations in existing mines," the report says. The report says Zambia was the world's sixth largest copper producer in 2011 with 819,574 tonnes. The report says with several forthcoming expansion plans, Zambia is viewed as a key growth area for copper production which is likely to rank the country under the top five highest producers globally in future.

Mr Banda said the figures from the latest report are based on the 2011 financial report which the public should study to determine how much revenue the mines are paying to Government and how much the state is receiving. He said the 2012 and 2013 financial reports will be released this year, hence the need for the public to study them. The under-declaring of revenue by some mines could be avoided in future once the public gets interested in analysing the payments being disclosed in the mining sector. ZEITI member Francis Chilunga who is also legislative drafter in the Ministry of Justice in his presentation on transparency and accountability, said the mining companies paid K7.6 billion to Government in 2011. Mr Chilunga said Government in the same financial year received K7.7 billion from the mining companies. He said one mining company paid the revenue before it closed its operations at the time the data was being compiled for other companies, hence Government received revenue that year. *(Daily Mail)*

THE Insurers Association of Zambia (IAZ) has predicted the growth of the sector owing to the sound economic fundamentals prevailing in the country. IAZ president Shipango Muteto said insurance premiums which recorded seven percent growth last year from the previous year are expected to grow further due to increased economic activities particularly in the construction industry. "Compared with 2012, the insurance premiums in the industry grew by seven percent in 2013 to K1.581 billion from K1. 477 billion... The outlook for the insurance industry in Zambia remains positive as the country's economy has been projected to record another positive growth," he said. The launch of two insurance companies on the market last year and increased awareness on the importance of insurance has also triggered growth. This is according to a statement issued by IAZ executive director Christabel Banda in Lusaka yesterday. Mr Muteto said the enactment of the new Insurance and Pensions bill coupled with the expected signing of various statutory instruments are projected to significantly boost the sector this year.

"The outlook for the insurance industry in Zambia remains positive as the country's economy has been projected to record another positive growth," he said. Meanwhile, IAZ approved its 2014 work plan with a focus on improving the delivery of the insurance service to the public and raising awareness of insurance in the country. "The annual work plan budgeted at K2.2 million for the association was approved to assist in its efforts to improve insurance uptake in the country," he said. *(Daily Mail)*

THE Kwacha will remain on the downward trend as the market continues to witness insignificant United States (US) dollar flows, financial analysts say. Citibank says the local unit opened trading this year at K5.46 and has weakened to in excess of 25 percent as at close of Friday's session, trading at K6.87 level. "Looking back at where the year began [to trade] on January 2, 2014, the local unit was trading at K5.46 per dollar, and has weakened in excess of 25 percent over this time period to close Friday's session at K6.87 per dollar," the bank's daily market commentary says. The bank says the kwacha has depreciated due to several factors such as more local currency in circulation and increased negative sentiments on Zambia's economic performance, confirmed by first-quarter data released by the Ministry of Finance. Zanaco Bank's daily treasury newsletter notes that the continued absence of dollar inflows, coupled with constant corporate and interbank demand, the market is likely to witness the Kwacha trade on the back foot in the near term.

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The bank says the local unit is expected to trade in the range of K6.7 and K6.8 for bid and offer respectively. On Friday, the Kwacha lost more ground against the dollar as it broke above the K6.8 level. The local unit opened trading at K6.75 and K6.77 and closed at K6.875 and K6.895 on the interbank market. The bank attributes the Kwacha depreciation to weak export inflows, negative sentiment and strong local greenback demand that are key drivers of the local unit's volatile run with the central bank staying away from the market on the day. Similarly, Standard Chartered Bank's daily brief says the Kwacha ended last week on a weaker note versus the dollar, pushing further downwards on the back of demand. *(Daily Mail)*

Zambia's consumer inflation was unchanged at 7.8 percent year-on-year in May compared with April, the Central Statistical Office (CSO) said on Thursday. On a month-on-month basis, consumer prices rose by 0.9 percent after a 0.7 percent increase in April. The copper-producing nation recorded a lower trade surplus of 43 million Zambian kwacha (\$6.2 million) in April from 79.9 million kwacha in March, the CSO added. *(Reuters)*

Zambia's kwacha weakened by 2.7 percent on Thursday as copper prices fell and a rumour spread that President Michael Sata was sick. The kwacha closed at 6.9 to the U.S. dollar, 0.19 weaker on the session. Sata, 76, was last seen in public on Monday and his health has become an issue, especially among opposition political party leaders. Sata has denied he is sick and accused the opposition of creating the speculation about him. "The market remains nervous because of the rumour," one analyst said. "They are saying I have been evacuated. Evacuated to where?" the Post newspaper on Thursday quoted Sata as saying by telephone. "I am fit. I am very fit," Sata said. Zambia is Africa's second-largest copper producer, and the central bank said in a statement on Thursday the depreciation of the kwacha was mainly caused by low prices for the metal, which have averaged \$6,500 per tonne since the start of 2014. "The Bank of Zambia remains unwavering in its policy of prudently intervening in the foreign exchange market with a view to reducing volatility and building international reserves," the central bank said. *(Reuters)*

THE construction of the US\$259 million Kazungula Bridge is expected to start next month, Road Development Agency (RDA) chief executive officer Bernard Chiwala said. The Kazungula Bridge is a joint project between Zambia and Botswana being financed by the African Development Bank (AfDB) and the Japanese International Corporation Agency (JICA). "Zambia and Botswana will start building a US\$259 million bridge in June to replace the ferry service between the two states, [the bridge will] be completed in four years," Mr Chiwala told journalists in Lusaka, recently. The bridge will help improve transport between the mineral-rich regions of Zambia, Democratic Republic of Congo and South Africa. The project is expected to be completed in 2018. Mr Chiwala also said the contract would be awarded to the eligible bidder on Monday in Botswana. He, however, could not name the preferred bidder. *(Daily Mail)*

THE Government collected total mineral royalty of K1.8 billion in 2013, which was 8.4 per cent lower than projected. In the year when the mines earned more than US\$7 billion from the metal exports, the K1.8 billion mineral royalty was far below the K5.7 billion raised from the Pay As You Earn (PAYE) in the same period. Generally, the lower-than-expected revenue and grants led to a wider deficit than initially projected. The national Budget recorded total revenue and grants of K25.6 billion, lower than the target of K26.3 billion. Generally, the 2013 budget outturn was not in line with the projections, evidenced by lower-than-expected revenues and higher than planned expenditures. According to the 2013 Annual Economic Report, the scenario was mainly attributed to underperformance on income tax and non-receipt of pledged support from some cooperating partners. The domestic revenues accounted for 96 per cent of the total revenues, while grants accounted for four per cent representing 20.3 per cent and 0.8 per cent of Gross Domestic Product (GDP), respectively. "Total revenue and grants amounted to K25.6 billion representing 2.7 per cent below target, while expenditures at K33.8 billion were above target by 6.6 per cent. This resulted into an overall deficit of K8.2 billion representing 6.8 per cent of GDP," partly reads the report.

The domestic revenues amounted to K24.5 billion, and were below target by 0.9 per cent largely. "Collections from PAYE and other income related taxes such as Withholding Taxes at K5.7 billion and K1.3 billion were above target by 13.2 percent and 18.3 per cent, respectively. "Value Added Tax (VAT) collections at K7.3 billion were above target by 22.1 per cent largely on account of the enhanced enforcement

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mechanisms and audits," further reads the report. Collection of customs and excise duties at K4.2 billion were below target by 11.7 per cent mainly due to removal of customs duty on a wide range of mechanical and electrical machines. On the non-tax revenue collections, the amount went up to K1.4 billion and was 19.8 per cent above the target. During the year a total of K1 billion was received as grants against the target of K1.5 billion. *(Times Zambia)*

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Zimbabwe

Corporate News

First Mutual Holdings Ltd has come up with measures to mitigate the low uptake of industrial space in its property division as the market suffers under liquidity challenges. The property sector has been experiencing an increase in the rate of voids and defaults as the economy continues to face challenges. In an interview on the sidelines of the First Mutual Health launch in Harare last Friday, FML group chief executive Mr Douglas Hoto said the company had divided some industrial space to cater for small to medium enterprises. "Our industrial properties have not been performing very well and contributed the greater part of voids because the actual manufacturing is not happening. So to mitigate that problem we have cut them up to cater for SMEs and warehousing," he said. He added that there was mixed performance in the property sector at the moment and the company is in the process of rolling out strategies to increase its revenue inflows. Mr Hoto said the retail space and office parks had been performing well while CBD offices were still facing challenges. FML property company, Pearl Properties, registered increased rental income by 2,06 percent to \$9,012 million in the year to December 31, 2013. However, occupancy level fell by 3,3 percent to 76,3 percent, as a result of a decline in space demand due to economic challenges exacerbated by increase in vacations, evictions and company closures. "The market is slow but we are working on some projects in the property division and we are funding these from internal resources," he said. FML rebranded its medical insurance business from First Mutual Medical Services Fund to First Mutual Health. The product is expected to increase the provision of medical care by the group to more Zimbabweans. (*Herald*)

Amalgamated Regional Trading Corporation will post a loss for the half to March 31, 2014 after total revenue for the period fell by 8 percent due to depressed consumer demand and liquidity challenges. "Total revenue is down 8 percent on prior year. The half year results will be lower than expected, recording a slightly higher loss than had been projected," Art's group company secretary Mr Franklin Mukarakate said on Friday. During the same period last year, Art Corporation achieved \$16,9 million in turnover and a net profit of \$286 000. According to the trading update battery and paper volumes were 10 and 13 percent lower respectively than the prior period last year. "Stationary volumes, however, are ahead of prior year by 18 percent, coming off a low base in the prior year," said Mr Mukarakate. He was optimistic of a recovery in the second half of the year, underpinned by an anticipated increase in battery demand in winter. He added that the group had also made progress on recapitalising the business, with the company spending US\$1,8 million on new equipment. "Delivery and commissioning of the equipment is expected later in the year with full benefits to be realised in 2015," he said. Mr Mukarakate said there were plans to restructure the group's balance sheet and loans. ART owns a number of businesses in Zimbabwe with distribution operations in Malawi, Zambia, Zimbabwe and South Africa. (*Herald*)

Metallon Gold Zimbabwe is eyeing a potential listing on the Zimbabwe Stock Exchange as part of efforts to comply with the country's indigenisation laws. In a report, the group said it was liaising with Government regarding the indigenisation policy considering that it is no longer a "one size fits all" policy. According to the country's empowerment laws, foreign-owned companies are required to turnover at least 51 percent of their shareholdings to indigenous Zimbabweans. New business are also required to comply with the law. Metallon Gold was founded by South African mining magnate Mr Mzi Khumalo and has five gold mining operations in Zimbabwe; How Mine, Shamva, Arcturus, Mazowe and Redwing mines. The company is hopeful that the indigenisation process will be completed this year. The Zimbabwe Stock Exchange last had listing about two year ago. In terms of production, Metallon Gold Zimbabwe is expecting a 20 percent gold production increase in 2014 after re-opening some of the mines that had been closed during the hyperinflation era. The mining group expects to reach 100 000 ounces of gold in 2014 rising from 81 960 ounces last year. In a statement the mining group said expansion plans are underway for the company to become a mid-tier producer in the next five years. "Mines were placed on care and maintenance, with some mines flooded due to unavailability of reliable electricity," Metallon said in a statement. The company said production is ramping up and they are expecting to come back to the capacity of 190 000 ounces by 2017. Of the mines that make up the group, How Mine which is the most productive recorded a 32 percent increase to about 53 200 ounces recorded in the first quarter of 2014 from 40 281 ounces recorded in 2013. How Mine production averages about 5 grammes per tonne.

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Shamva gold mine recorded a 70 percent increase in production to about 34 300 ounces in the period under review from 20 113 ounces recorded in 2013. Average mined grade is 3 grammes per tonne. Mazowe mine recorded a 100 percent production increase to 20 900 ounces from 10 438 ounces recorded last year. Average mined grade was at 5 grammes per tonne. Production ramp up has commenced at Arcturus Mine with underground mining operations already underway. "Ore at Arcturus is processed through conventional crushing, milling, gravity recovery and a combination of carbon-in-solution and carbon in pulp processes. There is forecast production of approximately 12 000 ounces in 2014. Average mined grade of 4,2 grammes per tonne," Metallon said. Redwing Mine is currently being de-watered with exploration and development in place to bring the mine back to capacity of 30 000 ounces per annum. Combined underground and sand re-treatment operation is being done with de-watering of the mine to be completed by the fourth quarter of 2014. *(Herald)*

Turnall Holdings has projected turnover to grow by 16 percent to \$50 million this year on the back of a 20 percent increase in volumes, chief executive John Jere said. In a trading update after the company's annual general meeting yesterday, Mr Jere said volumes would jump by 20 percent driven by tiles, which were not there last year. "Despite a slow start and the change of model towards a cash model, volumes have firmed up in April and May 2014 and we are forecasting sustained growth up to year end," Mr Jere said. Turnall says it suffocates competition, at 85 percent market share, largely due to its ubiquitous market presence. The tile and speciality business is forecast to contribute about 25 percent to turnover at \$12,5 million, exports growth will contribute \$3,5 million to the \$50 million while a small profit or break-even is expected. At present, sales at 16 000 tonnes are 17 percent below same period last year at 19 000t, with capacity utilization at 45 percent, lower than last year's 55 percent with gross profit margins also lower than in 2013. This performance will come when Turnall has adopted a cash model to improve cash flows to manage liquidity constraints, which briefly affected volumes. Key pillars on this strategy includes cash generation in an effort to improve cash flows through, improved cash collections (debtors book) and inventory reduction. "To that end, a cash model was adopted as key in 2014 as opposed to the credit sale model which has been in place since dollarisation," Mr Jere said.

He added that in adopting the model, management was aware that we were going to meet with some resistance and therefore had to be prepared forego profits if the company was to generate the cash flows and change customer mind-sets around the cash model. Against this background, Turnall is targeting a debtors' book of \$10 million from \$17 million last year and inventory of about \$14 million from \$18 million last year. Debtors have come down from \$17,5 million to \$13 million. Turnall said it would reduce this number to around \$10 million by the end of the financial under review. Borrowings are projected at only \$3 million this year from \$9 million in 2013, which should significantly help in lowering our interest payment for 2014 and beyond. Already, borrowings have come down by \$800 000. The company has already repaid a \$5 million loan from PTA Bank and has approached the same for working capital facility to refinance local expensive debt. Turnall will seek another \$5 million loan facility at probably the same cost of 4 percent annual interest to clear part of its \$9 million local debt at 16 percent interest. *(Herald)*

South African sugar producer Tongaat Hulett anticipates cane supply from indigenous private farmers in Zimbabwe to increase to more than 1 800 000 tonnes by 2017-18 from 1 017 000 tonnes delivered during the current season. Indigenous private sugar cane farmers operating in the country's low veldt are expected to increase to 1 022 by the 2017-18 season from 813 in the 2013-2014 season due to current initiatives that the company is implementing together with Government and local communities. According to Tongaat's latest financial report sugar cane yield is expected to increase from 74 tonnes of cane per hectare harvested from 1400 hectares in the 2013-14 season to 100 tonnes of cane per hectare from 18 880 hectares by the 2017-18 season. "The situation in Zimbabwe is in a constructive phase, with Tongaat Hulett, the Government and local communities working together on socio-economic initiatives in the south-eastern Lowveld region of the country. "This was again demonstrated by the proactive response of the authorities to the recent illegal attempt at land invasion. One of the key focus areas remains the orderly development of sustainable private sugar cane farmers," it said. Meanwhile the sugar producer recorded an 11 percent increase in operating profit from 2,1 billion rand to 2,3 billion rand during the period to March 31, 2014 as operating profit from the Zimbabwe sugar operations fell to R330 million from R625 million last year.

Tongaat said local operations were affected by lower market sales that were influenced by an influx of imports. "In Zimbabwe, revenue in US

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dollars was 25 lower than the prior year, as a result of lower local market sales (mainly due to substantially increased imports in the market) with the resultant additional lower priced exports. "Cane valuations were impacted by lower prices and the effect of curtailed root replanting as a consequence of the water dynamics during the year – reflecting a US\$33 million negative change in the income statement compared to last year. The dams have now recovered, following good rains, to the extent that new root replanting has now resumed," Tongaat said. The sugar producer however said measures instituted recently to protect the local market against unfair import competition are expected to yield positive benefits. Local production rose from 475 000 tonnes to 488 000 tons of sugar during the period under review as total sugar output for the group rose 13,5 percent to 1,424 million tonnes and is expected to rise 1,800 million tonnes over the next four years. Tongaat's sugar operations in Zimbabwe comprise wholly owned Triangle Sugar operation and its 50,3 percent shareholding in Hippo Valley Estates. The Triangle and Hippo Valley Estates sugar have mills with a combined installed milling capacity to crush in excess of 4,8 million tonnes of cane annually and produce over 640 000 tonnes of sugar. Refining capacity is 140 000 tonnes per annum. (*Herald*)

Dairibord Zimbabwe Limited has unveiled a new product line to exploit an opportunity identified in the market and to increase the contribution of non-milk products to the group. The new product called Dairibord Pfuko/Udiwo Maheu falls in line with its "More Than Just Milk" strategic thrust. Pfuko/Udiwo Maheu is a nutritious and filling beverage ideal for the health conscious consumer. It has a six months shelf life and can be stored at ambient temperatures, which will see it being distributed and made available right across the country. This follows the commissioning by Dairibord this month of its Harare plant new product line plant in a bid to increase volumes and reduce the cost of production. Dairibord chief executive Mr Anthony Mandiwanza said this month that the new plant was part of the \$10 million capital expenditure for refurbishment and installation of a total of five plants expected to drive volumes, enhance efficiency and cut costs of operation. The introduction of the new brand is in line with Dairibord's commitment to providing consumers with nutritious food and beverages for the sustenance of good health. The name Pfuko/Udiwo Maheu is derived from Shona and Ndebele words meaning "pot" and it symbolises the traditional brewing process and storage of Maheu.

The name resonates with what the brand stands for which is why it has adopted a traditional name to refresh consumers with a nutritious and healthy beverage. The product comes in two pack sizes, 350ml and 500ml. Unlike most offerings on the market which are only sealed with a foil, Pfuko/Udiwo has got a foil and a screw on cap for the safety and added convenience of consumers. Dairibord Pfuko/Udiwo Maheu will be available in different flavours namely Traditional, Banana, Strawberry and Vanilla. It comes in the following pack sizes: 12 x 500ml, 6 x 500ml, 12 x 350ml and 6 x 350ml. (*Herald*)

RioZim is negotiating the term sheet for a \$45 million facility with an international financier to refinance the group's bank debt, which now stands at \$40 million, managing director Mr Ashton Ndlovu told the annual general meeting yesterday. He said the group would be able to significantly reduce its average cost of funding, which had been reduced to 19 percent at the end of last year from 21 percent in 2012. The financier had offered to guarantee country risk on the entire debt. Turning to the group's operations, he said RioZim had lost a third of its production at Renco in the first quarter to flooding after they received a season's rainfall (800mm) in two weeks. The group was looking to spend \$700 000 in development capex to improve grade and gold production and was also negotiating with ZEDTC to reduce electricity tariffs. A contract had been signed with a contractor to treat 80 000t of dumps at Renco. RioZim was also moving on with its plans to develop its opencast mine at the Cam & Motor in Eiffel Flats. A Chinese company was in the process of setting up a 1 500 tonnes a day treatment plant and production would start in the fourth quarter of 2014. At Empress Nickel Refinery, the group had received only 30 percent of its matte supplies from BCL, which was forced to declared six force majeures as BCL suffered from boiler problems. To this end, BCL would shut down its operations on June 18 for a month to repair the 49km of tubing in the boilers, which should result in a consistent supply of matte on resumption. "With a consistent matte supply, the refinery is profitable business," he said.

RioZim had also engaged Canadian consultants to investigate an upgrade its treatment of high sulphur matte, which would reduce reliance on Botswana and it would allow the group to take high matte sulphur matte from Zimplats. Mr Ndlovu added that the group would be able to beneficiate PGM matte at 10 percent of the estimated \$3,6 billion cost of setting up a new platinum refinery. He noted that payback on the oxygen plant was a mere four months and the group was saving \$300 000 a month following the installation of the plant imported from

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India. The restructuring of the group into industry specific sector to attract investment into focused areas — gold, chrome, diamonds, base metals and energy — was almost complete. An Italian group was looking at becoming a strategic partner in RioChrome and he noted RioZim still had pre-emptive rights over the diamond assets of Rio Tinto Plc. Mr Bhekithemba Nkomo had been appointed CFO in the year. *(Herald)*

Bindura Nickel Corporation is targeting a 42 percent increase in nickel production within the next two years as the company intensifies efforts to restart its smelter shut down during the hyperinflation era. The company is currently producing about 7 000 ounces of nickel annually and strategies have been put in place to reach the targeted 10 000 ounces per annum production. The Bindura nickel smelter was shut down after the drop in international prices eroded profit margins. BNC managing director Mr Batirai Manhando yesterday said the company's immediate focus was on increasing production at Trojan nickel mine. "Our focus at the moment is to grow production from the Trojan side and to move further to do smelting. We want to get the smelter up and running immediately. 'Plans are at an advanced stage to restart the smelter and it would take 12 months to modify the facility to also handle about 200 000 ounces of platinum concentrates a year as well,'" said Mr Manhando. As part of the efforts to increase production BNC has invested about \$1,2 million towards exploration activities. Mr Manhando said they are doing capital drilling where the company is looking at refining the existing ore bodies.

"As you are quite aware we restarted Trojan in the first quarter of 2012 and from then exploration activities have been earmarked as a way of increasing production. We are extending the mine to a deeper level to also have easier access to the resource as well," he said. Trojan is also in the process of establishing more spiral roadways underground. Since the resumption of operations at the mine, Bindura has to a greater extent got back to the glory days (a period) before the hyperinflation era where Trojan used to be the mainstay of all economic activities in the area. The employment situation has since returned to normal with all the workers back to work. *(Herald)*

ZIMBABWE Stock Exchange-listed concern, Pearl Properties, recorded below-target revenue of \$2,9 million for the four months to April 30, due to increasing rent arrears. General manager Francis Nyambiri said at the company's annual general meeting yesterday that rent arrears increased to \$2,1 million from \$1,7 million in December 2013. "Revenue is about \$2,9 million, which is slightly below budget by about 1%. But we have maintained the year-on-year position," Nyambiri said. In the period under review, rental yield declined to 7,56% from 7,90% in April last year while the average rental per square metre was down to \$7,61 from \$8,01 in April 30 2013. Nyambiri said property expenses increased by \$171 000 to \$634 000 from the previous year while administration expenses were within budget at \$988 000 and have declined by \$300 000 from prior year. During the period under review, Pearl Properties occupancy rate increased to 79, 45% from 78,87% as at April 30 2013. In the financial year ended December 2013 revenue increased by 2,18% to \$9,022 million from \$8,830 million as a result of increase in rental income from property services rendered to third parties. Rental income increased by 2,06% to \$9,012 million driven by an increase in the contribution of turnover-based rental income. In the period under review rental per square metre increased by 1,22% to \$8,28 while rental yield eased to 7,80%.

Property expenses grew by 3,38% to \$1,683 million, net property income before administration cost increased by 19% to \$7,339 million while administration expenses increased by 5,56%. During the period under review, operating profit before tax and fair value adjustment declined by 1,42% to \$4,684 million while market value of investment grew by 6,55% to \$128,1 million. According to the Africa Report 2013 by Knight Frank said the take-up of office space in Zimbabwe has been poor as a result of the depressed economic climate in Zimbabwe. Occupiers are struggling to meet rent and service charges, and the levels of arrears are generally high. Voids have increased in some buildings to over 30%. More than a year after it came on stream, the 12 000sqm of office space in the Joina City development in Harare remains over 50% unlet. *(News Day)*

ABC Holdings says regulatory and other approvals are being sought for the disposal of its controlling shareholding to a company owned by former Barclays Plc chief executive officer Bob Diamond. Under the BancABC brand, ABC Holdings has banking operations in Zimbabwe, Mozambique, Zambia, Botswana and Tanzania. In a notice to shareholders, ABC Holdings said: "Further to the previous announcement published by ABC Holdings Limited on 6 May 2014 in relation to the Atlas Mara transaction announced on 1 April 2014, shareholders are advised that regulatory and other approvals are currently being sought. "Shareholders are advised to continue exercising caution when

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dealing with the company's securities until a further announcement is made." In April, Atlas Mara — founded by Diamond and billionaire Ashish J Thakkar — announced that it would buy 50,1% in pan-African banking group, BancABC. Atlas Mara also made a voluntary offer to acquire a majority stake in African Development Corporation bringing total ownership in BancABC up to 88% and a subsequent mandatory offer for the remaining 12% stake in BancABC. According to Atlas Mara's investor timeline, the closing date of direct agreements for 50,1% of BancABC would be done by August. Atlas Mara wants to gain a foothold on the African market and would achieve that through acquisitions. It raised \$325 million when it debuted on the London Stock Exchange last year and wants to raise an additional \$400 million war chest to support the growth of BancABC, future acquisitions and bolt-on opportunities, and for general corporate purposes.

Atlas Mara sees the acquisition of BancABC as an entry into the resource-rich SADC bloc with rising trade flows and strong gross domestic product. It says BancABC is a fast-growing (42% average annual growth in loans since 2009) banking group focused on southern Africa. Atlas Mara said BancABC was led by a highly-regarded management team that had worked together for over a decade. BancABC, it said, was capable of offering a range of banking products including corporate banking, treasury services, retail and SME banking, asset management and stock-broking. Atlas Mara said the expansion to date of BancABC was strong, but hamstrung by capital constraints. Last Friday, Atlas Mara announced that it had agreed to acquire the government of Rwanda's 77% shareholding in the commercial arm of the Development Bank of Rwanda subject to the satisfaction of certain regulatory and other conditions. Atlas Mara said when completed, the transaction would broaden its footprint in the East African community. *(News Day)*

Air Zimbabwe may resume international flights after airline was readmitted into the International Air Transport Association following a successful safety audit. The national airline was de-registered from the IOSA International Operational Safety Audit programme certification in September 2012 after failing IOSA's assessment subsequent to a brief halt of business because of an industrial strike. On Wednesday, the Air Zimbabwe board unveiled the airline's IOSA re-registration certificate. Transport and Infrastructural Development Ministry permanent secretary Munesu Munodawafa said the audit took place in February. "This achievement is a result of a successful IOSA re-registration audit that was conducted by IATA through one of its accredited audit organisations." The readmission means the airline has met all safety standards as per IATA requirements ensuring passenger and employee safety in line with aviation safety in the conduct of all its operations. This is the fourth successive IOSA for Air Zimbabwe since it was mandated as a prerequisite for IATA membership in 2008. Mr Munodawafa said acquiring the certification has put the nation in an elite group of airlines in Sub-Saharan Africa. "As an IOSA registered airline Air Zimbabwe has demonstrated compliance with the highest global safety standards and becomes one of the 25 airlines in Sub-Saharan Africa that are on the IOSA registry," he said. He said the benefits ensure the safety and attractiveness of the airline to potential investors and passengers. "The benefits of IOSA are varied and unlimited for the passenger, the airline and the nation at large. Our passengers will continue to enjoy Zimbabwe's hospitable skies while the economy opens its belly to more investors who by nature prioritise safety," he said.

He added that the tourism industry will also benefit from the development in the national airline. "The tourism industry which enjoys the aviation's multiplier effect will benefit immensely from this development as world travellers of the 21st century are safety conscious and their choices are guided by international standards like IOSA" he said. The principal director in the Ministry of Transport and Infrastructural Development Mr Valentine Sinemani said: "Air Zimbabwe is redefining its static context in terms of its relevance and rebooting its value. Our national airline represents the greatest opportunity of a turnaround of a nation in the skies because we know there is a derived relationship between national performance and national aviation development." *(Herald)*

Edgars Zimbabwe recorded a \$281 000 loss in the four months to April as the operating environment tightened on the back of liquidity challenges and issues around civil servants salaries. As a result the group might post below estimate results if the economic situation does not improve. Managing director Mrs Linda Masterson told the annual general meeting yesterday in Bulawayo that sales were down 2,5 percent against last year but the amount had recovered from the 3 percent drop in the first quarter. "There was a slight recovery in sales after civil servants who make up the bulk of our customers received back dated salaries in April. "However, if there are no changes in the macro-economic environment, our results will be below target. At the analyst's briefing in March, Mrs Masterson said, a focus on cost control, more fashion-less price and a wide range of choice for customers will see turnover increase just marginally (3 percent) to \$70 million

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from \$67,75 million last year. The group is targeting a \$4,7 million bottomline against \$4,23 million last year.

Gross margins were at 45,3 percent which Mrs Masterson said "was pretty in line with last year's performance. The group expects the gross margins to be at 47,5 percent while trading profit is forecast to be 8 percent of turnover at the close of the financial year. The customer base had grown to 200 000 from 197 932 at year end. Of that number, 70 percent were active. Mrs Masterson noted that the debtors' book was in good shape although people were paying a "bit later." Current debtors were at 73,7 percent of the book against 76,5 percent last year. The group had extended its credit scheme to 12 months starting May. "We expect the momentum to pick up as the year progresses." Mrs Masterson said finance costs are 7,9 percent lower than last year and 12,3 percent below the budget. Mrs Masterson said Jet had been affected by competition while the fact that it is not cushioned by credit sales made it prone to the difficulties in the economy." (*Herald*)

In spite of the slowdown in economic activity, Nicoz Diamond recorded a 6 percent growth in the top-line in the four months to April. Managing director Mrs Grace Muradzikwa told the AGM this afternoon that demand in the insurance sector had slackened, mirroring the liquidity challenges in the economy. "In insurance we follow the fortunes of our clients and hence always feel the wrath of the challenges on the ground," said Mrs Muradzikwa. However, in spite of this the group had recorded growth although it was a drop from the double digit growth the group used to enjoy in the past few years." Gross Premium Written was \$11,1 million from \$10,4 million last year. Mrs Muradzikwa said this was in line with budget. Mrs Muradzikwa said the group now had more policies on its books compared to prior year though the level of covers taken up by clients had generally reduced. Mrs Muradzikwa said the loss ratio was at 42 percent from 47 percent last year. "The measures we have taken around risk management at our clients as well as the supplier engagements to manage cost of claims are paying off." She added, however, that there was still a lot to be done to manage costs of motor vehicle repairs which appear to be increasing despite the fact that the general price level is decreasing. Mrs Muradzikwa said the group continues to make good progress in correcting expense ratios from a high of 46 percent to earned premiums in April 2010 to 36 percent currently. "This is against a target of 35 percent."

Investment performance was under pressure from softening interest rates to depressed stock market performance. The Diamond Villas property project was going on well and by the end of July the first lot will be ready for sale. Mrs Muradzikwa said the regional investments were doing "fairly well" with the exception of FICO Uganda which still requires capital. Diamond Seguros Mozambique started trading in March and has so far met its revenue targets. Overall, she said the profitability of the company is in line with forecasts and above last year. The challenge is to ensure that all these premiums not yet collected are collected in full. At the AGM, directors fees for last year were approved \$74 605 and auditors fees of \$68 250. (*Herald*)

FREDA Rebecca Gold Mine, a subsidiary of Alternative Investment Market-listed Mwana Africa Plc intends to set up a new gold processing plant as part of its phase three growth strategy. The mining company recently commissioned a new plant as part of its phase two which propelled production to 100 000 ounces from the annual 60 000 ounces that were produced by the previous set up. Freda Rebecca however hopes to propel its gold production target to a record 120 000 ounces of gold per annum after establishing a third milling plant at the mine. Mwana Africa is therefore looking at strategies to increase gold output at its flagship gold mine with a significant plan being put in place also to maximise returns at Bindura Nickel Corporation. Freda Rebecca general manager Mr Toindepi Muganyi confirmed the development. "We intend to install a third mill which will propel our production to 120 000 ounces of gold per annum. Our previous intention was to move from 60 000 ounces (two tones) of gold to 100 000 ounces (three tones) and we have achieved that figure," said Mr Muganyi. "We are planning to come up with a new plant as part of our phase three but at the moment the company is looking on how to raise the capital required to start the project."

Freda's multi-pronged strategy includes considering opportunities offered by third party players feeds from areas around Freda Rebecca Gold Mine. The gold mining company has also built a tailings plant for the pilot treatment of gold dumps. "Progress has also been made on the evaluation of the economic potential of Freda Rebecca's tailings dumps including commencement of construction of a pilot," said Mr Muganyi. About \$2 million was invested towards the construction of the pilot plant which will have a positive impact on the company's

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returns if successful. He said the objective of the pilot scale test plant is to prove that gold can be recovered economically from the tailings with little reprocessing and low mining and handling costs. *(Herald)*

Zimbabwe's largest seed company, Seed Co Private Limited plans to invest about \$6 million towards research and importation of new technology by 2015 as the company intensifies efforts to compete on the global market, a company official has said. Currently the seed company spends \$4 million on research and an increase to that figure has been planned. In an interview yesterday Seed Co Zimbabwe finance director Mrs Felistus Ndawi said the company is in the process of importing new technology. "We are establishing a state of the art research laboratory to be furnished with latest technology imported from overseas. "We are planning to invest capital in excess of \$6 million in the next year or two. "The companies want to continue offering a variety of seed breeds through continued use of technology and reliable research," said Mrs Ndawi. She said the company's plans to establish a research laboratory coincided with the coming in Limograin hence efforts have been made to make sure the project becomes a success. A technical committee consisting of representatives from Limograin and Seed Co has been put in place to handle research issues and mobilisation of funds. "Some money has already been invested towards the purchase of the equipment required and a significant investment has been earmarked towards research from a capital expenditure point of view," she said. Investment in latest technology for research requires huge capital investment and many companies in Africa have found it difficult to raise the required finance.

Mrs Ndawi said Seed Co is looking at purchasing more land for the company to produce seed on its own and the company already has a farm that is producing 80 percent of seed. She said the company is also in the process of acquiring land in Zambia as Seed Co intensifies efforts to register its footprints on the global market. "The group will continue expanding on the global market and we have started exploring the West African market in Nigeria and in the future Ghana. "I can confirm that there are some varieties that we have selected for multiplication in that region. "Through research we have discovered that West Africa can be a good market for the future of the company," said Mr Ndawi. Seed Co is currently the dominant seed company in Zimbabwe sitting on 56 percent market share in the Zimbabwean market. *(Herald)*

Zimpost's revenue income for the five months to May slumped by 15 percent due to the prevailing harsh economic environment. Zimpost managing director Douglas Zimbango said postal services are now considered unnecessary mainly on the back of the rise in the use of digital technology. He, however, said Zimpost is currently transitioning from a postal-centred firm to a more agency based entity which will see the company changing its fortunes for the better. "We are currently rolling out a raft of measures which will eventually take us to a stage where we will be offering the right services for each community and clearly we will see a reversal of the negative trend. "We are in a transition from a mostly postal entity to an agency entity, so we are now entering into agreements with other service providers so that we use our extensive network to provide other services in outlying areas, thereby enabling services that are currently confined to urban areas to be offered nationwide. "This is an avenue we feel will be able to make money and replace the volumes that we are losing from the drop in postal services," he said. Zimbango said most the companies that had agreements with the firm in previous years had abandoned Zimpost due to the company's late adaptation to technology. "Previously we could not link up to the database of principal service providers; however we have since migrated from the manual system to automation. "We are now asking various service providers to come back on board as we now have the requisite skills and technology," he said. To date, Zimpost has agency agreements with five insurance companies, five banks and all three mobile operators. In addition, the firm has agreements with NSSA, ZINARA, ZBC, DSTV, SOLAR HART, Fleximail and Renco wholesalers. *(Herald)*

Economic News

A third of banks have not yet complied with the Reserve Bank's minimum capital requirements, reflecting the fragility and limited capacity of banks to support efforts to turnaround the economy, a Reserve Bank of Zimbabwe official has said. RBZ Deputy Governor Dr Kupukile Mlambo made the revelation in his presentation at the Chamber of Mines' 75th AGM in Victoria Falls last week. "About a third

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of the banking institutions are not in compliance with prescribed minimum capital requirements (of the Reserve Bank of Zimbabwe). (Most) banks are struggling to attract foreign investors," Dr Mlambo said. Banks were required to have met the \$25 million minimum capital threshold by December 2013 and were expected to submit a compliance plan for the US\$100 million minimum capital level by next month, although it will be effective in 2020. Dr Mlambo said that while the financial sector had a huge role to play in supporting economic recovery, with Government's Zimbabwe Agenda for Sustainable Socio-Economic Transformation requiring \$27 billion between 2014 and 2018, banks had little capacity to support the economy. The fragility of banks, which cannot fund major projects, also reflects in the poor financial performance of the institutions, which posted a combined after tax income of \$20 million in the year to December 2013, with five recording losses — two of them as much as \$60 million. Dr Mlambo said local banks' combined total capitalisation of \$800 million was smaller than the capital of South Africa's fifth-largest bank, Capitec, which has a balance sheet of \$900 million. While banks had played a major role financing the economy after dollarisation in 2009, credit to productive sectors drastically fell in line with the decline in growth in deposits. Loans to productive sectors were \$263 million in June 2009, growing exponentially to \$3,7 billion in September 2013, but have come down to \$3,6 billion at December 2013; the bulk of it going to individuals.

Dr Mlambo said growth in non-performing loans was reflective of how firms were struggling, further straining banks' capacity to keep supporting productive sectors of the economy. Economic problems in the country have resulted in the liquidity situation not improving; rather, the problems have worsened with deposits transitory, confidence in banks low, interbank market non-existent while the RBZ currently cannot perform its lender of last resort function. Against this backdrop, Dr Mlambo said there was need for additional sources of funding, which called for measures to improve confidence in the economy through rationalising investment laws. He also said it was important that the country taps into diaspora funds, with remittances more than doubling from \$198 million in 2009 to \$454 million in 2013. He said unrecorded diaspora inflows were estimated at \$1,6 billion. The RBZ Deputy Governor also said it was important to implement the IMF's staff-monitored programme to open avenues for possible debt forgiveness by international lenders. Zimbabwe owed foreign lenders about \$6,4 billion as of December 2013. As Government battles a myriad of challenges militating against the economy, Dr Mlambo said it was important that the multi-currency regime adopted in February 2009 continued. The Chamber of Mines of Zimbabwe's AGM ran from May 22 to May 24 under the theme "Resetting the Role of the Mining Sector as the Cornerstone of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation Blueprint". (*Herald*)

Zimbabwe will soon resume beef exports to the lucrative European Union market, with negotiations to that effect already under way, a Cabinet Minister has said. Speaking at a Press conference yesterday, Agriculture, Mechanisation and Irrigation Development Minister Dr Joseph Made said Cabinet would, in the coming few days, discuss a national strategy on livestock production in preparation for the exports. Zimbabwe last sold its beef to Europe in 2001 before the exports were suspended because of an outbreak of foot and mouth disease. "As we are talking, there are inquiries from Europe relating to the fact that we must focus on the livestock sector and the potential to re-enter the European market in terms of beef exports," said Dr Made. "We are in agreement with the European Union that we must re-establish the green, the red and the white zone as it relates to foot and mouth and re-establishment of the foot and mouth fence across the country. (*Herald*)

Production of winter wheat in Zimbabwe is expected to decline this year following a reduction in area put under the crop this winter from 4 000 hectares last year to about 3 000 hectares. Zimbabwe Commercial Farmers Union president Mr Wonder Chabikwa said that the country should expect less wheat because farmers did not receive enough funding to grow the crop. It costs approximately US\$1 200 to grow a hectare of wheat in Zimbabwe against \$230 in Ukraine and \$600 in Australia. "Summer crops were also harvested late so farmers could not prepare land on time for planting of the winter wheat. We expect about 3 000 hectares to be put under winter wheat. At the moment the planted crop is doing well and is at pillaring stage," he said. The Government has, however, projected that wheat production will improve by 17,6 percent from 24 700 tonnes in 2013 to 29 000 tonnes in 2014. Mr Chabikwa said the deadline for planting wheat had passed so farmers should concentrate on growing other crops. "We look at 25 May as the cut-off date. The crop has optimum planting date for optimum yields. I therefore, urge farmers, who could not meet the deadline to go for other horticulture crops like potatoes," he said. Reduced wheat production results in shortages of some basic commodities and related agricultural products in the near future.

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Wheat production is estimated to have declined from 33 700 tonnes in 2012, to about 24 700 tonnes in 2013. This is on account of declines in the area planted from 11 600 hectares in 2012 to around 8 500 in 2013. Challenges that have continued to affect production of the crop include erratic power supply for irrigation, funding and high costs of inputs. Zimbabwe requires 400 000 tonnes of wheat annually and shortages mean that the country has to meet the shortfall with costly imports from countries such as South Africa and Zambia. (*Herald*)

Government could still effect the ban on the export of unbeneficiated platinum next year when the ultimatum given to miners expires this year, if miners are slow to set up a precious metals refinery. This is despite the platinum producers having committed \$100 million for a refinery, an amount which falls way below Government expectations. Mines and Mining Development Minister Walter Chidhakwa said he expected "real action" from the mining companies regarding the establishment of the refinery. Minister Chidhakwa said this in an interview last Friday after the Chamber of Mines' annual general meeting and conference held at Elephant Hills Resort in Victoria Falls from May 22 to May 24 2014. "I want to see real action on the ground," Minister Chidhakwa said, adding the mining firms had not briefed him about their plans prior to making the announcement at the AGM and conference last week. He said the action by miners was "not enough". Chamber of Mines of Zimbabwe president Mr Alex Mhembe said last Friday that platinum producers had pooled \$100 million to start the process of setting up beneficiation facilities in the country. Former Mines and Mining Development Minister Obert Mpofu in 2012 gave platinum miners a two-year ultimatum to set up a refinery in the country or else Government would ban the export of raw platinum. Zimbabwe, which is home to the world's second biggest platinum reserves after South Africa, exports matte for refining in neighbouring South Africa. Presently, Zimbabwe has three main platinum producing mines namely Implats' subsidiary Zimplats, Aquarius and Implats' 50-50-owned Mimosa and Anglo American's Shurugwi based Unki Mine. While the producers have committed \$100 million to the project, setting up a refinery would gobble up an amount in the region of \$3,5 billion to \$4 billion. "Building only a base metal refinery would require something in the region of \$1,6 to \$1,8 billion," he said.

A base metal refinery only adds value up to 60 percent concentrate of platinum group metals (PGMs), which are then fed to a precious metal refinery. Government has already slapped platinum producers with a 15 percent levy on raw platinum exports in a bid to nudge the producers to beneficiate and add value to the country's platinum. This adds to the 10 percent royalty on gross proceeds and numerous other charges to which the platinum mining companies are already liable. The push towards beneficiation and value addition falls in line with Government's position to optimise benefits from the country's extractive resources. Government wants beneficiation and value addition of minerals to derive maximum value required supporting other economic activities when the finite minerals resources have mined out. In addition, there also is the general feeling in Government that producers understate the volume and value of platinum they send out for refining. There have been numerous engagements, but little progress, between Government and platinum producers on how to proceed with the beneficiation and value addition agenda of the country. But the process has taken long at the discomfort of Government, which contends that huge amounts of potential revenue are lost due to the export of low value unbeneficiated minerals. Zimbabwe generated \$2,3 billion from minerals last year. In the past, the producers have argued that the country does not have critical mass as yet to justify the establishment of a precious or platinum refinery. Zimbabwe is currently producing about 430 000 tonnes of platinum annual and miners once said the country needed 500 000 tonnes to justify a platinum refinery. (*Herald*)

Recently, there have been amplified calls by government authorities in appealing for Foreign Direct Investment. The importance of foreign investment cannot be over-emphasised, especially for an economy at a precipice like ours. In Mozambique for instance, during the past year, the country registered a 30 percent increase in its FDI flows to \$7,1 billion. It is no coincidence that the International Monetary Fund forecasts its economy to grow by as much as 8 percent this year alone, making it one of the leading "frontier market" economies. What is clear from this example is the crucial role that capital accumulation can play in fuelling economic growth. The Zimbabwean government's economic blueprint (Zim Asset) which is a set of policies meant to induce economic recovery requires at least US\$10 billion for its successful implementation. In the policy document, the government emphasises on mobilising funding for the programme from within through leveraging mineral resources. Present economic realities however show that the local economy is no state to provide capital of this stature. Zimbabwe largely remains a consumptive economy, with little income set aside for investment spending

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thereby undermining the country's ability to raise capital domestically. FDI is thus essential to the turnaround of the country's economy. In today's world, capital flows have no borders and are very fluid in nature. Essentially, capital follows the path of least resistance, and gravitates towards areas with the best risk-return profiles. For instance, a Bank of America report earlier this year indicated that investors withdrew over \$6,4 billion in one week from emerging market stock funds following economic vulnerabilities in the "fragile five" emerging market economies, reinvesting their money elsewhere in the quest for better returns. Evidently, investors foreign or otherwise invest their money in enterprises that can yield positive returns for them.

This principle lies at the crux of free market capitalism, widely lauded as the best economic system that has ever existed. Even where this economic system is varied; as in the case of China's state-led capitalist system, investors look at the potential risks and rewards in determining where to invest. Given all this, it is necessary that Zimbabwe eliminates obstacles to the free flow of capital into the economy. Guaranteeing of property rights and assurances of implementing existing legislation in keeping with economic and business law are both elemental preconditions for attracting FDI. When International Best Practice with regards, to basic international economic and business law is followed, then the risk attached to that particular country is greatly reduced. To put it into context, if foreign investors are not convinced that Zimbabwe will be able to protect property rights constitutionally, these investors can always find recourse in expropriation insurance provided by the Multilateral Investment Guarantee Agency (MIGA) a division of the World Bank. Yet this hinges upon Zimbabwe's successful re-engagements with these international financial institutions, such that they are in a position to guarantee such with international investors. The International Finance Corporation and World Bank's "Ease of Doing Business Report" plays an important function in pointing out foreign investors to economies with business friendly regulations. Among other things, this report measures the basic steps and amount of time it takes for a business to be registered, access to credit information in an economy, and the amount of time a business takes to file a case in a court of law and get a court decision to enforce a contract.

Frankly, these are areas that Zimbabwe fares poorly at, and its rank at 170 out of a pool of 189 in the latest doing business report asserts this point. The obvious implications being that the country's regulatory environment does not favour private enterprise, and assuming the earlier supposition that capital or investments follows the path of least resistance, Zimbabwe's access to the much needed foreign investment will be negatively affected. Conversely, Rwanda which ranks at 32 on the same index has a regulatory environment which encourages businesses and the country has been attracting major investments and in 2013, even successfully issued a \$400 million Eurobond. At a broader level, there must be coherence and consistency at the national government planning level to assure potential investors that there will not be any marked gyrations in policy. The harsh realities of the "winner takes all" capitalist system is that rational investment decisions are made to achieve positive returns for the investor. Hence the notion of "all weather friends" is a mirage that is as inconsequential as it is implausible in my mind. Investors will only make rational economic decisions in their pursuit of self-interest, as mainstream economics presupposes. Interestingly, the amount of the FDI going into Africa's greenfield projects is ever increasing. Mineral exploration of the country's economic reserves could lure potential investors to invest into Zimbabwe's own greenfield projects. This and a lot more can be done to make the country an attractive investment option. Fundamentally, the argument is that unless the structural features of the local economy that inhibit a business friendly economic, political and regulatory atmosphere continue to exist, the country will be deprived of any meaningful FDI. (*Herald*)

THE European Union could advance a total of \$318 million later this year under the National Indicative Programme if the bloc decides to lift sanctions it imposed on Zimbabwe in 2002 in the wake of ongoing efforts to normalise frosty relations with Harare. Addressing the 11th European Development Fund Programming exercise workshop yesterday, Finance and Economic Development Minister Patrick Chinamasa said Government had faith that sanctions on Zimbabwe under Article 96 of the Cotonou Agreement would be lifted, as promised, on November 1 2014. "We have faith that the lapse of Article 96 sanctions would, as promised by the European Union, pave way for normalisation of economic relations between Zimbabwe and the European Union," said Minister Chinamasa. "Given the extensive discussions that we have conducted with the European Union, I have no doubt the promises given for assistance under the 11th European Development Fund would be honoured," the Minister said. Head of the EU Delegation to Zimbabwe Ambassador Aldo Dell'Ariccia said the bloc is committed to normalisation of relations as demonstrated by yesterday's engagement of civil society. "The EU remains committed to

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re-engaging with Zimbabwe and today we have the evidence of the re-engagement in action. Today's consultations with civil society organisations and Members of Parliament represent a key step in the process of finalising the National Indicative Programme that will help to improve the lives of ordinary Zimbabweans," said Ambassador Dell'Araccia.

Minister Chinamasa said Treasury has already started formulating an Aid Co-ordination Architecture in light of the commitment by the EU to normalise relations with Zimbabwe. The Aid Co-ordination Architecture will be discussed with the EU. "Thirdly, we have faith that full restoration of relations, would, as again promised by the European Union, entail direct engagement under the 11th European Development Fund between the Government of Zimbabwe and the European Union," he said. The health sector will receive €88 million, €88 million towards agriculture-based Economic Development, Governance and Institution Building — €45 million, Civil Society —€6 million, National Authorising Office —€3 million and Technical Co-operation Facility — €4 million according to the draft NIP. Minister Chinamasa urged the EU to fulfill its commitment to lift the sanctions and release the much needed funds to Zimbabwe. The process for the NIP entailed a two phased approach, with the first phase already undertaken and which resulted in a Country Strategy Paper (CSP) that was approved by the EU in July 2013. The CSP outlines Government's choice of three main areas of co-operation for the period 2014-2020 which are health, agriculture-based economic development and governance and institution building.

The second and final phase of the programming exercise, which commenced on 23 January 2014, entailed drafting of an NIP, which will guide co-operation between the Government and the EU. "In line with our economic blue print, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim-Asset), our engagement with the European Union in the health sector seeks to increase the protection against health threats, to strengthen and further develop the national health system and to reduce inequalities in access to quality health services," said Minister Chinamasa. The interventions towards agriculture-based economic development are aimed at improving the policy framework for sustainable agricultural growth, natural resources management and enhancing competitiveness of the agriculture sector. In Governance and Institution building, the objective is to support the implementation of public finance management reforms, support for the rule of law through strengthening the judicial system and increased access to justice. The consultative workshop was also attended by other ministers for Justice, Legal and Parliamentary Affairs, Emmerson Mnangagwa; Information, Media and Broadcasting Services, Professor Jonathan Moyo; Agriculture, Mechanisation and Irrigation Development, Dr Joseph Made and Health and Child Welfare, Dr David Parirenyatwa and other senior Government officials. Officials from the World Bank, the African Development Bank, Ambassadors of the European Union Member States, Heads of United Nations Agencies and representatives of the Civil Society also attended the workshop. *(Herald)*

Zimbabwe will demand 100 percent local control of its minerals and land under planned changes to its controversial black economic empowerment law, which has largely kept some foreign investors away, the finance minister said on Wednesday. Patrick Chinamasa's comments are sure to add to an already confused picture over policy in Zimbabwe, where the ruling ZANU-PF party has long tried to lift black ownership in the economy in a bid to rectify the imbalances of the colonial era. The Indigenisation and Economic Empowerment Act, which compels foreign-owned companies, including mines and banks, to sell at least 51 percent shares to blacks, was signed into law by veteran President Robert Mugabe in 2008. Chinamasa told parliament that the cabinet had directed the minister of youth and empowerment to amend the law. "Any investment, which come into the sectors affecting our resources, it is very important that they know that we have 100 percent control over these resources," Chinamasa said in response to a question in parliament. "The underlining philosophy is that we should have more and more local participation in our economy. Over that philosophy there is no retreat," he said. Chinamasa did not specify what he meant by "control" but in the past he has used the word interchangeably with ownership. It was also not clear whether the new policy would affect existing investors like the world's top two platinum producers Anglo American Platinum and Impala Platinum. *(Reuters)*

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