

Eastern Africa Newsletter – August 2013

PART I: KEY MARKET INDICATORS

Key Africa Equity Indices Performance

Equity Index	02/01/2013	01/07/2013	31/07/2013	% Ch. m/m	% Ch. YTD
NSE 20	4,140.43	4,598.16	4,787.56	4.1%	15.6%
FTSE NSE Kenya 15 Index	126.46	149.68	159.90	6.8%	26.4%
FTSE NSE Kenya 25 Index	129.24	154.12	163.69	6.2%	26.7%
DSEI (TZ)	1,486.86	1,582.51	1,611.15	1.8%	8.4%
UGSINDX	1,226.27	1,481.38	1,582.70	6.8%	29.1%
NGSE All Share	28,501.21	36,164.31	37,914.33	4.8%	33.0%
EGX 30	5,634.55	4,752.22	5,324.70	12.0%	-5.5%
JALSH (SA)	40,061.75	39,578.10	41,292.84	4.3%	3.1%
S&P 500	1,462.42	1,606.28	1,685.73	4.9%	15.3%
FTSE 100	6,027.37	6,215.47	6,621.06	6.5%	9.8%

Key Global Currency Performance

Currency	02/01/2013	01/07/2013	31/07/2013	% Ch. m/m	% Ch. YTD
KES / USD	86.25	85.55	87.20	-1.9%	-1.1%
TZS / USD	1,588.30	1,627.00	1,620.48	0.4%	-2.0%
UGX / USD	2,704.97	2,590.00	2,580.98	0.3%	4.8%
ETB / USD	18.28	18.74	18.80	-0.3%	-2.8%
ZAR / USD	8.50	9.88	9.92	-0.4%	-14.3%
NGN / USD	156.70	162.10	160.50	1.0%	-2.4%
EGP / USD	6.39	7.02	7.00	0.3%	-8.8%
USD / GBP	1.63	1.52	1.52	0.2%	7.1%
EUR / USD	0.76	0.77	0.75	-2.1%	-0.6%

Key Global Commodity Performance

Commodity	02/01/2013	01/07/2013	31/07/2013	% Ch. m/m	% Ch. YTD
Gold	1,681.50	1,203.25	1,331.50	10.7%	-20.8%
Oil	93.14	96.36	105.10	9.1%	12.8%
Silver	3,087.00	1,886.00	1,994.00	5.7%	-35.4%
Copper	8,084.75	6,750.00	6,800.00	0.7%	-15.9%

KEY EVENTS

- CMA grants investment adviser license to Burbidge Capital
- President Uhuru Kenyatta unveils team to restructure parastatals
- AccessKenya makes call to shareholders on takeover bid
- Kenya's USD 100 billion mineral deposits
- State plans to speed up listing of mining firms on NSE
- Swala Oil & Gas Tanzania to sell its shares to local communities
- Somalia allows UK company to explore for oil and gas
- Commercial Banks' half-year pre-tax profit soars to KES 61.5 billion
- Umeme posts 53pc growth in half year profit after tax
- Pan African profit goes up by 266pc
- Travelport sets up base in Kenya
- SA property firm opens Nairobi office to scout for deals

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This month has seen the start of H1 financial results being announced, which reflects quite a lot of what is taking place in the region in commerce and investment at present. The results have been primarily impressive, particularly in the financial sector, with many banks and insurance companies yet again making a lot of money. This despite the uncertainty of a general election in Kenya in H1 shows how a developed sector can perform in a rapidly growing economy, but of course there are many failures on the way to development so investors must still pick the right management teams to implement the success. Listed equity trading volumes in general have been very high indeed, which bodes well for the primary issuances that we see coming into the end of the year and next year.

In the natural resources sector Soma Oil & Gas of the UK was granted a licence to explore for oil and gas offshore Somalia and IMX Resources announced that it will begin nickel production in Tanzania in 2015. The cloud on the horizon in Kenya has been the confusion over the validity of mining licences, which must be rectified directly to ensure the continuation of the massive amount of capital that is required, and is available, to be invested into the industry here, continues to flow smoothly. We note the increasing move towards requirement for financing to be sought through the local capital markets which, if implemented correctly, will be an exciting opportunity for both institutional and retail investors locally.

In private equity we saw 3 investment deals in the healthcare, oil & gas and mining sectors and in M&A we saw 10 deals in the financial services, milk processing, retail, oil & gas, public relations and publishing sectors. 2013 will have been a big year for East Africa M&A, which is a trend we see continuing into next year as company valuations reach a level at which they are attractive enough to existing owners that they are prepared to step aside at this stage.

In the listed equities market, the month of July witnessed the NSE 20 index edging higher by 4.1% to close at 4,787 points mark (-4.8% off year high). This came after indications by the Fed signalling continuing bond purchases in the US until further notice (with expectations on improving macroeconomic factors going forward). This was also supported by earnings reporting season locally with expectations that listed firms will continue to report sound growth in earnings. Foreign investors remained dominant contributing to about 66.9% of total market participation on the buy-side and 51.8% on the sell-side. However, net foreign inflows decreased to USD 19.5m (previous month USD 30.6m) with KCB being the most purchased stock (USD 4.6m). Of the fallers, Home Africa continued to witness a decreasing share price (being the top decliner of the month, -24.0% m/m) as investors perceive the relative multiples on the stock being on the higher side. Total equity market turnover recorded stood at USD 129.0m (previous month USD 152.3m) for the month with Safaricom again being the top mover (USD 28.1m). Kenya continues to face the risk of rising inflation (+112bps to 6.02% in July) from expected higher food and fuel prices, consequently, short-term interest rates have also edged up (91-day T-Bill 10.46%, +165bps).

Finally, Burbidge Capital released our first independent research note on Uganda and Nairobi listed Umeme, which is attached for those who didn't previously receive it. As our IPO pipeline continues to build on the GEMS in particular, we will support primary issues with research as well as offer independent research notes on existing listed firms.

Edward Burbidge, CFA
Chief Executive Officer

OTHER KEY MARKET INDICATORS

Interest Rates

Country/Region	Current Base Rate	Previous Base Rate
Central Bank of Kenya (Kenya)	8.50 %	8.50 %
Bank of Uganda (Uganda)	11.00 %	11.00 %
Bank of Tanzania (Tanzania)	7.58 %	7.58 %
South African Reserve Bank (RSA)	5.00 %	5.00 %
Central Bank of Nigeria (Nigeria)	12.00 %	12.00 %
Central Bank of Egypt (Egypt)	9.25 %	9.75 %
Bank of England (UK)	0.50 %	0.50 %
Federal Reserve Bank (USA)	0 % - 0.25 %	0 % - 0.25 %
European Central Bank (EU)	0.50 %	0.50 %

Projected inflation rates and change in GDP

Country	Projected Inflation Rates		Projected GDP Growth	
	2013	2014	2013	2014
Kenya	5.2%	5.0%	5.8%	6.2%
Uganda	5.5%	5.0%	4.8%	6.2%
Tanzania	9.0%	5.9%	7.0%	7.2%
Rwanda	4.9%	5.8%	7.6%	7.2%
Burundi	9.0%	5.9%	4.5%	5.1%
Ethiopia	8.3%	9.6%	6.5%	6.5%

Source: IMF, World Economic Outlook, April 2013

Date	Buyer	Seller	Investment size	Synopsis
4th July 2013	Old Mutual	Faulu Kenya		Old Mutual has reached an agreement to acquire a controlling stake in Faulu Kenya in a deal that will see the micro-lender company with set ownership limits. The sale will allow Faulu Kenya, majority owned by non-governmental organisation Food for the Hungry International (FHI), to diversify its ownership and meet the Central Bank of Kenya ownership caps. A joint statement said the deal will be concluded in December after meeting regulatory approvals and will involve the sale of a controlling stake whose size and worth was not disclosed. The micro lender is also expected to raise cash from the share sales that will most likely involve the creation of new shares rather than the exit of current shareholders to accommodate the new investors. The transaction is conditional on the relevant regulatory approvals being obtained and is expected to complete by the end of 2013. The consideration for the transaction will form part of the ZAR 5 billion (USD 502,208,000) previously identified by Old Mutual as being available for expansion into Africa.
5th July 2013	Brookside Dairies	Buzeki Dairy Ltd		A takeover bid has been placed by Brookside Dairies of Buzeki for undisclosed sums of cash. Molo milk has been the leading brand in the market, ahead of its closest competitors New KCC and Brookside. A full acquisition is to be completed by August this year. As dominant players in the milk industry consolidate, at stake is some KES 2.6 billion allocated in the 2013/14 to fund free milk programme and expansion of school feeding program.
8th July 2013	Gelp Service Stations Limited	Tusky's Uganda		Gelp Service Stations Limited has finalised a transaction to purchase Tusky's Uganda and use the Tusky's Brand across its twelve petrol stations countrywide, beginning with five stations in Kampala. Gelp is owned by GKK Group of Companies, whose chairman, flamboyant businessman Godfrey Kirumira, confirmed the deal. Tusky's Supermarkets, originally registered in Kenya, is embroiled in a court wrangle over the brand, which was registered separately in Uganda by SDI Limited. Tusky's Supermarkets is operating in Uganda under the company name Tusker Mattresses Uganda Limited, and the brand name "Time To Go Tusky's Your Friendly Supermarket". Gelp Service Stations run five stations in Kampala, at Nakulabye, Natete, Kisenyi, Queen's Way and Katwe. Kirumira said the company has 12 stations countrywide.
9th July 2013	International Finance Corporation (IFC)	AAR Health Care Holdings	USD 4 million	The International Finance Corporation (IFC) has bought a USD 4 million stake in AAR Health Care Holdings, one of Africa's leading health care providers. IFC is the World Bank Group, private sector lending arm, the cash injection will help AAR expand its reach in East Africa. AAR Healthcare Chairman, Dr. Frank Njenga said that AAR has taken a strategic approach to open secondary care hospitals across the region that will bring quality healthcare as close as possible to the patients. According to an official statement, IFC's investment is part of a USD 15 million fundraising exercise by the company, marking the largest capital increase by an entity in the East African healthcare market. AAR Healthcare aims to expand its outpatient network, and enhance specialist consultation and acquire inpatient facilities in Nairobi, Kampala and Dar es Salaam. The company currently operates 28 clinics in Kenya, Uganda, and Tanzania, serving over 500,000 outpatients annually. The company's other shareholders include Swedfund and the Investment Fund for Health in Africa), an IFC portfolio fund established in 2007 dedicated to private healthcare companies in Africa.

Date	Buyer	Seller	Investment size	Synopsis
9th July 2013	First Oil	Bowleven	USD 9 million	African oil and gas exploration firm Bowleven has announced that First Oil has acquired a 30 per cent holding in its East African-focused ventures. Under the agreement, First Oil, a UK-based company, will fund around USD 9mn for Bowleven's existing oil and gas exploration activities across the East African Rift System (EARS). It is likely to give another USD 12.5mn of an additional contingent work programme, company sources said. First Oil may also contribute up to US\$ 3.6mn towards Bowleven's share of funding in any new investments.
10th July 2013	International Finance Corporation (IFC)	Delonex Energy	USD 60 million	British oil prospecting firm Delonex Energy, which opened its regional headquarters in Nairobi last month, is set to get USD 60 million (KES 5.2billion) funding from the International Finance Corporation (IFC). Part of the cash will finance Delonex's operations in Kenya, according to disclosures made by IFC in a statement announcing the intended cash boost. The IFC's investment represents about a tenth of the KES 52 billion (USD 600 million) that Delonex Energy has set aside to invest in natural gas and petroleum prospecting in select markets in East and Central Africa. The IFC has a 10 per cent stake in the firm. Private equity firm Warburg Pincus is the largest shareholder with a 48 per cent stake, Delonex Co-Invest LP 40 per cent, and the firm's management has a two per cent stake. The IFC disclosure note on the deal says that Delonex has already begun looking at viable investments and is seeking firms to offer supporting service. Delonex is seeking to buy out or buy into a company that has oil exploration blocks or engage directly with governments to acquire prospecting licences.
11th July 2013	Gujral Group, DeeJay Group & others		USD 19.5 million	Kenyan and foreign financiers are poised to inject a total of KES 1.7 billion (USD 19.5 million) in coconut handling factories in Kenya's Kwale and Kilifi counties. Gujral Group will inject USD 10 million (KES 860 million) in a coconut factory in Kwale. In addition, an India-based company, DeeJay Group, would also inject USD 5 million (KES 430 million) in a coconut handling business in Kenya. Lastly, Consolata Ayoo, a US-based businesswoman, is set to erect a USD 1.5 million (KES 130 million) factory in Ukunda and Kwale counties before long. Last year, the coconut sector just earned the country KES 6 billion because most of the nuts are exported raw to Tanzania. But when the processing plants worth KES 1.7 billion are up and running, the earnings from the industry would shoot to KES 25 billion a year.
16th July 2013	Fusion Capital	Rusororo Aggregate Limited	c. USD 2 million	Fusion Capital has acquired a 46.5% equity stake in Rusororo Aggregate Limited, the first fully commercial large scale aggregate mining company in Rwanda. Fusion is partnering with the existing management team to take the business operation to a new level of efficiency and mechanization. Rusororo Aggregate is Rwanda's only large scale operation specializing in stone crushing for commercial purposes. The company is strategically positioned owing to its ownership of multiple sites in the region valued at Rwf 27 billion (c.USD 42,639,500); and the robustness of Rwanda's construction sector, which is expected to record significant growth over coming years as the city of Kigali effects a modern development master plan. The investment by Fusion will go into the mechanization of the quarry, to increase production capacity to over 100 cubic meters per hour to meet the country's growing construction demand. Rusororo Aggregate's stone deposits are estimated to be over 3.5 million meters cubic meters, according to geological survey carried out on the sites.

Date	Buyer	Seller	Investment size	Synopsis
19th July 2013	Guaranty Trust Bank (GT Bank)	Fina Bank Limited	USD 100 million	Nigeria's Guaranty Trust Bank (GT Bank) said on Thursday it had reached an agreement to acquire a 70 per cent stake in Kenya's Fina Bank Limited for USD 100 million. Fina Bank has total assets of USD 338 million with operations in Kenya, Rwanda and Uganda, a GT Bank statement said, adding that its agreement to acquire the privately-held Kenyan bank is subject to regulatory approvals. The Nigerian lender said that GT Bank will enter East Africa through a multi-country and scalable platform, thus expanding its international presence in Sub-Saharan Africa. The top-tier bank said it will acquire the majority stake in Fina Bank, set up in 1991, through a share purchase from current shareholders and direct investment. Fina Bank has USD 184 million loan book as at 31 March, 2013 and operates from 38 branches across three East African nations. Fina Bank said it was looking for additional capital to fund its growth plans.
22nd July 2013		Umeme Limited	USD 170 million	Utility service provider, Umeme, is in the process of negotiating a long term financing package of USD 170 million (about UGX 441 billion) to finance its investments. The energy utility firm said it needs to make significant investments worth USD 440 million (c. UGX 1.1 trillion) in the next five years. The Company needs to finance several infrastructural projects in Uganda and this is one of the ways planned to raise the money. The targeted projects include the rollout of pre-payment metering system around the country; improvement in customer service through the use of ICT, among others.
26th July 2013	Scangroup	Corporate Communications Consultants		Scangroup has made its first entry into the South African market after the firm's subsidiary bought a Johannesburg-based public relations agency. Hill+ Knowlton Strategies Africa Holdings, which is owned 51 per cent by Scangroup, said it has acquired Corporate Communications Consultants for undisclosed fee. The South Africa acquisition increases the number of fully-fledged African H+K Strategies offices to six and in line with Nairobi bourse listed Scangroup is ambitions of increasing its footprint in the Africa and cut reliance on Kenya.
6th August 2013	Africa Oilfield Logistics	Ardan Risk & Support Services	USD 4 million	Africa Oilfield Logistics, an investment company established to invest in the oil and gas logistics support industry in sub-Saharan Africa, announced an acquisition of a 49% interest in Ardan Risk & Support Services, a cash generative oilfields and logistics business with operations currently in Kenya, Ethiopia and Mauritius. In addition to the acquisition, the company has been granted exclusivity for a period of 180 days with a view to entering into an agreement to acquire the remaining 51% interest in Ardan. The acquisition of Ardan will represent maiden transaction for Africa Oilfield in accordance with its investment strategy to acquire or invest in businesses associated with the oilfield services and logistics support industry in respect of oil and gas exploration. Consideration of USD 4m is to be satisfied by the allotment of 32,979,355 new ordinary shares in the company at a price of 8p a share. Africa Oilfield will also provide loan funding to drive growth through increasing Ardan's market share and expansion into new jurisdictions. Ardan is a family-owned, Kenya-based oilfield services and logistics business that specializes in providing turnkey management solutions to clients operating in East Africa.

Date	Buyer	Seller	Investment size	Synopsis
7th August 2013	Weber Shandwick	Gina Din Corporate Communications (GDCC)		Gina Din Corporate Communications (GDCC), the Kenya-based PR agency, has partnered with Weber Shandwick, one of the world's leading global public relations firms, in a deal that will see both the agencies grow their footprints in Africa. Founded 16 years ago by Gina Din-Kariuki, GDCC is a leading integrated public relations firm in the East African region and has won many industry awards, both locally and nationally on behalf of its clients. For Weber Shandwick, this partnership will strengthen its leading presence throughout Africa. With an extensive network of offices, affiliates and partners, Weber Shandwick Africa can now support clients in 20 markets across the Africa region.
13th August 2013	WPP plc	ScanGroup	c.USD 92.3 million	Global communications firm WPP announced it will increase its stake in ScanGroup to 50.1% in a cash and share deal. The London-listed firm currently owns 31.3 per cent and said it would acquire 95.7 million shares of ScanGroup through the creation of 21.3 million new stocks that are equivalent to 33.6 per cent of the Nairobi bourse-listed company. It will offer cash for the 21.3 million shares at KES85.85 per share amounting to KES1.8 billion and cede ownership in nine subsidiaries to ScanGroup in exchange for 72.7 million shares. This values the deal at KES8.21 billion and values ScanGroup at KES24.44 billion.
13th August 2013	Genel Energy plc	New Age (African Global Energy) Limited		Genel Energy announced that it had agreed to acquire a 40% interest in the Adigala Block onshore Ethiopia from New Age (African Global Energy) Limited. Under the Transaction, Genel Energy plc will acquire a 40% non-operated interest in the Adigala Block from New Age (Ethiopia) Limited, a wholly owned subsidiary of New Age (African Global Energy) Limited. The consideration involves a payment in respect of back costs and a contribution to the cost of a 2D seismic acquisition planned before the end of 2013. The Adigala Block covers an area of c27,000km ² and is located in the northeast of Ethiopia, bordering Djibouti to the north and Somaliland to the east. The Transaction is targeted for completion by September 2013 and is conditional upon government approval by the Ethiopian authorities. The Adigala Block farm-in is a natural extension of Genel's exploration strategy, which seeks to acquire material equity positions in hydrocarbon basins with significant potential, as well as complementing our extensive interests onshore Somaliland where drilling is planned for 2014.
14th August 2013	Longhorn Publishers	Malkiat Singh		Longhorn Publishers has bought the works of iconic publisher Malkiat Singh as it searches for new revenue streams and to reverse a dip in sales. The Nairobi bourse-listed publisher said it concluded the deal in July and will add the 36 revision books to its stable. Longhorn did not disclose the cost of the buyout that will restrict Malkiat Singh from publishing with rival book firms over the next decade. The deal does not include the purchase of Malkait Singh's publishing house, Dhillon Publishers, and comes at a time that Longhorn is racing to reverse the dip in sales and profit it reported last year. Longhorn targets to generate KES 200 million annually or more than 20 per cent of its year sales from the Malkiat Singh series—which will be marketed in regional markets of Uganda, Tanzania, Rwanda, Malawi, South Sudan, Tanzania and Ghana. The buyout of Malkiat Singh marks Longhorn's the third acquisition of a rival publisher in recent years after acquiring Sasa Sema Publications and Dar-es-Salaam based Delah Publishers in 2007 and 2012 respectively.

CMA grants investment adviser license to Burbidge Capital Limited

The Capital Markets Authority (CMA) has issued an investment advisory services licence to Burbidge Capital after meeting the Capital Markets (Licensing Requirements) (General) Regulations, 2002. The license is effective August 1, 2013 and is valid until December 31, 2013. The approval brings the number of licensed investment advisers in Kenya's capital markets to 17.

The investment advisory licence will allow Burbidge Capital to advise listed companies while operating under the regulator's guidelines. Currently the firm is a corporate advisor which allows it to structure deals and advise unlisted companies. It added research distribution and capital raising advisory capabilities for them, said Edward Burbidge, the company's chief executive. The firm, which was formed in 2010, is a nominated advisor to the recently formed Growth Enterprise Market Segment (GEMS) at the Nairobi Securities Exchange.

In a statement released to newsrooms, the CMA noted that it had enhanced a facilitative regulatory environment that was keen to encourage intermediaries and investors to participate in the capital markets. An investment adviser is any person (other than a bona fide officer, director, trustee, member of an advisory board or employee of the company) who for remuneration carries on the business of advising others concerning securities or as part of regular business promulgates analyses or reports concerning securities.

(Source: Business Daily, CMA 08 August 2013)

President Uhuru Kenyatta unveils team to restructure parastatals

State corporations will soon be restructured to reflect the new regime's policy after President Uhuru Kenyatta formed a new taskforce set to recommend radical changes to public bodies. The Head of State unveiled a 10-member team to review parastatal policies, identify challenges and propose a new policy direction for State firms. President Uhuru in a press statement sent to newsrooms explained that the membership of the taskforce brings on board professionals from both Government and the private sector. The taskforce will deliver its report within six weeks, but in any event not later than September 15, 2013.

Those appointed are: Edward Burbidge (Burbidge Capital Ltd), former Mandera Central MP Abdikadir H. Mohamed (Executive Office of the President), Kamau Thugge (National Treasury), Mugo Kibati (Vision 2030), Korir Sing'oei (Deputy President's Office), Stella Kilonzo (Private Sector), Angalie Mediratta (Private Sector), Isaac Awuondo (Commercial Bank of Africa), Nelson Kuria (CIC Group), and Carole Kariuki (KEPSA).

(Source: Business Daily 24 July 2013)

AccessKenya makes call to shareholders on takeover bid

AccessKenya's minority shareholders had up to the middle of August to take advantage of the offer made by Dimension Data, which is seeking to buy out the Nairobi Securities Exchange-listed IT company. Dimension Data is buying AccessKenya at KES14 per share, a 42 per cent premium on the last trading price of KES9.85 on May 7, before it was suspended from trading. The South African firm made an open market offer to purchase the 218 million shares of the listed valuing Access Kenya at KES3.05 billion.

Completion of the transaction will see the company delisted from the securities market and the Somen family, which sold it to the public through an initial public offering in 2008 give up its ownership. The takeover has received regulatory approval. Shareholders of the listed firm are expected to convene an extraordinary general meeting in September 2013 in order to consider a resolution approving the de-listing of AccessKenya from the NSE.

AccessKenya shareholders on the register as at May 7, 2013 will be entitled to receive a final dividend of KES 0.30 per ordinary share for the year ended December 31, 2012 as proposed by the board of the listed firm, if approved at the general meeting.

(Source: Business Daily 29 July 2013)

Kenya's USD 100 billion mineral deposits

Kenya's profile as a potential top rare earth minerals producer rose a rung higher after mineral explorer Cortec announced it had found deposits worth USD 62.4 billion. Mrima Hill, in the coastal county of Kwale, has one of the top five rare earth deposits in the world. The area also has niobium deposits estimated to be worth USD 35 billion. The Kenyan government will earn three per cent royalties from the niobium project and five per cent from the rare earths mining. Under the Constitution, 80 per cent of these earnings will go to the central government, 15 per cent to Kwale County and five per cent to local residents. Cortec, which holds the mining licence for Mrima Hill, has also confirmed a deposit of 680 million kilograms of niobium, held in 105 million tonnes at 0.7 per cent niobium pentoxide. The global demand for niobium, used to strengthen steel, is rising rapidly, with Mrima Hill now positioned in the world's top six deposits.

Kenya is poised to join Tanzania as a rare earth supplier. In March, Tanzania announced the discovery of lower grade deposits within the Wigu Hill Rare Earth Project located 170 km south-west of Dar es Salaam. World demand for rare earth elements is estimated at 136,000 tonnes per year, with global production around 133,600 tonnes in 2010. The difference is covered by previously mined stocks. World demand is projected to rise to at least 185,000 tonnes annually by 2015.

The announcement of the rare earth find marks yet another milestone for Kenya, which is emerging a hotspot for oil and gas exploration, as well as other minerals like gold. As a result, the country has been attracting big explorers and deep-pocketed financiers keen to tap into mineral, oil and gas wealth. Cortec said the current combined mineral exports from Kenya are valued at USD 90 million, and Kwale's production will boost the minerals sector contribution to USD 240 million, making minerals the fourth most important export commodity, above coffee.

(Source: The EastAfrican 22 July 2013)

State plans to speed up listing of mining firms on NSE

The Ministry of Mining has hinted at having a metals and minerals board at the Nairobi Securities Exchange to enable listing of mining companies. At a meeting with the Nairobi Securities Exchange (NSE), Central Bank of Kenya, the Capital Markets Authority and Vision 2030 Delivery Secretariat, mining cabinet secretary Najib Balala discussed the modalities of establishing a mineral commodities exchange and how to get the mining companies to list on the NSE. As a result, an advisory committee to be chaired by NSE Chief Executive Mr. Peter Mwangi has been formed to advise on the way forward.

The team will research and advise the Cabinet Secretary on how mining companies can be encouraged to list on the bourse and has one month to report back to Balala. Companies like Australian Base Resources have touted listing on the exchange as the best means to secure stake for Kenyans in foreign mining firms. The ministry also appointed Simon Village, the managing director of Specialised Investments Solutions Ltd, will provide technical advice and support to the team. The Cabinet Secretary said that other forms include undertaking of a nationwide airborne geophysical survey to establish the country's mineral worth and establishment of the National Mining Corporation (NMC) as an investment arm of the government. Also planned is a state of the art Mineral Certification Laboratory, establishment of mineral processing and value addition clusters with a gold refinery, iron and steel plants, a glass manufacturing industry, gemstone cutting centres and construction materials factories for cheaper housing.

A mineral and metal exchange allows miners to sell a futures contract on products that will be mined for several months, but is still guaranteed of the price when the actual commodity is delivered. A futures exchange helps eliminate speculators and middlemen from the mineral value chain. CMA and NSE have been preparing for the setting up of a futures and commodities exchange. CMA in April published regulations governing the establishment of a futures exchange as contained in the Capital Markets (Amendments) Bill 2013. NSE has started testing a new IT system for trading currencies and other commodities.

(Source: Business 07 August 2013)

Swala Oil & Gas Tanzania to sell its shares to local communities

An oil and gas exploration and production company in Tanzania plans to offer for sale to local communities some of its shares to help them have a stake in the ownership of the company. Swala Oil & Gas Tanzania Limited said in a statement issued that it would release its 3.75 million shares to the local communities in its areas of operations through the Dar es Salaam Stock Exchange (DSE) market.

According to a statement issued by the company yesterday, the company is owned 65.13 per cent by Swala Energy Limited which is listed on the Australian Stock Exchange and 25.28 per cent by local investors and that the remaining 9.59 per cent was earmarked for local communities. The company has spent a long time assessing how best to maximize the value of their activities to the country and had recently demonstrated their dedication to sustainability through education by sponsoring geology students at the University of Dar es Salaam.

New discoveries have been announced by industry participants in a number of licences along this trend, including Ngamia and Twigga, which extend the multi-billion barrel Albert Graben play so successfully developed by Tullow Oil into the eastern arm of the rift. Swala has an active operational and business development programme to continue to grow its presence in the hydrocarbon provinces of East Africa.

(Source: 24Tanzania.com 07 August 2013)

Somalia allows UK company to explore for oil and gas

Somalia has granted a UK-based oil company rights to explore oil and gas in a move that could intensify competition with Kenya in the Indian Ocean area. The deal with Soma Oil and Gas Exploration Ltd did not specify the area of exploration. Under the agreement the company will conduct seismic surveying to assist the development of Somalia's hydrocarbons sector. The government described the move to award the contract as strategic. Autonomous Puntland State of Somalia, a region in north-eastern Somalia, has previously issued similar licences.

Soma Oil & Gas Exploration Ltd plans to invest about USD20 million to survey the African nation rebuilding from decades of war, Chief Executive Officer Robert Sheppard said. The company will initially analyse any data that exists even after conflict destroyed a large part of the country's infrastructure and thwarted efforts to establish a functioning central administration and the rule of law since 1991. An oil find is likely to complicate Somalia's political situation as regional factions and states are also eyeing stakes in the sector. In a July UN report to the Security Council's sanctions on Somalia and Eritrea it was observed that Somalia's constitution gives considerable autonomy to regional governments to enter oil deals. Federal officials, however, argue that only the central government can distribute natural resources.

(Source: Business Daily 07 August 2013)

Commercial Banks' half-year pre-tax profit soars to KES61.5 billion

Commercial banks' pre-tax profit for the first six months of the year have soared to KES61.5 billion, reflecting a faster pace of economic growth following the peaceful March 4 General Election and transfer of power. Data from the Central Bank of Kenya shows banks' profit jumped 15.6% compared to the same time last year when the lenders earned KES53.2 billion in the first six months of the year. The banks' profits shot up in the second quarter of the year, reflecting an economic dividend that came with the peaceful March 4 poll.

The growth in profit was boosted by increased lending by the banks, which loaned out KES50 billion in the three months between March and June compared to KES40 billion in the first quarter of the year. The industry's total loan book now stands at KES1.45 trillion. The increased new loans followed a drop in lending rates, which was however accompanied by a faster drop in the deposit rates leaving the banks enjoying wider margins. In the second quarter the interest paid by the banks to depositors constituted 30 per cent of the industry expenses, down from 42 per cent in March. Banks are holding a total of KES1.86 trillion in savings, up from KES1.78 trillion three months earlier.

Agency banking is a key contributor to the cheaper deposits, with CBK reporting that the licensed 19,649 agents conducted 10.2 million transactions valued at KES60.4 billion in the three months between March and June. Continued rise of default loans however remains a concern in the industry, with loans that have not been serviced for the last three months rising by 10 per cent to KES77.3 billion. Last year the banks recorded pretax profits of KES107.9 billion and look certain to outperform that this year. This has seen investors rush for banking sector shares at the Nairobi Security Exchange with over 24.8 million units changing hands last week but with minimal price movements.

(Source: Business Daily 06 August 2013)

Umeme posts 53pc growth in half year profit after tax

Uganda's power distributor, Umeme, has posted a 52.87% increase in profit after tax on increased revenues and a drop in finance costs. The power distributor said that profit after tax grew to UGX 47.33 billion (USD 18.2 million) in the first six months of this year compared to UGX 30.96 billion (USD 12.5 million) posted over the first six months of last year. Earnings growth was supported by a 17.63% increase in revenues to UGX 467.04 billion (USD 180 million) as at the end of June 2013 from UGX 397.03 billion (USD 160.6 million) as at the end of June 2012. Financing costs dropped 20.67% to UGX 12.79 billion (USD 4.9 million) from UGX 16.13 billion (USD 6.5 million) over the same time period.

According to Vimal Parmar, head of equity research at Burbidge Capital, Umeme's profits were in line with Burbidge Capital's expectations and that it would be interesting to see how the company will perform in the second half of this year given that the second half of last year was lower than the first half performance. Burbidge Capital has placed a buy rating on Umeme's shares which are listed on the Uganda Securities Exchange (USE) and cross listed on the Nairobi Securities Exchange. The rating by the corporate finance advisory firm is based on expected growth in power demand, a low electrification rate in Uganda that provides opportunities from higher expected penetration and Umeme's monopolistic positioning with a dominant market share and increasing customer connections to drive unit sales. Prior to the announcement, the shares had traded at UGX 360 (USD 0.14) at the Kampala bourse, a 30.91% gain when compared to UGX 275 (USD 0.10), its opening price at the beginning of this year, making it the best performing stock at the USE.

At the beginning of July this year, the power distributor, in disclosures contained in a debt proposal arrangement by the International Finance Corporation (IFC) said that it is planning to raise USD 170 million in debt to finance the country's electricity distribution system capital expenditures over the next five years. Umeme said that it is planning to invest up to USD 440 million in Uganda's distribution system over the course of the next years until and including 2018 with USD 170 million coming through debt and the remainder through internally generated funds. IFC, which at the end of last year owned 45.22 million shares or a 2.78% stake in Umeme, said that it is planning to provide up to USD 50 million in debt financing to support the power distributor's capital expenditure program over the next 6 years. The money will be used for the upgrade and expansion of medium voltage transmission lines and substations and the introduction of pre-paid meters across Umeme's customer base.

(Source: The EastAfrican 20 August 2013)

Pan African profit goes up by 266pc

Pan Africa Insurance Holdings posted a 266% growth in profit for the six months ended June as it reaped high returns on investments. In an account of its finances published on Tuesday, the insurance firm reported KES 800.18 million profit, up from KES 218.34 million during a similar period in 2012. The firm attributed the growth to a good performance by investments and growth in its life business. The company's life business, excluding KES 1.4 billion annuities acquired in 2012, grew by 17% to KES 2.1 billion. Although the firm continued to face stiff competition in group life insurance, individual life sales grew despite an expected downturn due to the March 4 polls. The company has been selling plots in Runda and has indicated that it met its June 2013 targets. The insurer said it would commence the third phase of its property project in Runda in the second half of the year. The company also plans to drive insurance uptake through Bancassurance and mobile telephony.

(Source: Daily Nation 14 August 2013)

Travelport sets up base in Kenya

An international travel company, Travelport, has announced it has set up direct operations in Kenya to tap into the country's growing aviation market. The American company previously operated through Kenya Airways, under the brand Galileo. The firm has adopted a strategy that will see it expand its operations in Kenya. The firm offers a single point where travel agencies can make reservations for tickets, hotel rooms, and rental vehicles among other related services. Travelport Africa managing director, Mr Mark Meehan said the company has a history in Africa spanning over 20 years. He said the continent, especially East Africa, remains a strategic investment region for the firm and that they will invest in Africa "through a solid product and business strategy in 2013/14, continuing to grow our regional presence and addressing the evolving needs of our customers".

(Source: Daily Nation 15 July 2013)

SA property firm opens Nairobi office to scout for deals

Broll, a South African-based property management firm, plans to open shop in Nairobi to scout for deals in the booming real estate sector. The Nairobi office, expected to start operations in August, will focus on managing office blocks and shopping malls. The firm in a statement said that Broll Kenya will start with a focus on retail management, facilities management, corporate real estate consultancy and broking, but will expand to offer a full range of property services.

Broll currently manages a property portfolio across the continent valued at KES 536 billion (60 billion rand). The company has also signed a deal to jointly manage a USD 50 million (KES 4.3 billion) property portfolio with the Rwanda Social Security Board. The South African firm also deals in valuation, advisory, market research, asset management, leasing and sales, and retail consultancy.

Broll said that it would start off alone, but left open the possibility of partnering with locals. This option depends on an assessment of the local market, which it says is brightening as more multinationals open offices in Nairobi and consumer purchasing power grows. UK-based real estate consultants Jones Lang LaSalle in a report titled Redefining Retail Investment Global Real Estate Futures have said that Kenya's growing consumer market is attracting South African investors interested in developing shopping malls.

(Source: Business Daily 26 July 2013)

PART V: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
Eastern Africa Oil & Gas Seminar	22-23 August	Southern Sun Mayfair Hotel, Nairobi	The Seminar seeks to demystify the sector as well as equipping the audience with a solid base of information upon which informed investment and product development models can be crafted, entry and penetration strategies be forged as well as availing a critical pool of awareness that is vital in developing risk assessment and mitigation approaches while investing with the industry at large.
Africa Property Investment Summit	3-4 September	Sandton Sun Hotel Johannesburg, SA	This summit presents a professional platform for learning about African real estate investment and development. This is a unique opportunity to discuss current trends, share industry experiences and enjoy insightful debate.
The Africa Hotel Investment Forum (AHIF) 2013	24-25 September	InterContinental Hotel Nairobi, Kenya	International hotel chains and other sector investors are expected in Kenya for the Africa Hotel Investment Forum in September as they focus on Africa for growth opportunities. The annual forum, in its third year, will be held in Nairobi for the second year running and is expected to bring together investors in the tourism sector that are moving to tap into the growing industry in Africa. The two day event will start on September 25. The Kenya Tourist Development Corporation sponsored event, and organised by Bench Events of the UK, is expected to bring together institutional investors, financiers, international hotel owners and management companies as well as other tourism players.
Mining Business and Investment Conference 2013	26 September	Laico Regency Hotel, Nairobi	The Mining Business and Investment (MBI) has attracted more than 2000 delegates and over 300 companies from all around the world. MBI East Africa now includes the entire eastern African region, with South Sudan, Eritrea, Ethiopia, Djibouti and Sudan as well as Uganda and Kenya. The strategic conference, led by the Ministry and experts from the mining industry, will unite investors and industry experts to share their knowledge and explore current challenges and investment opportunities in the region.
East Africa Oil and Gas Summit	8 – 10 October	Marriott London Grosvenor Square London, UK	CWC Group hosted its first East Africa Oil & Gas Summit on 1-3 October in London. The event welcomed more than 200 senior level delegates who didn't miss the opportunity to create lively debates and to share their industry knowledge. The gathering brought together attendees from around 25 countries in Africa, Europe, Middle East, Far Asia and North America. The Summit heard from speakers representing East African Governments and National Oil Companies, major IOCs, independents, banks, and service companies delivering major announcements, essential industry updates and information.
East Africa Oil and Gas Summit (EAOGS)	29-30 October	InterContinental Hotel Nairobi, Kenya	The East Africa Oil & Gas Summit has brought together a very rich galaxy of petroleum industry players, professionals and senior officials from corporate world and business community from all over the world. EAOGS 2012 was co-hosted by the Ministry of Energy, Kenya and Global Event Partners (K) Ltd was a resounding success welcoming 326 delegates to the Summit at the Intercontinental Hotel, Nairobi in November, 2012. Over 170 regional and international companies attended with delegates coming from 29 countries. EAOGS has firmly made its mark as the most prestigious annual ministry led Oil & Gas Summit in East Africa with excellent feedback from delegates across the board and the 2013 event will build on this success.
Africa Oil Week	25-29 November	Cape Town International Convention Centre South Africa	The event is on Africa for corporate deal-making and senior-level networking across the oil/gas industry in and on Africa and designed to build the African Continent's economic future.
The African High-Growth Markets Summit	2-3 December	Addis Ababa, Ethiopia	The Economist Event's The African High-Growth Markets Summit will focus on how to prosper from the remarkable growth of a selection of African economies and subsequent enlargement of their consumer classes. It is designed for business leaders and investors looking to understand how to hurdle both the obstacles of investing in emerging African economies and of reaching the consumer, entrepreneurs and policy-makers with a stake in driving growth in Africa.
The 4th Annual SuperReturn Africa 2013	3 - 5 December	Mövenpick Ambassador Hotel, Accra, Ghana	Attendees at SuperReturn Africa come from around the world and include the region's leading fund managers and LPs including, pension funds, DFIs, insurance firms, SWFs, endowments and foundations.

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