BC BURBIDGE CAPITAL

Eastern Africa Newsletter – December 2012

PART I: MONTHLY COMMENTARY

In a very busy month a large number of corporate and investments deals were done as the year draws to a close. As we expected, corporate lending rates are decreasing in line with the declining central bank rates across the region making debt capital more attractive for expansion next year. We hope, however, that companies will not be tempted into over leveraging their balance sheets accordingly given the volatility in rates that we have seen over the last 12 months.

We have seen a noticeable pick up in M&A deals across the region, including Kenya, despite an election only 3 months away, indicating quite a high level of corporate confidence in a reasonably satisfactory outcome to this major political and economic event. 9 acquisitions were announced over the month, with the natural resources sector most prominent (see Deals on p.3).

We saw continued phenomenal growth in the natural resources sector generally, which could easily fill this newsletter on its own now. Tullow continues to grab the headlines with further exploration success in Kenya and drilling beginning on its Ethiopian acerage. South West Energy is raising a further $100 million for Ethiopian oil exploration and generally the level of oil interest in the country is beginning to take off in a significant way. Schlumberger announced increased investment into its oilfield services business in Tanzania and 33 exploration wells are now expected to be sunk in East Africa next year. In the mining sector Base Resources plans to list on AIM (London Stock Exchange) in January 2013, primarily to raise capital for its large Kenya Titanium project, with production expected towards the end of 2013.

We would like to see capital raised by local funds to invest into this growing sector, although it would ideally take the form of specialist funds with experienced research and fund management personnel to invest into this potentially high growth but also high risk sector at the exploration stage. This may be essential if we are to see enactment of anticipated laws requiring significant local shareholder ownership of mining companies in particular. We are considering options for launching an internal resources fund ourselves and for the time being we will be advising on local IPOs through our listed equities team.

In private equity, investment deals were announced in the agriculture, trading and consumer sectors (see Deals) and we are aware of significant further capital being raised for both first time and follow-on PE funds in Eastern Africa.

In listed equities the markets trod water as we come to the end of a fairly spectacular year for Eastern African equities. UAP launched a private placing in advance of a likely Nairobi Securities Exchange listing, and NSE itself announced that it will be going public next year. In Rwanda the Braliwar share price is now c. 4 times its IPO price on the back of good company results, showing the success potential for all shareholders of a well valued IPO. Burbidge Capital was amongst the first advisers to receive its GEMS adviser licence from NSE and we look forward to bringing companies to this very exciting market in 2013.

Finally I would like to welcome two new joiners to our corporate finance team in Nairobi, May Mumo and Winne Karanja (see profiles New Joiners section).

A very happy Christmas and prosperous new year to everybody.

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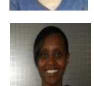

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PART II: FINANCIAL MARKET & MACROECONOMIC STATISTICS

Key Africa Equity Indices Performance

Equity Index	02/01/2012	01/11/2012	30/11/2012	% Performance for Month	% Performance YTD
NSE20	3,212.86	4,133.28	4,083.52	-1.2%	27.1%
DSEI (TZ)	1,303.23	1,458.27	1,474.59	1.1%	13.1%
UGSINDX	832.59	1,212.38	1,178.31	-2.8%	41.5%
NGSE All Share	20,730.63	26,602.54	26,494.44	-0.4%	27.8%
EGX 30	3,679.96	5,574.18	4,807.67	-13.8%	30.6%
JALSH (SA)	31,985.67	37,377.32	38,104.61	1.9%	19.1%
S&P 500	1,258.86	1,427.59	1,416.18	-0.8%	12.5%
FTSE 100	5,572.28	5,861.92	5,866.82	0.1%	5.3%

Key Global Currency Performance

Currency	02/01/2012	01/11/2012	30/11/2012	% Performance for Month	% Performance YTD
KES / USD	85.10	85.40	85.65	-0.3%	-0.6%
TZS / USD	1,582.00	1,584.79	1,598.47	-0.9%	-1.0%
UGX / USD	2,480.00	2,584.98	2,680.97	-3.6%	-7.5%
ETB / USD	17.29	18.13	18.20	-0.4%	-5.0%
ZAR / USD	8.07	8.66	8.88	-2.5%	-9.1%
NGN / USD	162.30	156.54	157.35	-0.5%	3.1%
EGP / USD	6.03	6.11	6.11	-0.1%	-1.3%
USD / GBP	1.55	1.61	1.60	0.7%	-3.3%
EUR / USD	0.77	0.77	0.77	-0.5%	-0.2%

Key Global Commodity Performance

Commodity	02/01/2012	01/11/2012	30/11/2012	% Performance for Month	% Performance YTD
Gold	1,590.00	1,723.25	1,728.25	0.3%	8.7%
Oil	102.96	87.05	88.54	1.7%	-14.0%
Silver	2,878.00	3,266.00	3,428.00	5.0%	19.1%
Copper	7,660.50	7,810.75	7,948.75	1.8%	3.8%

Interest Rates

Country/Region	Base Rate	Change
Central Bank of Kenya (Kenya)	11.00 %	0.00 %
Bank of Uganda (Uganda)	12.00 %	-0.50 %
Bank of Tanzania (Tanzania)	7.58 %	0.00 %
South African Reserve Bank (RSA)	5.00 %	0.00 %
Central Bank of Nigeria (Nigeria)	12.00 %	0.00 %
Central Bank of Egypt (Egypt)	9.25 %	0.00 %
Bank of England (UK)	0.50 %	0.00 %
Federal Reserve Bank (USA)	0 % - 0.25 %	0.00 %
European Central Bank (EU)	0.75 %	0.00 %

Projected inflation rates and change in GDP

Country	Projected Inflation Rates		Projected Growth in GDP	
	2012	2013	2012	2013
Kenya	7.0%	7.0%	5.1%	5.6%
Uganda	7.1%	5.0%	4.2%	5.7%
Tanzania	11.1%	9.6%	6.5%	6.8%
Rwanda	6.3%	5.9%	7.7%	7.5%
Burundi	14.7%	8.4%	4.2%	4.5%
Ethiopia	16.6%	9.0%	7.0%	6.5%

Source: IMF, World Economic Outlook Database, October 2012

PART III: SELECTED DEALS (1/3)

BC BURBIDGE CAPITAL

Date	Buyer	Seller	Investment size	Synopsis
12th Nov 2012	International Finance Corporation		$ 49 million	The International Finance Corporation will invest a total of Sh4.34 billion in an 80 megawatt (MW) thermal power plant near Nairobi, boosting the country's bid to meet it energy needs. The World Bank's private sector lending arm said it will invest Sh2.17 billion (€20.7 million) in the power plant owned by independent power producer (IPP), Gulf Power Ltd and arrange for a loan for an equal amount from Standard Bank. The 80 megawatt Gulf Power plant will use heavy fuel oil (HFO), to help diversify Kenya's electricity production from hydro-power.
14th Nov 2012	Overseas Private Investment Corporation (OPIC)	OrPower 4	$ 304 million	US energy firm OrPower 4 borrowed Sh18.5 billion for the development of the 100 megawatt Olkaria III geothermal power complex in Naivasha. The money was received as part of a Sh26.06 billion loan from the Overseas Private Investment Corporation (OPIC), an agency of the US government, through Ormat Technologies, Orpower 4's parent company. The remaining amount of up to $45 million (Sh3.78billion) of tranche II of the OPIC loan was expected to be drawn over time prior to the commercial operation of the Olkaria III expansion mid the following year, according to the company. Under terms of the loan, another $45 million (Sh3.78 billion) could be borrowed if Orpower 4 chooses to construct an additional phase of up to 16 megawatt (MW).
15th Nov 2012	Pembani Remgro Infrastructure Fund, the Carlyle Group and Standard Chartered Africa Private Equity	Export Trading Group (ETG)	$ 210 million	A Mauritius-registered agricultural commodities trading firm owned by three Kenyan-born partners received investments of $210 million (Sh18 billion) from three private equity funds for expansion. Export Trading Group (ETG) annouced the deal with Pembani Remgro Infrastructure Fund, the Carlyle Group and Standard Chartered Africa Private Equity. The firm is majority owned by three Kenyan-born partners, Ketan Patel, Mehish Patel and Pradip Patel. The new capital would allow them to expand operations across Sub-Saharan Africa, India, China and South-East Asia and create new markets for African smallholder farmers, said ETG Managing Director Ketan Patel. The firm buys maize from farmers at farm gates for onward selling to millers. It is also involved in bulk export and importation of maize, beans and rice, in addition to farm inputs such as fertilisers. It has more than 700 staff in Kenya with a turnover of about Sh6 billion at the beginning of this year.
16th Nov 2012		UAP	$ 8.5 miliion	UAP Holdings, the financial services group which is seeking Sh750 million through sale of 12.5 million shares, has put the minimum subscription limit for its public share offer at 2,000 shares for each applicant. UAP annouced plans to list on the Nairobi securities within the next 18 months.
16th Nov 2012	Centum	Mount Kenya Bottlers, Rift Valley Bottlers, Nairobi Bottlers, and Kisii Bottlers	$ 5 million	Investment firm Centum revealed that it bought additional shares in Coca-Cola franchises worth Sh442 million. The Sh442 million was spread across the four bottling firms Mount Kenya Bottlers, Rift Valley Bottlers, Nairobi Bottlers, and Kisii Bottlers.

PART III: SELECTED DEALS (2/3)

BURBIDGE CAPITAL

Date	Buyer	Seller	Investment size	Synopsis
20th Nov 2012		Equatorial Commercial Bank	$ 14.8 million	A consortium of international investors bought a majority stake in Equatorial Commercial Bank in a transaction that is set to boost the lender's capital by up to Sh1.3 billion. The bank created additional shares to incorporate the new shareholders from the United Kingdom, Mauritius and Malaysia. The additional funds will be used to boost the bank's capital base and finance its expansion plans. The transaction is only waiting the Central Bank of Kenya's approval having been sanctioned by the bank's board and shareholders at an extra-ordinary general meeting held on October 26.
26th Nov 2012	JSC Atomredmetzoloto (ARMZ)			Tanzania will issue a licence to a Russian firm to commence uranium mining in the country, after months of false starts. The government said it is in the final negotiations with JSC Atomredmetzoloto (ARMZ) on the licence that will allow the firm to construct a plant at Mkuju River uranium mining site early in 2013.
26th Nov 2012	Bounty Oil and Gas NL	Key Petroleum	$ 250,000	Australia's Key Petroleum sold its exploration interests in Tanzania to Bounty Oil and Gas NL as it seeks to reduce its non-core assets. The sale includes a five per cent stake in Kiliwani North Development License which has 45 billion cubic feet (BCF) of natural gas and Tanzania based Funguo Petroleum Pty Ltd that is a subsidiary of Key. Before the deal, Key had five per cent stake in Kiliwani North which is 3.5 kilometres from Songo Songo Island, Bounty Oil had 5 per cent interest, Aminex Plc (65 per cent) and RAK Gas Commission (25 per cent). The terms of the sale agreement require the Australia Stock Exchange quoted Bounty Oil and Gas NL to pay $250,000 cash to Key, of which $205,480 has been allocated to the development costs of Kiliwani North. The remaining balance of $44,470 will be paid directly to Key. The firm will also receive ordinary shares of Bounty valued at $156,000.
28th Nov 2012	Schlumberger		$ 15 million	Schlumberger plans to increase its expenditure in Tanzania from USD 9 Million in 2012 to USD 15 Million in 2013, according to the company. The company has set out to develop the only world class facilities in the region with field maintenance facilities built in Mtwara said to exceed North Sea Standard. Schlumberger's ambition is to have a permanent oilfield services organization in Tanzania that matches clients' expectations.
29th Nov 2012	Addax	Engen Uganda		Addax, a Kenyan oil company, closed a deal to take over Engen Uganda, which early this year announced its exit from the Ugandan market. The deal comes after protracted negotiations, which gives the new owners the power to manage Engen's 11 service stations spread in different parts of Kampala.
3rd Dec 2012	FirstEnergy	Aminex, Solo		FirstEnergy is finalising the acquisition of a 50 per cent stake in two firms in natural gas rich Ruvuma region near Tanzania's border with Mozambique. Aminex had initiated a formal farm-out for the Ruvuma PSA to manage its future capital expenditure exposure. Potential investors have up to February 8, 2013 to submit their bids for Aminex and Solo which hold 75 per cent and 25 per cent stake respectively in Ruvuma. Over 100 trillion cubic feet of natural gas has been discovered offshore in Ruvuma Basin in recent years.

Date	Buyer	Seller	Investment size	Synopsis
3rd Dec 2012	Vanoil Energy	Avana	$ 19 million	Canadian explorer Vanoil Energy Ltd is in final stages of acquiring Avana Petroleum, which is exploring for crude oil and natural gas off Kenya's Coast. Avana holds 10 per cent interest in exploration area L9 in Kenya and 25 per cent stake in acreage A and B in Seychelles. The deal will expand the position of Toronto Stock Exchange quoted Vanoil in East Africa, where it owns 100 per cent of exploration area 3A and 3B in northeastern Kenya, as well as Kivu Graben acreage in Rwanda. Avana will get an estimated $15 million in shares of Vanoil and a further $4 million in future subject to discovery of oil and gas in the former's offshore exploration areas.
10th Dec 2012	Rwanda Tea Investment (RTI)	Mulindi, Shagasha	$ 9 million	Rwanda Tea Investment (RTI), a UK firm, paid $9 million for two Rwandan tea factories in a deal expected to boost farmers' incomes and tea production for both export and the domestic market. The sale of the Mulindi and Shagasha factories is part of the government's strategy to divest from tea factories as it seeks to widen the country's weak export base. The new investor, who will jointly own the factories with farmers, is expected to increase tea production to 41,873 tonnes annually and export earnings to $147 million a year by 2017. The proceeds of the sale will be invested in the agriculture sector, to accelerate food crop production, especially cereals, through the crop intensification programme.
10th Dec 2012		Base Resources	$ 40.5 million	Australian firm Base Resources is pursuing listing on the London Stock Exchange to raise capital for its titanium mining activities in Kwale on the Kenyan Coast. Listing on the alternative investment market (AIM) of the bourse is part of a strategy to finance mining of rutile, ilmenite and zircon along Kenya's Coast. The company is looking to raise Ksh2.1 billion ($25 million) through the placement of 61.62 million new shares to institutional and highly experienced investors, and another Ksh1.3 billion ($15.5 million) through an entitlement offer of 38.3 million shares to existing shareholders.
10th Dec 2012		Southwest Energy Ltd	$ 100 million	Ethiopian oil and gas exploration company, Southwest Energy Ltd, declared a plan to finance a three-well drilling program in the Ogaden basin by raising 100 million US dollars in the first quarter of the year 2013. 18 exploratory wells have already been drilled in the country as investment in oil and gas exploration is accelerating in East Africa, which had been previously overlooked. South West Energy has finalized 1640 line kilometers of 2D seismic survey of is concession in the Ogaden basin of Ethiopia.
13th Dec 2012	Phatisa	Feronia	$ 10.5 million	The Phatisa-managed African Agriculture Fund (AAF) has announced a USD10.5m investment in Feronia Inc, the DRC palm oil producer. Feronia own three palm oil plantations in Yaligimba, Boteka and Lokutu as well as a commercial farm in Bas Congo Province. The company produces palm oil from rehabilitated areas and is replanting old areas.Phatisa's funding will be invested for the continued growth of the business.
14th Dec 2012		Umeme		Uganda power distributor Umeme's share is expected to start trading at the Nairobi Securities Exchange (NSE) at between Sh9 and Sh9.50, making it the 61st company to list on the bourse. Umeme was listed at the Uganda Securities Exchange (USE) on November 30. Its share has been trading at between Sh9 (Ush275), the initial public offering (IPO) price and Sh9.81 (Ush300). The opening price of the share on the NSE on the first day of trading will be the (Kenya shilling) equivalent of the closing price of the share on the previous trading day on the USE, notes the revised information memorandum for the offer released Thursday. The conversion rate that will be used is the Central Bank of Kenya's Uganda shilling selling rate at 8:30am on the first day of trading.

PART IV: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
East Africa New Frontier Exploration Forum	21-22 Jan 13	Marriott London Marble Arch Hotel, United Kingdom	Key Topics: Gain an insight into Africa's newest discoveries, Understand how gas monetisation is key to operational success, Discuss the role of LNG in commercialising East African gas, Examine the future potential for oil in the region and Assess the current infrastructure and learn about future development
Powering Africa - Ethiopia	21-22 Jan 13	The Radisson Blu hotel - Addis Ababa - Ethiopia	Ethiopia's power sector holds significant potential for investment. Demand for power is estimated to be growing at 24% annually, yet only 3% of the country's hydropower capacity is being exploited. Powering Africa: Ethiopia is an executive dialogue bringing together Ethiopia's public sector leaders, international power developers and financial investors to examine the investment climate for power generation transmission and distribution in Ethiopia.
Investing in African Mining Indaba	4 - 7 Feb-13	Cape Town, South Africa	Investing in African Mining Indaba is the world's largest mining investment event and Africa's largest mining event. For 19 years, Investing in African Mining Indaba along with its partners in Africa have channeled billions of dollars of foreign investment into the mining value chain. Mining Indaba is the world's largest gathering of mining's most influential stakeholders and decision-makers vested in African mining.
The 7th Africa Economic Forum 2013	06-Mar-13	Johannesburg, South Africa	The 7th Africa Economic Forum 2013, is a Premier-Annual Forum focused on the fundamentals shaping Africa's economic future and brings together leading corporates, state officials, industries, senior executives and economic thinkers on Africa's economies in a content-rich meeting. The Agenda is shaped around leading-edge shifts within the Continent's political economy, evolving commercial landscapes impacting investment and business operations, and Africa's emerging role/s and strategic position within a highly competitive, rapidly globalizing world.
Power And Energy Africa	29 Apr - 01 May - 13	Kenyatta International Conference Centre (KICC) Nairobi, Kenya	Power And Energy Africa is an internationally acclaimed trade expo on energy and power related industries. The trade fair attracts participation from sectors such as power transmission equipments, transitional and renewable energyall others that contribute significantly to the power engineering and alternative energy sectors of the region.
4th Eastern Africa Oil, Gas & Energy Conference 2013	19 - 20 Jun-13	InterContinental Hotel, Kenya	Themes covered include: Government policies, state interventions in the oil/energy market, state oil/energy companies, private energy investments and interests, corporate portfolio and strategies, new entrants, competition and regulation, plus critical issues impacting the Eastern African future

Rea Vipingo set to build 48MW Coast wind farm

Listed agricultural firm Rea Vipingo announced plans to start producing wind power at the Coast to curb inconsistent supply of electricity and reduce its operating costs. The company intends to produce 48 megawatts of power from 24 turbines to be installed in Kilifi County. Rea Vipingo, which is involved in real estate projects at the Coast through its subsidiary, Vipingo Estates, is seeking regulatory approvals to undertake the project. The proponent (EnBW Kraftwerke AG) of the proposed wind farm was proposing to install 24 turbines with a capacity of 2MW each and approximately 80 metres high, according to the National Environment Management Authority (Nema) in a statement. Poor and inconsistent mains power supply necessitated the use of expensive stand-by generators at all locations on a regular, almost daily basis, said the company's management in its annual report. Energy costs have been listed as one of the factors discouraging the setting up of production factories in Kenya with companies opting for Egypt and South Africa. The energy produced by Rea Vipingo at the Kilifi wind farm will be transmitted to the national grid. The turbines will be connected via a medium voltage electrical transformers, which will be buried underground leading to an onsite substation. The substation will then be connected to the national grid, reads the Nema statement. The wind farm could become the fourth major wind power generation project in addition to a 5.1 megawatt plant owned by the Kenya Electricity Generating (KenGen) Company, which is already operational, and the planned 100 megawatt plant by American company, GE Energy and a 50 megawatt wind farm to be located in Ngong Hills area associated to the Kenyatta family. The 50 megawatt farm to be set up by Prunus Energy Limited, in which Ngengi Muigai is chairman, is estimated to cost Sh11 billion. Economic activities requiring energy input have grown at a faster rate than the investment in energy production, leaving a yawning gap between its supply and demand. Rea Vipingo joins other listed companies who have taken the problem of energy production into their own hands in order to manage costs and guarantee consistent supply. The company had hired Devki Energy Consultants to help in procurement of equipment for the micro-hydroelectric power generation project. The firm said that the high energy costs were making it difficult for its exports, especially coffee, to compete in the global markets. Athi River Mining is expected to spend about Sh8 billion in two years to install a 66 megawatt plant to supply power for its operations.

http://www.businessdailyafrica.com/Rea-Vipingo-set-to-build-48MW-Coast-wind-farm/-/539552/1636436/-/item/1/-/itaf9o/-/index.html

Tanzania's $1.2bn project to end power rationing

Tanzania is laying a 500km pipeline and constructing infrastructure to generate electricity from gas in a Tsh1.8 trillion ($1.225 billion) project--the country's most expensive ever-- that is expected to help the country meet all its power needs. President Jakaya Kikwete launched the construction of Mnazi Bay and Songosongo Natural Gas processing plant and a transportation pipeline and directed Tanzania Electric Supply Company (Tanesco) to start building the power processing plants. Mr Kikwete said the country would take full advantage of its resources, including coal, uranium, solar and wind, to generate electricity. President Kikwete was the Energy minister when the generation of electricity from gas began in the country. The project by China National Petroleum Corporation, and which is being financed through a loan from China's Exim Bank, is expected to generate 990 Megawatts when it is completed in 2014. Minister for Energy and Minerals Sospeter Muhongo said the electricity will be generated using four generators — two with a capacity to generate 300MW each, and two to generate 150MW and 240MW respectively. By 2015, the plant will be generating 2,785MW "which would not be very far from the target of 3,000MW. That milestone achievement translates into the end of power shortages, and instead the country would become an exporter of electricity, said Mr Muhongo. The large diameter of the pipeline is expected to increase the transportation capacity of natural gas for power generation as well as industry and domestic use. The project involves the construction of a 24-36 inch diameter pipeline from Mnazi bay in Mtwara, connected at Somanga Fungo with SongoSongo gas field in Lindi region, and then on to Dar es Salaam. A 24-inch pipeline will then be constructed from Mnazi Bay to Somanga, and the existing 16-inch pipeline between Somanga and Dar es Salaam expanded to 36 inches. It will have the capacity to transport 210 million cubic feet of gas a day, up from the current 105 million cubic feet. The existing 16-inch natural gas pipeline from SongoSongo to Dar es Salaam — owned by private investors — has been facing capacity constraints amid growing demand for gas and energy. At the launch, a gas expert told The East African that it would be economical to scale down on using gas to generate electricity.

http://www.africareview.com/Business---Finance/Tanzania-project-to-end-power-cuts/-/979184/1618148/-/b0q3soz/-/index.html

Ethio-Kenya Special Status Agreement Signed

The Ethiopian and Kenyan governments signed a Special Status Agreement to facilitate trade between the two neighbors. Ethiopia is committed to enhanced trade and investment between the two countries according to Hailemariam Desalegn, Ethiopian Prime Minister speaking at the time. Trade between the two countries should particularly focus on textiles, food complexes, agriculture, raw materials and well as value addition noted Hailemariam. It is time for East Africa to invest in import substitution by taking steps to produce industrial goods at home he added. External investment will require infrastructural development and appropriate incentive packages for investors said Hailemariam. The hospitality sector is also an area of priority to enhance tourism and the issue of visas and private charter operations will need to be discussed between Ethiopian and Kenyan officials to establish a means of progress.

http://www.2merkato.com/201211261828/ethio-kenya-special-status-agreement-signed

NSE rights issue cash shoots up to record high

The total cash raised by listed companies through rights issues in the past eleven months has hit Sh31.7 billion, the highest ever amount ever raised in one year through cash calls. Five Nairobi Securities Exchange (NSE)-listed firms have turned to their shareholders for cash this year. They include Kenya Airways, Diamond Trust Bank, NIC Bank, CfC Stanbic Holdings and Standard Chartered Bank. The cash calls have attracted applications for shares worth Sh37.6 billion from investors, 18.7 per cent more than what the five firms were looking for. This is in stark contrast to last year, when there was not a single rights issue. Stanbic Bank director and head of capital markets and advisory for East Africa, Mr Naval Sood, noted that majority of the companies raising funds this year have been banks. He attributed this to the lenders' search for money to fund expansion plans and to be in compliance with new capital requirements, which the Central Bank of Kenya has been planning to implement. The chief executive officer of the NSE, Mr Peter Mwangi, said during the launch of trading of CfC Stanbic Holdings shares that the high number of rights issues this year has brought to the fore the ability of NSE as a platform to help listed companies manage their capital structure and fund growth.

http://www.businessdailyafrica.com/NSE-rights-issue-cash-shoots-up--to-record-high-/-/539552/1623410/-/item/1/-/s0sdti/-/index.html

New index to track African equity portfolios

Global index provider, FTSE Group, in partnership with the African Securities Exchanges Association (ASEA) has announced the launch of the FTSE-ASEA Pan Africa Index Series. The index is an independently calculated, rules-based performance benchmark. The launch comes at a time international investors are seeking exposure to emerging and frontier markets, and focusing in particular on Africa as a source of return and portfolio diversification. The market capitalisation weighted index series measures the performance of eligible securities domiciled in 19 African countries. These are Botswana, Cameroon, Cape Verde, Egypt, Ghana, Ivory Coast, Kenya, Libya, Mauritius, Morocco, Mozambique, Nigeria, Rwanda, Sudan, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe. The index series is free float and liquidity screened, with country weights capped at 20 per cent to ensure the index maintains an accurate representation of the investible opportunity set. The index series has been built to FTSE's renowned standards of index design, which emphasises transparency, independence, innovation and strong governance. Price and Total Return variants are calculated on an End of Day basis. That launch enabled ASEA address one of its primary goals – to facilitate the development and promotion of products and services for Africa's capital markets, said Jonathan Cooper, Managing Director, and Middle East & Africa at FTSE GROUP. FTSE had been providing solutions to African investors for 10 years and that new initiative confirmed FTSE's position as Africa's index provider. The President of the African Securities Exchanges Association, Sunil Benimadhu, stated that the launch of the FTSE-ASEA Pan Africa Index Series is a milestone. This index aims at tracking the performances of the companies listed on ASEA's member exchanges and is expected to evolve soon as an attractive investible index that can be used as a performance benchmark for international investors investing on African Stock Exchanges. The timing of the launch is highly opportune with the growing interest of the international investment community for investment opportunities in Africa and in Africa's listed companies.

http://www.newtimes.co.rw/news/index.php?i=15198&a=61473

Africa Oil seeks more cash for Kenya operation

Africa Oil is seeking funding to increase drilling activity in Kenya and the eastern Africa region. The firm, recently confirmed an oil find at Twiga well is seeking Canadian $193.75 million (Sh16.8 billion) through a private placement. The cash will be used in East Africa and other capital investments according to a statement by the firm. Africa Oil would sell, on a non-brokered, private placement basis, an aggregate of up to 25 million common shares at a price of Canadian $7.75 per share for gross proceeds of up to Canadian $193.75 million, said the firm in a statement. The placement is awaiting regulatory approval. The latest oil confirmation has not impressed the markets much with Barclays Capital and Citi analysts terming it disappointing compared with the Ngamia find. On Tuesday shares in both Africa Oil and its Tullow partner fell after the oil strike in the Twiga South -1 well. However, Energy PS Patrick Nyoike termed the find substantial. The 30-metre net oil pay is set to go further test together with another over 700 metres trapped by an impermeable rock. Africa Oil president and CEO Keith Hill: they were very pleased with those exciting results to date and had significantly expanded their plans in Kenya and Ethiopia. There was much to look forward to in 2013.
http://www.businessdailyafrica.com/Corporate-News/Africa-Oil-seeks-more-cash-for-Kenya-operation/-/539550/1632430/-/8moap9z/-/index.html

DP World to Launch Operations in Ethiopia

DP World is interested in launching operation in Ethiopia to build dry port facility near Addis Ababa and managing logistics with the Ethio-Djibouti corridor according to a senior manager. Back in October the senior official of DP world, Joost Kruijning, Vice president and managing director for Middle East & Africa, and Hans de Jong, regional commercial director for the same region, were in Addis Ababa to speak with the Ethiopian officials. They presented their proposal to Ahmed Tusa, managing director of Ethiopian Shipping & Logistics Services Enterprise (ESLSE), and his deputy, Alemu Ambaye. In the proposal they tried to show that Ethiopia has assets that could be utilized three or four times more than current rates. The accumulation of an estimated 20 thousand containers at Port Djibouti has been blamed on the poor capacity and lack of operational skill by both Prime Minister Hailemariam Desalegn and senior managers of the Shipping authority. The issue is one that costs the country a lot in terms of additional storage costs estimated at 4 million US dollars every month.

http://www.2merkato.com/201211281837/dp-world-to-launch-operations-in-ethiopia

Scramble for oil blocks looms as firms give up sites

Kenya faces a scramble for oil exploration blocks as majors led by Tullow Oil surrender five, paving the way for new investors. Under the production sharing contracts (PSCs), the exploration firm must cede 25 per cent of their licensed acreage should they fail to do work on blocks after two years if the site is onshore or three years for offshore one. This rule has prompted Tullow Oil to surrender two blocks while Anadarko of US, Afren Plc of UK and Statoil give up a block each. Licensing of the deep water offshore blocks at the Kenya coast has also been enhanced by discoveries along the coastlines of Tanzania and Mozambique. Now, Kenya plans to gazette and auction the new blocks that are expected to be snapped by other oil majors as demand for oil blocks in East Africa increases. It was prestigious to own huge blocks but the idea had been for the oil companies to cede areas they had not been presently working on, said commissioner for petroleum Martin Heya. They hadn't sent the maps of the blocks to the Survey of Kenya for re mapping. They were reconstituting and would gazette them into new blocks, said Mr Heya. All of Kenya's mapped blocks have been awarded. Some of the latest entrants include French oil major Total and Eni of Italy. Industry consultant Mwendia Nyaga said PSC laws stipulate that companies release one quarter of their acreage over an agreed time frame. Surrender of the blocks comes at a time that the ministry is planning to switch to bidding rounds to license its oil exploration blocks, moving away from one-on-one negotiations with firms as interest increases following a recent oil discovery. Medium-sized companies were asking for these blocks. They should wait until they produced coordinates for the blocks, said Mr Heya. Tullow Oil could give up a quarter of its territory in block 10BB, where it made its March oil discovery, as well as a quarter of block 13T. Both are onshore. Anadarko will also surrender parts of its five offshore blocks. Norwegian oil giant Statoil has suffered a blow after Kenya expelled it from exploring oil for flouting contract terms. The Ministry of Energy expects explorers to drill at least a dozen more wells in the next 12 months onshore and offshore. Kenya aims to take a bigger slice of the profits from its natural resources exploration boom by seeking a 25 per cent stake in the production activities of oil and gas companies operating in the country. The proposal is one of many the government has put forward in the past month to increase the state's take from oil and gas resources, including new capital gains tax rules, a more competitive licensing process and higher fees for petroleum explorers. At present, most of the contracts with oil explorers give state-owned National Oil Corporation of Kenya a 10 per cent stake in the production business once commercial quantities of oil or gas are found. This means that the parastatal contributes 10 per cent of production costs and receives 10 per cent of profit.

http://www.businessdailyafrica.com/Corporate-News/Scramble-for-oil-blocks-looms-as-firms-give-up-sites-/-/539550/1637556/-/item/1/-/7skyv3z/-/index.html

Will foreign firms cede 35pc stake? Debate rages on

The resolve of the Kenya Government to wring 35 per cent stake from foreign mining firms could be headed for a major test after an Australian Stock Exchange-listed firm issued a statement saying its Kwale titanium project would not be affected. But Environment and Mineral Resources minister Chirau Mwakwere in interview with the Business Daily dismissed the position taken by Base Resources — which he said has already filed a compliance plan indicating it would list on the bourse. He said no one would be exempt from the legal notice issued by the ministry. The Kwale project has dragged on for more than a decade in the process changing hands from Canadian Tiomin to the Australian firm. In a statement announcing closing of a financing deal for the Kwale titanium project, the firm said it had obtained legal advice that its activities will not be affected but the minister said the company should be aware that the lawyers were not the issuers of the notice. Apart from the legal notice, which gave foreigners five years to comply, the same local shareholding structure has been reaffirmed by the Cabinet which has endorsed the Geology, Minerals and Mining Bill, 2012 which is awaiting parliamentary endorsement. The minister says by issuing the legal notice under the old mining laws made in the 1940s, he wanted to make sure Kenya gained even if Parliament failed to pass Mining Bill in time. Mr Mwakwere's position has spooked the markets with Base Resources stock falling on impact. In an apparent copycat act, mineral-rich DR Congo is set to implement a law requiring that 35 per cent stake in mining concessions be reserved for the State, up from the previous five per cent, provoking similar reaction in exchanges where mining firms are listed. Interestingly, Base Resources is making their statement at a time the government has guaranteed the firm borrowing to the tune of $310 million which should allow them to begin exporting titanium by the end of next year. Recently, managing director Tim Carstens, whose firm was reported by The EastAfrican to be lobbying top public officials for exemption, insisted that the rule could not affect the old licences but said his firm would comply later by listing on the Nairobi Stock Exchange. He further suggested Kenyans could access the miner's stake through the Australian exchange. Mr Mwakwere takes a dim view of the mining operations of foreign firms since Independence in 1963. He notes one of the oldest companies has been remitting less than one per cent of the profit to the government and holds that it is better for mining to be delayed for the benefit of future generations than allow resources to be stripped in exchange for almost nothing. Most irksome to him is the fact that the sector contributes about four per cent to the GDP while he believes it has the potential for contributing 20 times the combination of coffee, tea and horticulture. By demanding a 35 per cent share for locals, which is slightly above the 26 per cent demanded in South Africa under the Black Empowerment programme but less than the half that demanded by Zimbabwe, he sees two sets of benefits. One, the local component will pay local taxes. Two, it will pay dividends which will be ploughed back into the economy. Both will make it easy for the government to monitor their operations and reduce siphoning of minerals which he says has been rampant. Kenya Chamber of Mines chairman Adiel Gitari said all stakeholders had been involved in drafting the rule, which he says is the only way Kenya can make profit from the industry especially with the Constitution stipulating all natural resources belong to the citizens. Mr Gitari said in the past Kenya has watched as people with exploration and mining licences hawked them with little benefit to the economy. The Treasury has recently imposed tax of between 10 and 20 per cent on sale of mining assets. Amongst the multimillion dollar transactions have included the sale of Magadi Soda to Tata, Tiomin to Base Resources and Aviva to Africa Barrick Gold. The 35 per cent rule does not apply to the recently discovered oil as the commodity during extraction falls under the Energy Act. Barring any standoff, first shipment of the Kwale titanium is expected to take place by December next year after the Australian project owner secured $170 million of the $310 million financing of which $52 million has so far been drawn. The firm says it expects to complete construction at the site by quarter three of next year.

http://www.businessdailyafrica.com/Will-foreign-firms-cede-35pc-stake-Debate-rages-on/-/539546/1630634/-/item/0/-/foxdfh/-/index.html

PART VI: NEW JOINERS

May Mumo
Corporate Finance Analyst

May has completed a bachelor's degree in Actuarial Science from the University of Nairobi. In addition, she is a Certified Public Accountant (CPA). She has done various internships at TATA Chemicals, Sterling Capital, Aon Kenya and CBM (Christian Blind Mission).

Winnie Karanja
Corporate Finance Analyst

Winnie studied at Jomo Kenyatta University of Agriculture and Technology, and attained a Bachelor of Commerce degree- Finance major. She is also a student of the Certified Securities and Investments Analyst (CSIA-KASNEB), currently pursuing section 5. She has previously worked for Zimele Asset Management Company Ltd, where she served for over 2 years in various functions in investments advisory, relationship management and client service.

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