



ABIS LIMITED

Apposite Business & Investment Services

Markets Newsletter June 2015

Nairobi Securities Exchange

ABIS Limited is an Agent of Sterling Capital Limited

Month's Biggest Price GAINS

Williamson Tea Ltd	2 nd Jun- Kshs.274.00	
	30 th Jun-Kshs.414.00cb xd	+51%
Limuru Tea Kenya	2 nd Jun- Kshs.950.00xdcs	
	30 th Jun Kshs.1,200xd xs	+26%
The Standard Group Ltd	2 nd Jun- Kshs.33.25cd	
	30 th Jun - Kshs.40.00xd	+20%
Eaagads Ltd	2 nd Jun- Kshs.32.00	
	30 th Jun - Kshs.38.25	+19%
Mumias Sugar Ltd	2 nd Jun- Kshs.2.00	
	30 th Jun - Kshs.2.35	+17%

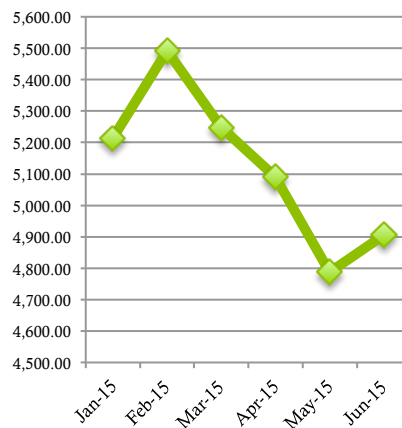
NSE INDEX



Month's Biggest Price DROPS

Crown Paints Ltd	2 nd Jun- Kshs.160.00ca	
	30 th Jun - Kshs.81.00xa	-49%
Uchumi Supermarkets	2 nd Jun- Kshs.10.80xd	
	30 th Jun -Kshs.8.95	-17%
Eveready E. A.	2 nd Jun- Kshs.4.65	
	30 th Jun -Kshs.4.10	-12%
Express Kenya	2 nd Jun- Kshs.5.60	
	30 th Jun - Kshs.5.00	-11%
National Bank K Ltd	2 nd Jun- Kshs.21.50	
	30 th Jun -Kshs.19.30	-10%

NSE 20 Share Index EOM Movements 2015



No. of Deals 26,485 ↓ 30%

Total share volumes (MN) 574.4 ↓ 18%

Equity turnover. (Kshs. MN) 21,804 ↓ 0.71%

Mkt Cap. (Kshs. BN) 2301.88 ↑ 1.5%

Bonds Turnover (Kshs.MN) 7,019 ↓ 70%

Large share price movements on the AIMs board, with the Index edging up a little at month end. The market remains a Bear Market (Opportunity for buyers)

Corporate News

Uchumi Supermarkets forensic audit undertaken

Following the dismissal of Uchumi Supermarkets CEO, and Chief Finance Officer for gross misconduct & gross mismanagement, the board has appointed KPMG to undertake a forensic audit. This was prompted by suppliers complaining that they were not being paid despite a rights issue during the year which raised funds for the purpose as well as for its expansion and refurbishment plans. The troubled supermarket has now taken a Kes.500mn loan from KCB. Whilst some of the company's land holdings are likely to be sold off to raise more funds. Uchumi's half year results reflected a loss of Kes.262mn up to December 2014, compared to a net profit of Kes.107mn in the previous period. Investors now await the announcement of its full year's results, (year end 30th June 2015).

EABL facing possible forced sale of stake in Serengeti Breweries

Tanzania's Fair Competition Commission (FCC) regulatory body has given EABL a notice of its intention to revoke its decision to approve the merger between EABL and Serengeti Breweries. The move has been promoted by an apparent 'breach of takeover conditions..'. The cited breach being that EABL had agreed that the merger would see Serengeti Brewers grow much faster than it has. EABL has disputed the matter and awaits the outcome of a formal hearing. The merger followed wrangles between EABL and SAB Miller in the region, resulting in their ending of production & marketing deals.

New interest in Uganda Oil & Gas investments

Senet Holdings, a Hong-kong based investment company is seeking new markets and partners in Uganda. Particularly in areas where substantial development exists from oil and gas to minerals and consumer goods. Senet Holdings founder and CEO, visited the country, and expressed a keen interest in investing in the country. The Uganda Government is at various stages of implementing several multi-billion dollar infrastructure projects including hydropower dams, a refinery, express highways and a railway line.

Tanzania – Three more institutions eye IPO to raise capital

The Capital Markets and Securities Authority (CMSA) approved three institutions to raise funds from the public and to be listed at Dar-es-Salaam bourse (DSE). Watumishi Housing Company Real Estate investment scheme, Umande Collective Investment Scheme, and Mufindi Community Bank (MuCoBa) raising capital through primary offer on DSE's alternative market, received an operational green light. Umande is an open-ended trust fund under Core Capital Securities which has three funds-the Umande Capitalization, the Umande Income and the Umande Balanced. The Umande funds invest in the listed equities at the DSE as well as government bills, bonds and money market, in Tanzania and other markets. Watumishi was formed by six pension funds and National Housing Corporation (NHC) to operate a scheme for construction and selling houses to the public. Unlike Umande fund, Washirika was initially a closed end fund. The scheme started with TSH68Bn and is expected to grow gradually to TSH358Bn in five years.

Tanzania Postal Bank (TPB) is expected to go public by listing on the DSE next year. The TPB IPO aimed at increasing efficiency and profitability will be made possible through the amendment of the 1991 Act which stipulates that the shares of the bank shall be subscribed for by the Government of the United Republic (61%), the Tanzania Posts and Telecommunications Corporation (30%) and any private investor (9%). The bank registered a pre-tax profit of TZS10.28Bn in 2014, 47% higher than in 2013. Its bank lending portfolio increased 60% to TZS190.01Bn in 2014 from TZS119.73Bn in 2013.

Rwanda – KCB Rwanda joins Century Park Complex development

Kenya Commercial Bank Rwanda (KCB) and Century Park Ltd entered into a financial partnership deal to construct a complex park hotel in Kigali. The Bank is set to invest more than \$200Mn (Rwf145Bn) into the complex's construction, which will add more than 200 apartments, 16 luxurious villas, supermarkets and two-5 star hotels. The 2-phase project bordering Kigali Golf Course, will sit on 9.6 hectares and has a completion period set within 5 years. With the hospitality sector having a shortage of world class accommodation facilities, the investment is considered to be an ideal one. A future boost for the Century Park's use, is the Rwandan Development Board's (RDB) unveiled a strategy to attract and host more international conferences and workshops in the country. The country's earnings from this is expected be around \$150Mn (Rwf109Bn) annually, being over 200% than previous earnings.

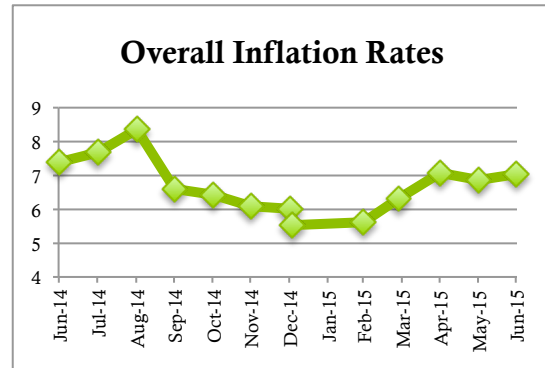
Data from the National Institute of Statistics reflects a growing economy, where Rwanda's real estate activities contributed more than Rwf83Bn (\$114Mn) to the national economy in the first quarter of 2015, up from Rwf78Bn (\$108Mn) during the same period in 2014. Whilst, hotels and restaurants fetched Rwf28Bn (\$39Mn) in the last budgetary year (June 2014- 2015), up from Rwf27Bn (\$37Mn) (2013-2014).

Source: Daily Nation & Business Daily/ The Guardian/

Kenya's June 2015/2016 Budget

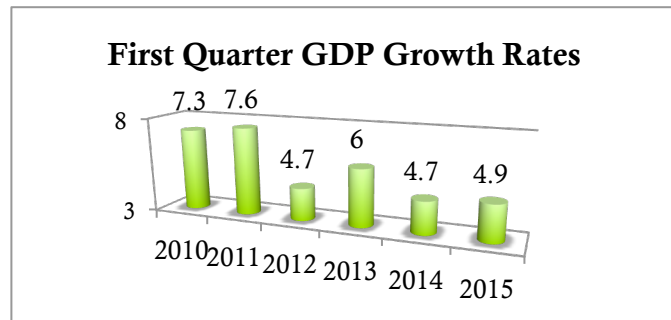
ECONOMIC SUMMARY & OUTLOOK

Inflation in June, 2015 inched up marginally pushed by rising fuel prices, utilities and effects of a weaker shilling. Data released by Kenya National Bureau of Statistics (KNBS) showed that inflation rose to 7.03% from 6.87% in May, 2015. Over the period, there was a slight decrease in food prices while rent and cooking fuel prices increased. Foreign levy in power bills rose to an 18-month high whilst there was a downward revision in fuel cost adjustment charges. The overall effect saw electricity costs remain unchanged. Kenya Power announced a 6.8% tariff cut that will affect larger consumers (those using more than 50 units per month). Charges for those below 50 units however remained unchanged. Transport charges also went up within the period owing to rises in costs of petrol and diesel. In the 2015/2016 financial year budget, treasury proposed to increase the road maintenance levy by Kes3 per litre which is set to further push up transport costs.



The gap between Kenya's imports and exports widened significantly by 59% or Kes37.7Bn in the first quarter of the year, largely explaining the significant depreciation of the shilling. KNBS reported the current account deficit stood at Kes101.5Bn, up from Kes63.7Bn recorded in the same quarter last year. Data from CBK shows the shilling has depreciated by 13% so far this year, underlining the extent to which the current account deficit is weighing down on the domestic currency, and which has now crossed the psychological Kes100 mark to the dollar. This is a new low since October, 2011. With the aim of stabilizing the currency, CBK has sold sizeable amounts of dollars, and on 8th June, raised its benchmark lending rate from 8.5% to 10% to further support the shilling. The shillings' weakening is likely to raise the cost of living, with there being a large dependency on imported consumer & capital goods.

Kenya's **GDP** is forecasted to expand to 6.9% in 2015. This is up from 5.3% in 2014. Key contributing sectors are expected to be the finance, insurance, agricultural, construction & manufacturing. Whilst tourism will continue to dampen the country's growth. GDP per capita in 2014 stood at US\$684.85, whilst GDP per capita adjusted for Purchasing Power Parity (PPP) was US\$2,776 at the end of 2014. The PPP equates the purchasing power over GDP to that of the purchasing power the dollar has in the United States.



TAX AMENDMENTS

- Whilst there was no change in personal tax announced, a number of other areas of taxation were amended. These include, Rental Income – landlords collecting below Kshs.10mn per annum from residential properties will be taxed at 12% on gross rental income. A rental income amnesty was also announced allowing landlords time to declare incomes.

Capital Gains Tax (CGT)

- The controversial capital gains tax re-introduced last year has been simplified, now being replaced by a withholding tax of 0.3% on gross transaction value of quoted shares. However no expense or prior losses on the sale of investment shares will be deductible. This will make it easier for stockbrokers to comply with the provision. The application of CGT on unquoted shares and other property sales remains unchanged (5%). Other changes to this tax, include, the tax free threshold currently at below Kshs.30,000 has been proposed to be increased to Kshs.3.0mn. Whilst, the tax free threshold based on acreage for rural farm land currently at 100 acres is to be dropped to 50 acres with effect from January 2016. (There is no tax free threshold for urban land).

Businesses

- Newly listed companies will have corporate income tax lowered to 25%.
- To encourage companies to take on interns a rebate tax has been introduced. Corporates taking on at least 10 graduates within 6-12 months, effective January 2016.
- A 12.5% and 5.6% WHT has been introduced on training and sub-contractor services provided to the extractive sector (oil, gas, mining etc).
- The period allowed for carrying business losses forward for the off setting against future profits, has been increased from 5 years to 10 years.

VAT Rate changes

Exemptions (previously 16% VAT)

- Film Industry - Goods & Services
- Plastic bag biogas digesters
- Goods & services for industrial recreational parks & infrastructure works
- ICT inputs imported or purchased locally for assembly of IT devices
- Returning resident left hand vehicle replacements with right hand vehicles

Road Petrol levy

- Increased from Kshs.9.00 per litre to Kshs.12.00 per litre

Alcohol

- As part of the government’s goal of cleaning up the illicit brews sector and providing safe and affordable beverages, a remission of excise duty for beer, wine made from sorghum, millet or cassava, or any other agricultural products other than barley and grown in Kenya.

Motor vehicles & Motorbikes

- Proposed to be taxed based on the age of the vehicle with older vehicles attracting a higher excise tax rate.

Banks

- Minimum capital base to be increased from Kshs.1.bn to Kshs.5.bn by December 2018
- Removal of annual licensing and application to be replaced with CBK continuous monitoring

Insurance companies

- Minimum capital base to be increased from Kshs.300mn to Kshs.600mn (general business) & from Kshs.150mn to Kshs.400mn for life business.

Personal Income tax returns

- As the government moves to automate its tax services, personal income tax returns can be done either electronically or manually. All must be submitted by 30th June.

Automation will move much of KRA’s surveillance to ‘real time’ tax compliance inspections, particularly for the micro- business taxes; VAT; excise duties & customs duties.

Customs & Excise duties

	New	Previous
Duty on Imported sugar	US\$460 per metric tonne	US\$200 per metric tonne
Plastic tubes Imported packaging toothpaste & cosmetics	25%	10%
Imported aluminium milk cans	25%	10%
Gas cylinder imports	25%	0%
Import declaration fee (IDF)	2%	2.25%
Prison authority official supplies	Exempt	Charged VAT & import duty

Sources & for more details:

PWC – Budget 2015: Tax Measures & other Amendments (<http://www.pwc.com/ke/en/assets/pdf/budget-2015-tax-measures-and-amendments.pdf>) Kenya Business Tax Newsletter 2015 – 2016 Budget News (<http://www.bdo.mu/pdf/Business-tax-newsletter-Kenya-2015-Budget-June2015.pdf>) Other Sources: Daily Nation, Business Daily/ CBK/ Kenya National Bureau of Statistics/ World Bank GDP reporting

Mutual Funds Performance

Cash Management Solution

Minimum investment Kshs.1.0Mn

US Dollar Minimum investment US\$100,000

Term	Rate Per Annum %
1 month	12.00
3 months	12.50
6 months	12.50
1 yr	11.00

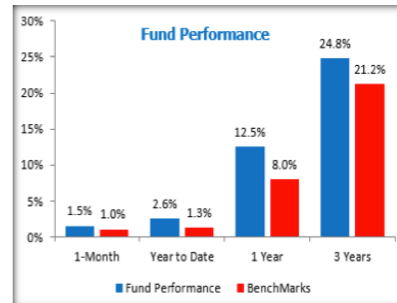
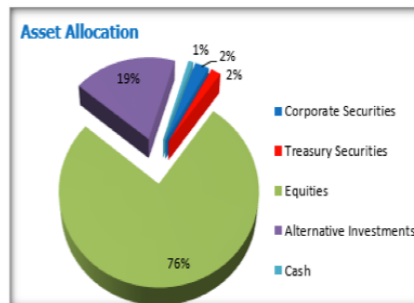
Term	Rate Per Annum %
1 month	2.00
3 months	2.00
6 months	2.25
1 yr	3.00



ABIS Limited is an Agent of BAAM

British American Equity Fund

Fund Manager	British Asset Managers Kenya Ltd
Launch Date	28 th April 2006
Fund Size	KES.4.57Bn
Minimum Investment	KES.10,000
Annual Management Fee	2%
Custodian	Standard Chartered Bank Kenya
Trustees	Kenya Commercial Bank



Source: BRITAM – BRITAM Disclaimer: Unit Trusts are generally medium to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. In certain specified circumstances, the right to redeem the units may be suspended. Unit trust values are calculated on a net asset value basis, which is the total of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Unit Trusts are traded at ruling prices.

ABIS Limited

Other Services offered by ABIS Limited

A will allows you to clearly set out and communicate to your family and friends, who you may wish to look after minor children, and who you wish to oversee your affairs.

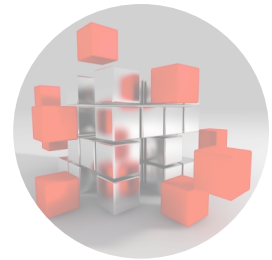
Make the decision today to look after your affairs and loved ones. Talk to ABIS Limited



Administrative Services

The business process outsourcing (BPO) industry has grown significantly over the last few decades. More and more administrative services are being outsourced to BPO companies. All types and sectors of businesses have moved in this direction seeing the benefits of outsourcing administrative tasks. There are both cost and time saving benefits. Technology has seen the growth of online and virtual services and support, which have further developed the industry.

ABIS Limited offers a range of services depending on your needs. We will handle your administrative requirements efficiently and effectively, and as you need them.



- Employee Data & Records Management
- Updating & Maintenance of employee personnel files
- Monitoring benefits
- Guidance HR Management – Learning & Development, Performance Management
- Providing periodic reports
- You may choose to replace some of these areas with other HR & Admin areas considered necessary to be outsourced*



Apposite Business & Investment Services

Member of Kenya Association of Stock Broker & Investment Banks

Apposite Business & Investment Services (ABIS)
focusing on providing the missing services for businesses and individuals in East Africa

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