



INSIDE THIS ISSUE

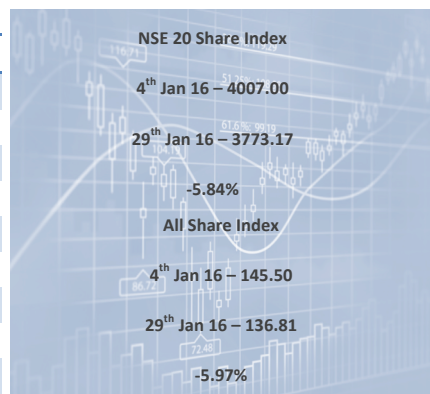
1. The Year in Review 2015
2. Outsourcing your HR/Admin & Accounting Functions
3. Your Will, Its time to put your life in order

ABIS Limited, Working with you to ensure your business runs smoothly & your investments move in the right direction. Talk to Us Today

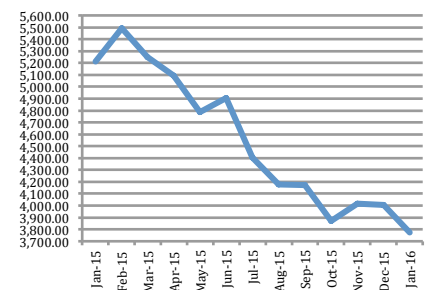
Market Review - January

Month's Biggest Price GAINS/ LOSSES

Security	Bid Price	Ask Price	Change
Everready E.A	2.65	3.05	+15
E.A. Portland	46.00	50.00	+9
Sasini	19.50cd	21.00	+8
Unga	32.25xd	34.50	+7
Longhorn	4.65xd	4.95xd	+6
Williamson Tea	401.00cb	187.00cd	-53
Uchumi	10.65	7.55	-29
Home Afrika	2.50	1.90	-24
Atlas development	2.30	1.80	-22
Limuru Tea	1085.00	883.00	-19



NSE 20 Share Index EOM Movements 2015 - Jan 2016



Equity Turnover (MN)	12,985	↓13%	No. Deals	26,533	↑16%	No. Shares (MN)	422	↓10%
Bonds Turnover (MN)	18,884	↓11%	Market Capitalisation (BN)	1926.47	↓6%			

East African Breweries Ltd

UN-AUDITED HALF YEAR FINANCIALS FOR THE PERIOD ENDED 31 DEC 15

GROUP ACCOUNTS	Dec-15	Dec-14	INC/DEC
	Kshs.000'	Kshs.000'	
Net Revenue	37,500,000	34,768,000	8%
Gross Profit	17,453,000	17,111,000	2%
Profit after Tax	7,734,000	4,622,000	67%
EPS (Basic)	9.14	5.24	74%

EABL attributed the 8% increase in net revenue to increased sales of its low-cost beer Senator Keg which more than doubled following a lowering of excise tax mid-last year. Whilst the sale of land and disposal of its glass bottle manufacturing subsidiary, Central Glass Industries (CGI) significantly boosted its total profit reflecting a 67% rise. EABL recently launched a 300ml Tusker bottle targeting lower-income consumers with the aim of increasing sales of its flagship beer.

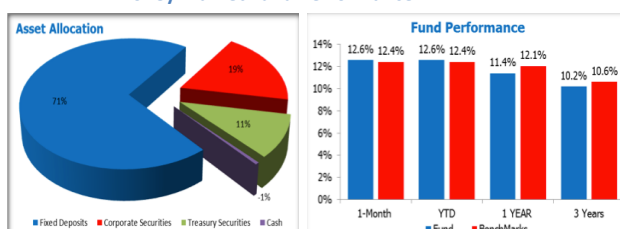
NSE to start derivatives trading in 2016

The long awaited introduction of trading in derivatives is now scheduled to commence in March this year at the NSE. According to the NSE CEO, finalisation on the contracts and final touches to enable trading of the instruments are now being undertaken. The NSE plans to start with index, single stock and currency futures trading. The index contract will be based on the NSE 25 index, a market cap weighted index and the currency contract will be on the shilling-US dollar pairing. Six commercial banks will act as agents providing clearing & settlement and intermediaries between two contracted parties to the trades. (Barclays Bank, Co-operative bank, CFC Stanbic, NIC, Chase Bank and CBA).

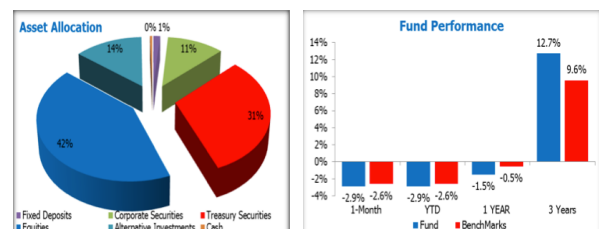
Derivatives are financial instruments that allow investors to bet on the direction of the price movement of shares, market indices, commodities and bonds while allowing investors to hedge themselves against risk. Wikipedia definition: a **derivative** is a contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, exchange or interest rate, and often called the underlying. Derivatives can be used for a number of purposes, including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard-to-trade assets or markets. Derivatives are one of the three main categories of financial instruments, the other two being stocks (i.e., equities or shares) and debt (i.e. bonds and mortgages)

Mutual Funds Performance

BAAM Money Market Fund Performance



BAAM Balanced Fund Performance



The Year in Review 2015

2015 was an eventful year for Kenya, receiving visits from US President Obama and Pope Francis. Road infrastructure development continued with the Southern by pass being opened; whilst our athletes despite doping scandals, continue to position themselves at the top. Sadly however the country continued to be attacked by terrorists, with the most devastating and tragic attack on Garissa University. More banks were closed by CBK, the most significant being Imperial Bank where Kes.58Bn deposits were locked in after the regulator placed it under statutory management.



Market Indicators

The financial markets & economic indicators were mixed. The NSE indices being fluctuant during the year, all ended in the red. As did both equity & bonds turnover. Market capitalisation declined by over 10%, wiping billions of shillings off shareholder value. Top counters where market capitalisation appreciated were Safaricom (16%); EABL (11%); Equity Bank (20%); KCB (23%) & Co-Op Bank (10%).

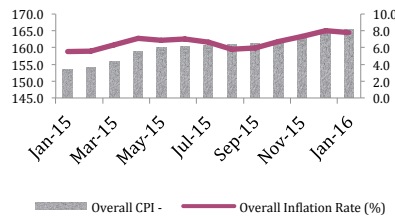
Indicator	31-Dec-14	31-Dec-15	% +/-
NSE 20 Share Index	5112.65	4040.75	-21
NASI	162.89	145.7	-11
Turnover Kshs.Bn	216	209	-3
Shares Traded Mn	8069	6997	-13
Bonds Turnover Bn	504	317	-37
Mkt Cap Kshs. Bn	2300.05	2049.54	-11

TBills	31-Dec-14	31-Dec-15	% +/-
91 Days	8.532	10.8	27
182 Days	10.048	12.8	27
364 Days	10.687	13.3	24

Kenya's economy showed comparatively stable performance over the year, picking up in the last two quarters. An annual growth rate (GDP) of 5.8% was attained in quarter three up from 5.6% (Q2). Agricultural, construction, financial and commerce sectors all reflected healthy gains. The outlook for 2016 is for continued growth with infrastructure development leading the way. Projects such as the Standard Gauge Railway and continuation of roads development will play a significant part in infrastructure development. The World Bank currently sets the rate for 2016 at 5.7%. The decline of world oil prices however has put a dampener on the country's oil prospects for now. Oil & gas exploration activities have significantly dropped. But lower oil prices has also positively impacted the manufacturing sector, and consumers.

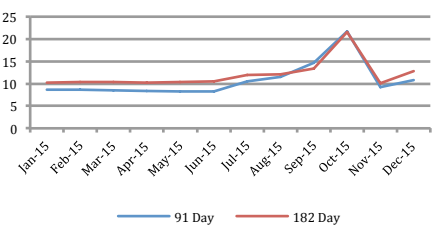
Inflation Rates

CPI & Inflation Rates 2015



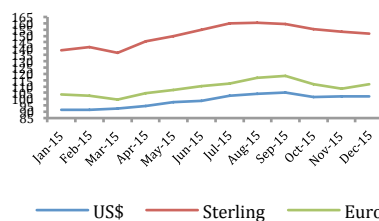
Treasury Bill Rates

Treasury Bill Rates 2015

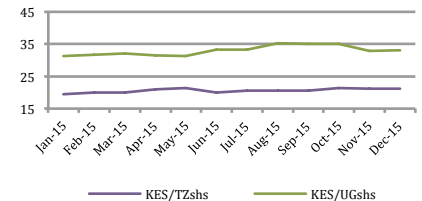


The month on month inflation rate averaged 6.6% in 2015. With a high at the end of the year of 8.01%. Key influencing indices sited were food & non alcoholic beverage prices (13.3%) & higher energy cost (4.8%). Lower fuel costs however saw the transport index fall.

Mean Exchange Rates against Kenya Shilling 2015



Mean Kenya Shilling Exchange Rate against Tz & Ug Shillings 2015



The 91 day treasury bill rose to a high of 21.65% in October 2015. The year started at 8.59% and closed at 10.8%. The sharp October spike was attributed to increased cost of borrowing in the interbank money market where a high of 19.85% was recorded in mid September. Treasury bills are the government's short term borrowing instrument, used to borrow from the domestic market. CBK issues discounted 91, 182 and 364 day bills at a competitive auction on a weekly basis. Treasury bill rates are traditionally attractively higher than interest rates offered for fixed deposits & other money market instruments. A minimum investment of Kes.100,000 is required. They are a safe and liquid investment. To invest in TBills, one is first required to open an account with CBK in person. Thereafter one can electronically submit bids to the auction.

2016 Outlook

There is confidence in Kenya's outlook, with key economic indicators expected to remain comparatively stable. However 2017 is an election year, and there are already signs of campaigning.

The Kenya shilling was consistently depreciating against the three major international currencies. Opening the year at Kes.90.7031 to the US\$, December saw it close at Kes.102.3114. Its lowest point being in the months of August & September (Kes.106.00). This was attributed to high import bills within these months. The currency has remained comparatively stable since the end of 2015, with current exchange rates at /US\$1.00 – Kes.101.9284, /€1.00 – Kes.109.3914 & £1.00 - Kes.140.9997.

The Kenya Shilling however appreciated against the Tanzania & Uganda Shillings by 9% and 6% respectively. The currency also closed the year 17% stronger against the South African Rand, commencing Kes.7.9741 to Rnd1.00 and closing at Kes.6.5768.

A host of profit warnings in 2015

2015 ended with the 12th NSE quoted company announcing a profit warning. BOC Gases announced that its projected earnings will be at least a quarter lower than previous earnings. This has been attributed to the fact that its income will not incorporate a tax credit for the period. Exchange losses & increased competition have also been sighted. Earnings are expected to be around Kes.172.2Mn compared to Kes.229.63Mn in 2014.

The Gas company joined ARM Cement; Uchumi Supermarkets; Standard Chartered Bank; Express Kenya; Mumias Sugar; Standard Group; East African Cables; Atlas Development; Sameer Group; Car & General; Crown Paints.

Tax avoidance now the focus of KRA

Following Kenya Revenue Authority's push to pursue tax avoiders in 2015, new rules published have now been enacted with effect from 19th January 2016. Companies that have been using methods to legally avoid taxes, now risk being fined by KRA. Where tax avoidance can be proved, companies risk being fined/penalised by an amount of equal to double the amount of tax being avoided. A report by the Tax Justice Network – Africa, stated that Kenya's corporate sector leads Africa in tax avoidance, and KRA estimates that they could collect an additional Kes.106Bn annually from multinational companies. As on the global scale the Authority is likely to find it a challenge to prove. But as seen in the case of Google, Facebook & Amazon, recently drafted legislation by the European Union target such schemes as the registration of subsidiaries on off shore tax havens. Google was accused of diverting UK revenues to Ireland. The company has now agreed to pay the sum of £46.2Mn on 18 months of profit of £106Mn.

UAP pushes planned NSE listing to 2018

Financial services group UAP Holdings has pushed its planned listing at the Nairobi Securities Exchange to 2018. Old Mutual acquired a 60.7% stake in UAP in January, 2015 shortly after UAP had acquired a 67% stake in microfinance lender Faulu Kenya. UAP Group CEO, attributed the delay in listing to integration issues as the two holding entities (UAP Holdings and Old Mutual Holdings) work towards merging and aligning their businesses lines before bringing the banking (Faulu) and non-banking activities under separate divisions. The group will join the six other insurance companies on the NSE.

BPO HR/Admin

Outsourcing the HR/Admin process – What you need to consider

1. Evaluate tasks and functions of your human resource department. Identify those functions that you can readily outsource. Evaluate the relative costs and impact on your HR department (*if the department exist*) and the amount of control you require to exert over these functions.
2. Consider any function that can be completed with limited or no supervision. Understand, if you hire an independent contractor to perform these functions for your company, you will be able to specify the results you wish to achieve.
3. Evaluate the costs and benefits of outsourcing each task you are considering. Compare this with costs being incurred for the internal operating (*payroll taxes, benefits, office space, equipment, training etc*) of the functions and/or potential cost/ exposure of not actually covering key HR functions.
4. Take sufficient time to evaluate each task you consider for outsourcing. Taking into account your desired control of the function as well as costs.

Advantages of keeping the HR function in-house include, prospect of immediate access & resolving of matters & familiarity with the office needs. Your outsourcing contractor should therefore be able to provide solutions to these, making them insignificant advantages



Outsourcing all or parts of the accounting Function

- Similarly to outsourcing the HR/Admin Function, outsourcing the accounting function **Saves time, money & brings in professional expertise**
- Most frequently outsourced accounting functions are: accounts payable; accounts receivable; payroll

Outsourcing time consuming accounting tasks such as invoice processing & other accounts payable activities can result in better supplier relationships in addition to reducing operational costs.



HR Focus 2016

- Analytics & Technology – *The relationship between employees & business results, creating a measurable output*
- Leadership – *Key factors to consider when selecting leaders in the workplace*
- Retention of talent – *Ways of keeping talent*
- Flexible work places – *Flexi time*
- Work life balance – *Getting it right*

ABIS will provide you with guidance & 'food for thought' on these areas in 2016

YOUR WILL

Its time to put your life in order



Reasons why you should be making a Will today

- If you don't make a Will you leave it up to others to determine who will inherit your money & property. Those you wish to benefit may not be the ones who do. A Will allows you to decide precisely who will inherit what.
- It is important to choose who you wish to handle your affairs in the event of death. Without this your affairs will be administered by the courts, and your estate will be distributed according to the rules of intestacy.
- Making a Will enables you to name a guardian for your children. In the event of being left without both parents, you can choose who you consider will best take care of your children and look after your children's needs.
- If you are getting married (or divorced, separated), ie. Your circumstances & status changes, you may wish to share your estate with those involved in your past or those now in your future.
- A will allows you to express what you would like to happen after your death. For example your preferences for burial or cremation, donating of organs etc.

Dying Intestate, potentially leaves those who matter to you with unnecessary legal and financial matters to deal with

ABIS Limited takes no responsibility for any decisions made on the basis of this information, as well as any inaccuracies. Sources: Sterling Capital Limited (Disclaimer: Whereas the information contained herein is deemed to be from a reliable source), BAAM; Business Daily – various published articles; internet – various articles; Central Bank of Kenya - publications.

ABIS LIMITED

P.O. Box 51385,00200 Nairobi, Kenya
Mobile: +254-772-701018; **Email:** info@abiskenya.com
Skype: althea-mccourt /**FaceBook:** ABIS Kenya
Web: www.abiskenya.com/
Twitter: @ABISKenya

