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1:: THE WEEK IN REVIEW



Market Summary.

Week on week, turnover rose to KSh.753M from KSh.540M posted the previous week, the number of shares traded stood at 81M against 64M the previous week.




The NSE 20 share index shaved-off a total of 83.62 points or -2.96% during week to settle at 3179.30.

The NSE All share index dipped 2.11 points during week to close at 69.16.

Week's Gainers

Security	Volume	Price	Change
Crown Berger	21,200	27.25	6.86% 
Housing Finance	477,800	16.50	2.80% 

Week's Losers

Security	Volume	Price	Change
Williamson Tea	5,900	80.00	(10.11)% 
Sasini Tea	623,400	6.30	(10.00)% 
NIC Bank	86,400	33.75	(8.16)% 

Sector Performance

Commercials had 49M shares traded, which accounted for 61.50% of the week's traded volume. AccessKenya down 5.43% to shs.21.75 moved 2M shares. Safaricom Ltd moved 47M shares during the week and closed at shs.3.60. Kenya Airways down 3.03% to shs.24.00 moved 265,000 shares.

Financial

Financials had 22M shares traded and represented 27.41% of the week's volume. KCB moved 2.5M shares during the week and closed at shs.21.25. Co-operative Bank moved 5.7M shares at between shs.9.30 and shs.11.00. Equity Bank down 1.87% to shs.15.75 moved 12M shares

2:: ECONOMIC OVERVIEW

Monetary and fiscal policy

Central Bank supports the monetary policy through cash injection.

Liquidity in the money market continued to be tight in the week ending August 21, 2009 as reflected by injection of liquidity by Central Bank in the week. To ensure continued market stability, Central Bank provided liquidity amounting to Ksh 11.4 billion to commercial banks using the reverse repurchase agreement securities.

Liquidity crunch was witnessed during the weekly floating of treasury bills, which suffered an under subscription as compared to the past where the government papers have been oversubscribed. Also contributing to the under subscription was the preference by investors of the 364 days Treasury bill which was launched into the market recently which was oversubscribed by over 200% due to its relatively higher returns.

Monetary Outlook		
	2008 (%)	2009 (%)
Underlying Inflation	5.25	8.79
Overall Inflation	12.03	25.05
T-Bill rate (91-day)	7.52	8.12
T-Bill Rate (364 days)	-	8.712
Average Lending Rate	13.39	15.09
Average deposit	4.32	5.28
Spread	9.07	9.81

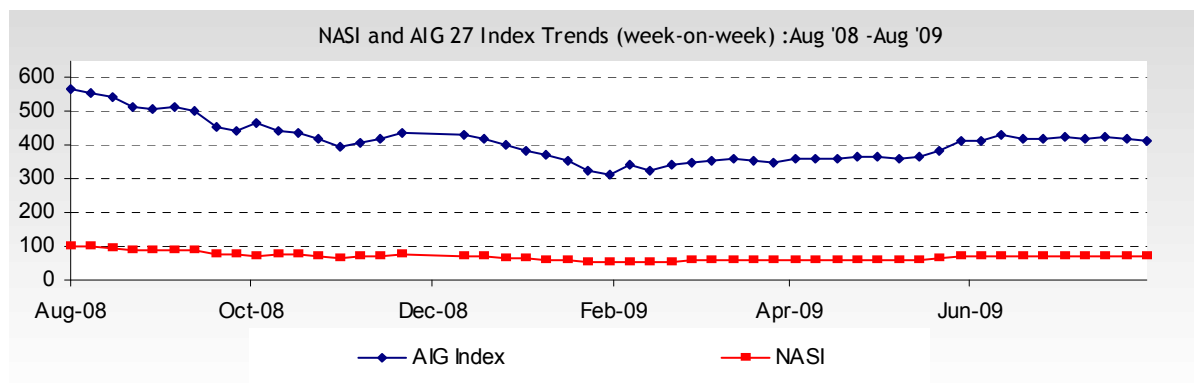
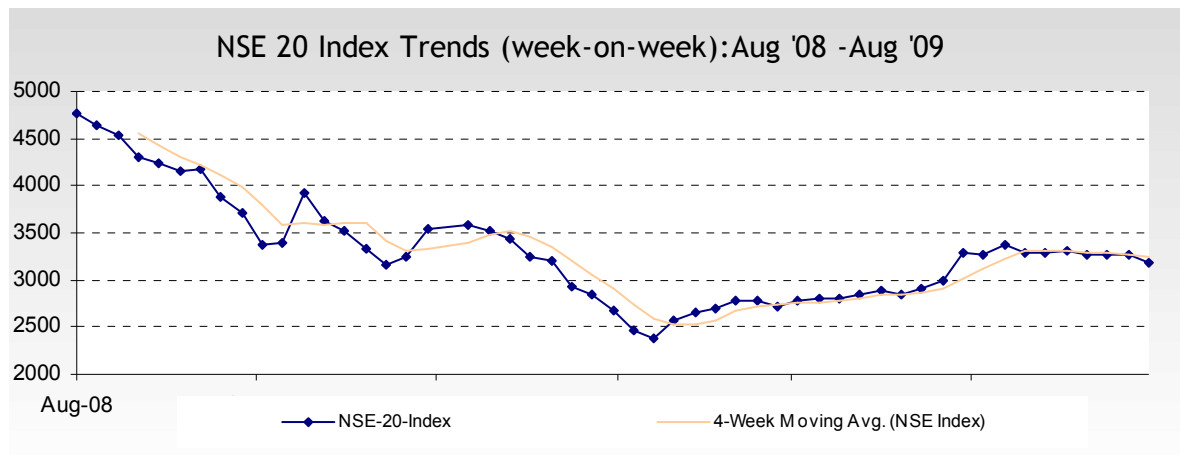
Fiscal Outlook		
Fiscal year	7th Aug'09	14th Aug'09
Gross Domestic Debt (shs 'billion)	526.4	527.0
Proportion of Short-term Debt	22.9%	23.14%
Debt Interest Payment (Kshs 'billion)	4.7	5.1

[Source: CBK]

3:: STOCK MARKET WATCH

Stock Market Trends					
Week ending	31 st July '09	7 th August '09	14 th August '09	21 st August '09	August '09
NSE 20 Index	3273.10	3257.38	3262.92		3179.30
NASI	71.43	71.98	71.27		69.16
AIG 27 Index	420.97	425.00	419.30		415.22
Market Cap (Kshs 'bn)	827.08	833.61	825.35		800.88
Volume of shares traded	67,941,500	61,336,800	64,772,300		80,961,400
Volume of bonds traded	845,000,000	1,012,450,000	1,211,550,000		1,240,150,000

(Source: NSE)



4:: COMPANY PROFILE.

SCAN GROUP LTD

Business Performance
<p>The firm is the leading Advertising and Communications agency in Kenya with a 51% market share and 38% market share regionally. Scan group seeks to offer integrated marketing services and provide a one stop shop to its clients for services ranging from media advertising to public relations. In its effort to achieve this, the firm embarked on its own vertical integration process through a series of affiliations and acquisitions to form ten main divisions. These affiliations especially with internationally established firms such as Lowe & Partners Worldwide enable the firm to keep abreast with new trends and approaches to advertising. Unlike other listed firms, Scan group is ideas driven as opposed to being product driven.</p> <p>The bulk of Scan group revenues come from advertising & media services. Consequently, the future performance of the firm will be very much hinged on its ability to facilitate in the creation of brand value/equity for its clients especially in the first moving consumer goods (FMCG) firms already in its stable. Indeed, the firm has already established itself as a regional player in East Africa and recently declared its intention to add the West African market to its regional portfolio through acquisitions. The financing of these acquisitions will be by way of either a rights issue or banks' borrowing.</p> <p>In pursuit of integrating its business strategy and also insulate itself from decline of business in the local market, Scan group announced recently that it has partnered with a strategic investor WPP, one of the world's largest communication service group. Through it operating Companies, WPP provides a comprehensive range of advertising and Marketing services. From this partnership, the Shareholders funds increased to kshs.1.3 billion and the Net Asset Value increased from kshs.3.77 per Ordinary share at end of 2007 to kshs.9.42 as at December 2008.</p> <p>For the period ended December 2008, the Consolidated Profit before tax grew by 24% to Kshs.437 million from kshs.353 million during the same period in 2007. Net revenues was up to kshs.1.44 billion from kshs.1.15 billion in 2007. The growth in revenues was mainly attributed to their aggressive marketing and advertisement divisions which has seen Scan group edge out most of its competitors to become the leading firm in its line of business.</p>

Future Prospects

The firm's liquidity is sound with the TAT being indicative of stable efficiency levels. Both the firm's operating and profit margin are indicative of a trend of thinning margins signaling intense competition and declining pricing power for the regional market. Consequently, there is need for outward expansion if the firm is to sustain the reasonably high returns on equity. Further, there is need to tighten operating costs on the regional front. The firm's debt position is not threatening but it could bulge as the firm seeks funding to finance its expansion into within Africa.

Key Financial Statistics 2007/08		Stock Performance	
	(Kshs '000)		21/08/09
Revenues	5,789,716	Current Price (Kshs)	25.75
Profit Before Tax	436,755	P/B	1.93
Net Profit	307,022	Earning Yields (%)	6.95
EPS (Kshs/share)	1.79	Dividend Yield (%)	2.41
Dividends (Kshs/share)	0.62	Trailing P/E	14.39

5:: COMPANY PROFILE.

EAST AFRICAN BREWERIES LTD.

Business Performance			
<p>East African Breweries Ltd is East Africa's leading branded alcohol beverage business and has an outstanding collection of beer and spirits brands. With breweries, distilleries, support industries and a distribution network across the region, the group's diversity is an important factor in delivering the highest quality brands to East African consumers and long-term value to East African investors.</p> <p>Against a tough trading economic environment within East Africa, EABL grew its volumes by 8% and net sales by 12%. This was achieved as a result of the extensive and aggressive advertisement meant which show some of its brands register steady growth. In addition, the successful roll out of Alvaro a soft drink whose reception in the market was quite impressive played a role in increasing the volume of the sales.</p> <p>Alcoholic drinks posted positive volume and current value growth in 2008 due to strong marketing efforts from the company. Fortunately, the market was able to recover from the slow growth recorded at the beginning of the year due to post-election violence, although growth rates in the off-trade were below those seen in 2007. This was mainly caused by price increases which was a result of increase of two excise duty tax in June and December which saw a shift of consumers into cheaper brands, coupled by aggressive competition from its main competitor Keroche Industries who in the course of the year roll out new brands and also increased their production capacity to match up the market demand. Slower growth rates in off-trade in 2008 compared to 2007 were due to the fact that many off-trade outlets were damaged and/or destroyed in post-electoral violence; growth slowed due to a loss of sales as off-trade outlets were repaired or rebuilt in the early part of 2008. The on-trade drove both value and volume sales in 2008 despite on-trade sales being smaller than those in the off-trade.</p> <p>The Firm's cost of production was also on the rise in the year 2008 as compared to 2007 because of increase in cost of raw materials; increase in fuel cost coupled with depreciating local currency thus reduced returns.</p> <p>EABL continued to dominate the sales in 2008 with majority market share. Its dominance can be attributed to a well-driven and continuous marketing. Though minimal, it is important to note that EABL is losing sales to new launches such as Tropical Breeze Ice from Kenya Wine Agency Ltd in addition to Keroche Industries.</p>			
Future Prospects			
<p>Volume growth is expected to continue in the forecasted period but at a lower rate as increased taxes and high inflation rate slows down consumer expenditure. Due to the effects of inflation, the low purchasing power will result in lower sales coupled by high distribution costs as a result of the high cost of fuel. EABL however has embarked on product diversification such as Alvaro roll out as well as increase its sales of economy beer to low-income consumers to curb illicit brews.</p> <p>These among others attributes coupled by the Company's positive image among consumers and its effective distribution of economy beers will make its products more accessible and attractive which will increase its sales volume and thus its margins</p>			
Key Financial Statistics 2007/08		Stock Performance	
	(Kshs '000)		21/08/2009
Net Revenue	18,096,000	Current Price (Kshs)	147.00
Gross Profit	9,148,000	P/B	3.51
Net Profit	4,053,000	Earning Yields (%)	6.49
EPS (Kshs/share)	9.55	Dividend Yield (%)	5.48
Dividends (Kshs/share)	8.05	Trailing P/E	15.39

STATISTICS OF STOCKS LISTED AT THE NSE

MAIN INVESTMENT MARKET SEGMENT .	VWAP Prices 21/08/09	Total Shares Issued	Mkt Cap. Kshs Mn.	EPS	DPS	P/E	Dividend Yield	Sector Review
Kakuzi	32.00	19,599,999	627.20	13.12	1.00	2.44	3.13%	The Govt has commissioned a shift from rainfall driven Agri to irrigation based. This being a long-term objective, the sector continues to face challenges raging from prolonged dry spell, decline in revenues as the shilling continues to loose ground to the hard currencies. Firms in this Sector have come up with value additions attributes by venturing into retail marketing e.g. [opening outlets Savanna coffee & Tea outlets for Sasini products].
Rea Vipingo	11.70	60,000,000	702.00	2.80	0.20	4.18	1.71%	
Sasini Ltd	6.30	228,055,500	1,436.75	3.84	0.00	1.64	0.00%	
Commercial and Allied								
Access	21.75	206,331,223	4,487.70	0.99	0.40	21.97	1.84%	The sector serves the ICT, hospitality Industry and Media services. With the landing of the fibre optic cable, its expected that both data and voice services currently being offered in the market will go through a changing phase as firms moves in with innovative products & services to attract and maintain customers. Top on these Firms, which has positioned themselves strategically, include Safaricom who most likely will use its huge clientele base to put up a stiff challenge against its competitors. Acess Kenya has invested heavily in the Fibre project and will be looking upon their current corporate clientele to give them a jump start. As the country recovers from political instability, coupled with the global decline in oil prices the Tourism sector is slowly picking with hotels reporting about 58% occupancy. With economic recovery on the right course, the future looks bright for counters under this sector.
Car & Gen	43.50	22,279,616	969.16	9.50	0.67	4.58	1.54%	
CMC	11.20	582,709,440	6,526.35	1.59	0.35	7.04	3.13%	
Kenya Airways Ltd	24.00	461,615,483	11,078.77	-8.84	1.00	-2.71	4.17%	
Marshalls	24.00	14,393,106	345.43	-11.80	0.00	-2.03	0.00%	
Nation Media Group.	130.00	142,610,520	18,539.37	9.00	5.50	14.44	4.23%	
Safaricom Ltd	3.60	40,000,000,000	144,000.00	0.265	0.10	13.58	2.78%	
Scangroup Ltd	25.75	220,689,655	5,682.76	1.79	0.62	14.39	2.41%	
Standard Group Ltd	45.00	73,275,029	3,297.38	3.57	1.10	12.61	2.44%	
TPS(Serena)	43.00	105,864,742	4,552.18	2.10	1.25	20.48	2.91%	

STATISTICS OF STOCKS LISTED AT THE NSE

Ordinary Shares	VWAP Prices 21/08/09	Total Shares Issued	Mkt Cap. Kshs Mn.	EPS	DPS	P/E	Dividend Yield	Sector Review
Finance & Invest.								
Barclays Bank	48.00	1,357,884,000	65,178.43	4.10	2.00	11.71	4.17%	<p>On the back of a shrinking market due to stiff competition among the players in the banking sector, fuelled by the global economic downturn and reduced business activities, Various banks have moved to strategically expand both their branch network as well as entering into new regional markets to widen their customer base and attract deposits e.g. KCB In southern Sudan, Uganda and Rwanda. Co-op bank the 4th largest bank in terms of Assets announced recently its looking into entering Sudan market. Monetary and fiscal policies which are key ingredients in economic recovery, CBK has cut down both the CBR and CRR and in a move to welcome such initiatives, Stan chart reduced their lending rate by 3.5% to 17% from 19.5%. Other banks as well as Saccos' from where many low incomers do access credit facilities are expected to follow suit if they are to remain competitive.</p> <p>The Insurance Industry is adjusting to the rising customer demands of products that meets the changing market needs e.g. Product to cover risk areas that has not been addressed by the current products available in the market. The growth in the sector will be in tandem with economic prospects plus innovativeness of individual firms. Jubilee Holdings Ltd in conjunction with recently launched a product that will cover a wide range of risks, market players have welcomed the move and with an already market available for such product, we expect others to follow in those steps.</p>
Centum	13.90	549,951,880	7,644.33	0.57	0.00	24.39	0.00%	
CFC Stanbic Holdings	57.50	273,684,211	15,736.84	4.94	1.90	11.64	3.30%	
Diamond Trust	72.50	163,037,108	11,820.19	6.28	1.40	11.54	1.93%	
Equity Bank Ltd	15.75	3,702,777,020	58,318.74	1.07	0.30	14.75	1.90%	
Housing Finance	16.50	230,000,000	3,795.00	0.80	0.30	20.63	1.82%	
Jubilee Holdings Ltd	120.00	45,000,000	5,400.00	14.14	4.25	8.49	3.54%	
K.C.B	21.25	2,217,777,777	47,127.78	1.80	1.00	11.81	4.71%	
Kenya Re-Insurance	11.65	600,000,000	6,990.00	1.97	0.50	5.91	4.29%	
National Bank	40.00	200,000,000	8,000.00	4.50	0.00	8.89	0.00%	
National Industrial Credit	33.75	326,361,621	11,014.70	3.49	0.50	9.67	1.48%	
Olympia Capital Holdings	7.25	40,000,000	290.00	-1.42	0.10	-5.11	1.38%	
Pan Africa Insurance	48.75	48,000,000	2,340.00	-2.00	1.60	-24.38	3.28%	
Standard Chartered Bank	145.00	271,967,810	39,435.33	11.34	10.00	12.79	6.90%	
Co-operative Bank	9.45	3,499,212,000	33,067.55	0.80	0.10	11.81	1.06%	

STATISTICS OF STOCKS LISTED AT THE NSE

Ord. Shares	VWAP Prices 21/08/09	Total Shares Issued	Mkt Cap. Kshs Mn.	EPS	DPS	P/E	Dividend Yield	Sector Review
MAIN INVESTMENT MARKET SEGMENT (MIMS)								
<i>Athi River Mining Ltd</i>	91.00	99,055,000	9,014.01	5.08	1.25	17.91	1.37%	<p>The Sector covers a wide range of Industries from Energy to Construction and manufacturing among others. Currently the Country is facing serious challenges in the Energy sector because of reduced water levels in the main dams where about 60% of the country's power is generated. This led to closure of a number of dams and subsequent application of power management policies through rationing. To overcome such future challenges, the Kengen has turned to wind as well as thermal as power sources. KPLC, which is the main player in the distribution of power, has entered into power agreements with various private firms such as Mumias who use their waste material from sugar production to generate power. In the oil Industry, the Market players have managed a market share growth in the middle of an Economic slowdown resulting from the increase usage of Fuel powered generators to compensate lack of Electricity. KenolKobil Kenya's biggest oil marketer marginally lost its share of the business, its grip on the market remains strong at 23.26 per cent Total Kenya lost significant proportions of their market strengths during the same period. State-owned National Oil Corporation of Kenya (Nock) doubled its share to 7.6 per cent to become the greatest beneficiary of the changing landscape.</p>
<i>BOC (K)</i>	160.00	19,525,446	3,124.07	10.26	6.80	15.59	4.25%	
<i>Bamburi</i>	150.00	362,959,275	54,443.89	8.78	6.00	17.08	4.00%	
<i>British American Tobacco</i>	175.00	100,000,000	17,500.00	17.00	17.00	10.29	9.71%	
<i>Carbacid</i>	137.00	11,326,755	1,551.77	14.72	10.00	9.31	7.30%	
<i>Crown Berger</i>	27.25	23,727,000	646.56	1.20	1.00	22.71	3.67%	
<i>E.A.Cables</i>	22.25	202,500,000	4,505.63	1.94	1.00	11.47	4.49%	
<i>E.A.Portland</i>	70.00	90,000,000	6,300.00	5.96	0.00	11.74	0.00%	
<i>E.A.Breweries</i>	147.00	790,774,356	116,243.83	9.55	8.05	15.39	5.48%	
<i>Eveready East Africa Ltd</i>	2.75	210,000,000	577.50	0.085	0.00	32.35	0.00%	
<i>KenolKobil Ltd</i>	52.00	147,176,120	7,653.16	8.15	8.56	6.38	16.46%	
<i>K.Pow. & L.</i>	127.00	79,128,000	10,049.26	22.30	4.00	5.70	3.15%	
<i>KenGen</i>	12.65	2,198,361,456	27,809.27	2.19	0.90	5.78	7.11%	
<i>Mumias</i>	6.95	1,530,000,000	10,633.50	0.79	0.40	8.80	5.76%	
<i>Sameer Africa Ltd</i>	5.00	278,342,393	1,391.71	0.54	0.00	9.26	0.00%	
<i>Total</i>	28.50	173,013,000	4,930.87	4.02	2.50	7.09	8.77%	
<i>Unga</i>	10.25	75,708,873	776.02	3.67	0.00	2.79	0.00%	

6:: NSE SECTOR REVIEW - Glossary

OPM – Operating Profit Margin

TAT – Total Asset Turnover

CLR – Claims Ratio Estimate

ADV/DPT – Advances to Deposits

D/E – Debt to Equity

Fwd P/E – Forward P/E

ROI – Return on Investment

C-ADQ – Capital Adequacy

P/BV – Price to Book Value

RSI – Relative Strength Index

A/L – Assets to Liabilities

NPL% - Non Performing Loans (%)

(S) - Suspended