ZAMBIA PRIVATISATION AGENCY

STATE OWNED ENTERPRISES IN HAND

FORTHCOMING TRANSACTIONS

JANUARY 2005

NJANJI COMMUTER SERVICES LIMITED

The Government of the Republic of Zambia (GRZ), through the Zambia Privatisation Agency (ZPA) is inviting technically and financially qualified investors interested in providing rail transport services within Lusaka; Zambia's Capital City. GRZ approved the Concessioning of the Railway Line and Platforms previously used by Njanji Commuter Services Limited to the private sector. Interested party(ies), either individually or as a consortium, may submit their **Expression of Interest** to ZPA.

The Company

Njanji Commuter Services started operations on 8th July 1991 as Mulungushi Commuter Railways under Mulungushi Investments Limited, then a subsidiary of Zambia Consolidated Copper Mines (ZCCM). After the pullout of Mulungushi Investments, GRZ appointed Zambia Railways Limited (ZRL) under an agreement to manage and operate the Commuter on a year to year basis, taking over from ZCCM effectively from 1st June, 1992.

The 16 Kilometre Njanji Commuter line was designed to de-congest traffic in Lusaka City while providing a cheap affordable form of transport for middle-class personnel residing in the Chilenje-Libala township area east of Lusaka city centre, and George township area located on the western side of the city.

However, due to various operational and technical problems coupled with a weak financial base, Njanji Commuter ceased operations on 14th October,1998.

Status of Njanji Line Infrastructure

Njanji has 3 types of sleepers: concrete, wooden and metal. Of these three types the concrete sleepers are long lasting and are unlikely to be removed. The wooden sleepers have a life span of 10 -15 years if well preserved but are subjected to degradation by decaying. The metal components, fishplate, bolts, metal sleepers and rails are susceptible to removal for scrap metal. Currently Njanji has no locomotives and coaches.

The Njanji Commuter Operator will need to provide locomotives and put in place new rolling stock before commencing operations. GRZ would ensure that the concession period is long enough to recover the investment by the Operator.

Prospects for Rail Transportation in Lusaka

The population of Zambia is highly urbanised with around 55% of the population living in Lusaka City and the larger towns, mainly along the line of the railway running from Livingstone town in the south to Chililabombwe town in the north.

The population with access to Njanji Commuter Services stands at well over 800,000 people. Njanji rail line has the potential to expand it's network further to other residential areas around Lusaka.

Privatisation timetable/process

ZPA is in the process of packaging the concession following which it will be advertised. **Expressions of Interest** from investors are welcome.

MUKUBA HOTEL LIMITED

The Government of the Republic of Zambia (GRZ) and the Zambia Industrial and Commercial Show Society Limited (ZICSSL) are inviting **Expressions of Interest** for the sale of 51% shareholding in Mukuba Hotel Limited, from technically and financially qualified investors. GRZ and ZICSSL require a high calibre, experienced strategic equity partner, preferably an investor involved in hotel/tourism or related business, in order to enhance the Company's position in the hotel industry in Zambia and give it an international prominence.

The Company
Mukuba Hotel is the third biggest Hotel on the Copperbelt Province of the Republic of Zambia with a three star rating. It is located in the show grounds of Ndola City, which is the largest commercial and industrial center in the Province. The Hotel is about 4km from Ndola International Airport.

The 16 hectare piece of land on which Mukuba Hotel is situated comprises beautiful gardens and its herd of graceful impala, among other attractions symbolises the hotels unsurpassed quest for excellence which has earned it the title "Gem of the Copperbelt" amongst the local admirers. The hotel building and other ancillary buildings are in a good state of repair. The grounds which also includes a nine hole mini-golf course are well kept and attractive.

Mukuba Hotel Limited is a private company with an independent Board of Directors. It is managed by a general manager who reports to the Board of Directors. GRZ is a minority shareholder with 24% of the shares while Zambia International Trade Fair (ZITF) owns 76 per cent.

Buildings
The main Hotel building has 2 floors and the hotel has a separate administration building. Mukuba Hotel has its own boreholes to supply fresh water round the clock. Sanitation for all the buildings is in a good and serviceable condition.

Banqueting and recreation facilities
The hotel's restaurant with a capacity of 120 dinners provides a selection of international a`la carte and buffet. It can accommodate about 250 people for cocktails. The boardroom on the first floor is equipped with a television and video, slide projector and screen and seats up to 60 people. The hotels gardens also provide first class venues for outdoor functions like weddings, private parties and banquets. The courtyard also provides a unique outdoor facility for light meals.

The hotel has a coffee shop and two bars. One of the bars is equipped with a Cold Room.

Accommodation Facilities
Mukuba Hotel has 52 ensuite bedrooms, comprising 31 twin rooms, 1 executive twin, 7 standard doubles, 7 executive doubles, 2 luxury suites and 1 deluxe suite. There is also a one bed roomed flat and a two bed roomed flat with self catering facilities.

All the rooms are complimented with fridge, trouser press, tea/coffee making facilities, hair drier, bedroom and bathroom phone extensions, Digital satellite Television channels, and an in-house 8 hour video channel and piped music.

This profile provides selected information only for the benefit of the potential investor. It does not constitute either an offer for the company or an offer to tender for the company

The average occupancy has varied between 48% and 50% between 1999 and 2002, while the industrial average is around 40%.

" \l 2***Other Facilities***

Other facilities include a gift shop and a Copperbelt museum courtesy desk for curios and other artifacts. The Hotel has a car park for up to 200 vehicles. Back of the house facilities include offices for accounting and Human resources departments, and change rooms for workers. The hotel has an orchard for oranges. The General Manager's residence, a three bed roomed house with a study is within the hotel premises.

Market

The market is made up of local and foreign business people, tourists and travellers. The Hotel has a strong position on the market due to its high standards among its competitors. It is located in the fringes of the Ndola City and within reach of some tourism sites which include the world's second largest open-pit copper mines.

With the anticipated growth that will emerge from the copper mines on the Copperbelt and North Western Provinces, and the resultant growth in the Copperbelt based business enterprises, it is expected that the number of business travelers into the Copperbelt will increase and therefore an expected increase in demand for hotel accomodation.

The Mukuba Hotel is strategically placed to grasp a large share of the market as it offers highly adaptive accommodation facilities ranging from single rooms to executive suites. It is centrally located within the easy reach of all major business and tourism centres.

" \l 2*Financial Performance*

Summary Profit and Loss Statement for the Year ended 31 September 2003:

(Figures in K'000)

Turnover:	2,678
Profit/Loss before tax:	(434)
Profit/Loss after tax:	(434)

Summary Balance Sheet as at 31 March 2003:

(Figures in K'000)

Fixed Assets:		5,190	
Current Assets:	692		
Current liabilities		1,488	
Net current assets/ (liabilities):			(795)
Net Assets:		4,395	

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Employees: **99** (as at 19th April 2004)

Expressions of Interest for the acquisition of 51% shareholding are welcome from financially and technically strong potential investors.

MAAMBA COLLIERIES LIMITED

The Government of the Republic of Zambia (GRZ), through the Zambia Privatisation Agency (ZPA) wishes to privatise Maamba Collieries Limited (MCL) through an acquisition of a controlling stake by suitably qualified private sector investors. GRZ approved the sale of at least 70% shares by competitive tender. Government is open to considering various innovative arrangements, as may be proposed by the potential investor, that would result in control of MCL moving to the private sector and result in the recapitalisation of Zambia's major coal producer.

Interested party(ies), either individually or as a consortium, may submit their **Expression of Interest** to ZPA.

The CompanThe Company

MCL is the largest producer of coal in Zambia. It is a wholly owned Government company engaged in the mining and selling of coal to major industries in Zambia, including the newly privatised companies in mining, chemicals, cement and breweries, as well as for exports to neighbouring countries. MCL is the largest employer in the Southern part of Zambia and cradles the hopes and aspirations of a large proportion of the population in the Southern Province. It is located in Maamba town 352 km from Lusaka the capital city of Zambia.

The main facilities available at MCL mining operations include the Coal Processing Plant (washing plant), water treatment plant, pump station, weigh bridges, engineering workshops, and other support infrastructure.

MCL was incorporated as a limited company in 1971 under the ownership of the Government through the Zambia Industrial and Mining Corporation Limited (ZIMCO).

Mine Capacity and Reserves A total of 78.2 million tonnes of coal reserves is estimated available in the MCL assigned area, of which 60.2 million tonnes is proven and 18 million tonnes is probable. Further exploration and reserve development is in order as the underground potential may well be greater than known today.

There are two open cast mines operating at Maamba in the Kanzize and Izuma basins with an annual capacity to produce between 600,000 and 800,000 metric tonnes of saleable coal, depending on demand and other constraints. The reserves in the Maamba assigned area can last for at least ninety seven (97) years assuming that the mine is operating at full capacity, that is producing 800,000 metric tonnes of coal per annum.

The Coal Preparation Plant(CPP) has a rated capacity to wash about 700,000 to 800,000 metric tonnes of coal per year while the ropeway has the capacity to transport between 600,000 to 700,000 metric tonnes to Masuku Railway Terminal per annum. Both however require some refurbishment to achieve the said capacities.

MCL also mines magnetite ore at Namantombwa near Mumbwa town and it is used for coal washing as separating medium. Maamba's total requirement of processed magnetite stands at 870 metric tonnes perannum.

Market

MCL has a distinct transport cost advantage in the supply of coal to countries further north from South Africa and the domestic market. MCL has however not been able to exploit this potential due to historical under capitalisation. Export opportunities exist in Malawi, Democratic republic of Congo and other sub-regional countries.

Although current estimated demand for local coal is 240,000 tonnes per annum, it is possible to develop the local market further by improving reliability of coal supplies from MCL. Major domestic customers include the copper mines - Smelterco, Chilanga Cement PLC, the breweries, tobacco farmers, and manufacturers.

The current export market is estimated at 15,000 tonnes per month to Tanzania, Democratic republic of Congo and Malawi.

Financial Performance

The financial performance of the company for the last three (3) years:

Year ended 31 March....

(Figures in K'000)

	2003	2002	2001
Turnover	17,126	18,237	19,379
Profit & Loss	(26,185)	(31,190)	(7,869)
Fixed Assets	3,980	4,685	4,154
Current Assets	6,465	6,788	5,351
Current Liabilities	23,458	21,951	10,886

Privatisation Process

In order to arrest the declining production that MCL was experiencing, the assistance of ZCCM-Investment Holdings PLC (ZCCM-IH) was sought to assist in managing the Mine. In June 2004, a combined ZPA/ZCCM-IH Task Team was installed to save the company from imminent closure. The Task Team has put in place operational measures that have already resulted in increasing production from an average of 10,000 tonnes per month to 30,000 tonnes per month (ROM). However, sales have to be improved in order for MCL to fully benefit from this increased production. A contract miner Holy Mining Limited was also installed in 2003 and is assisting with the provision of mining equipment and with the actual mining. As part of privatisation, Government is willing to consider a number of measures that would improve the viability of MCL. These include the following :-

- Government taking over the debt owed to quasi Government institutions.

- *Environmental Liabilities*: Government would allow MCL to adopt and perform the Environmental Management Plan as will be put forward by the successful bidder. MCL would then not be penalised by Government for any past historical environmental breaches committed prior to privatisation, provided it adheres to the agreed Environmental Management Plan.

- *Employees and Ex-employees*: Government will continue to settle all valid claims by ex-employees of MCL that it has agreed to take over. It will be proposed that the terminal benefits of existing employees be computed as at the time of privatisation. Agreement would then be sought from the existing employees that they be paid their benefits over a period to be agreed with the employees, preferably over 2 - 3 years.

- Government prefers that ordinary trade creditors and the Investec/IDC loans remain the responsibility of MCL.

However, ZPA will remain open to other proposals that potential investors may make as part of the bidding process.

Expressions of Interest are welcome from suitably qualified potential investors.

NITROGEN CHEMICALS OF ZAMBIA LIMITED

The Government of the Republic of Zambia (GRZ), through the Zambia Privatisation Agency (ZPA) wishes to introduce a Strategic Partner for a controlling equity stake of up to 100% in Nitrogen Chemicals Zambia Limited (NCZ). Government is open to considering other innovative financing arrangements as may be proposed by the private sector and acceptable to GRZ (the "proposed transaction"). Interested party(ies), either individually or as a consortium, may submit their **Expression of Interest** to ZPA.

The Company
The principal activity of NCZ are manufacture and trading of Explosive Grade Ammonium Nitrate, Chemicals Fertilizers, and Industrial Chemicals. It is also engaged in trading of the manufactured products. The company was incorporated in 1967 and comprises three complexes as follows:-

- the Ammonium Nitrate plant commissioned in 1970
- a Nitric Acid plant, Ammonium Nitrate Fertilizer plant, Ammonium Sulphate plant and a Compound Fertilizer plant blending imported potassium and phosphate fertilizers commissioned in 1981
- a Sulphuric Acid plant commissioned in 1983

Zambia enjoys an ideal climate for fertilizer manufacturing and has more advantages than disadvantages over it's immediate neighbours. The primary objective of privatisation of NCZ is therefore to promote a viable and competitive fertilizer manufacturing industry in Zambia. This has been demonstrated through Government's commitment to the development of agriculture and a number of policy initiatives related to fertilizer policy, are being undertaken. NCZ is well poised to take advantage of GRZ re-commitment to agriculture development.

Management and Employees

NCZ has a workforce of 739 employees. The management and staff represent the bulk of the country's expertise in the fertilizer industry. Management act on behalf of the Board of Directors for the company. Most of the senior managers have been with the company for over ten years and are well qualified. Their experience is a valuable asset to NCZ.

The Company has a track record of harmonious and cordial industrial relations between the management and employees.

Products

Historically, NCZ used coal as a base raw material in the production of Ammonia, Nitric Acid, Ammonium Nitrate for explosives and fertilizers. The company now imports ammonia for its production process. The company also produces Sulphuric Acid, and NPK compound fertilizer. The design capacities of the plant units are as follows:

IN METRIC TONNES PER ANNUM

PRODUCTS	PHASE I KOBE	PHASE II KLOCKNER	PHASE III KOBE	TOTAL
Ammonia	30,000	66,000	-	96,000
Nitric acid	50,000	70,000	-	120,000
Ammonium nitrate for explosives and fertilizers	60,000	55,000	-	115,000
Sulphuric acid	-	-	60,000	60,000
Ammonium sulphate	-	50,000	-	50,000
NPK fertilizer	-	142,000	-	142,000

Most of the raw materials for the products of NCZ are found locally. Ammonia is produced from coal which is mined at Maamba Collieries Limited (located 300 km from NCZ) through coal gasification process. The raw materials for Nitric Acid production are compressed air and ammonia while the raw materials for Ammonium Nitrate are Ammonia and Nitric Acid. Sulphuric Acid is produced from pyrites while Ammonium Sulphate is produced from Ammonia and Sulphuric Acid. The compound fertilizer NPK is produced from Nitrogen, Phosphorus and Potassium granules.

Market

When fully operational, NCZ can command a large share of the market for its products. The following products are utilized in the domestic market; “C” Compound, Triple Super Phosphate (TSP), Muriate of Potash (MOP), Urea, “D” Compound, “X” Compound, Ammonium Nitrate, “R” Compound, “V” Compound and Ammonium Nitrate Dense & Porous Explosive grade. Sales to this market would potentially constitute 80 per cent of the company’s sales volume. The company can produce dense Ammonium Nitrate and Sulphuric Acid mainly for the copper mining operations. An export market for Diammonium Phosphate (DAP), Solubar and fertilizers exist in Zimbabwe, Malawi and Democratic republic of Congo.

Due to lack of working capital, NCZ has targeted its marketing efforts on a few local entities and Government agencies. NCZ has also sought to reach small scale producers by introducing smaller packages of fertilizer which are sold through retail outlets. Major competition exists for the company from imported fertilizers considering the lack of financial capacity of NCZ to meet the requirements of the country.

Other Services

NCZ also provides technical and engineering services and has capacity to undertake erection of heavy equipment, energy audit and safety audit service, design and monitoring of environment protection systems and training of technical manpower in operation, maintenance and safety management.

Financial performance

The financial performance of the company for the last three (3) years:

Year Ended 31 March...

(Figures in K’ Million) - Unaudited Financial Information Statements

	2002	**2003**	**2004**
Turnover	674	8,896	27,004
Profit & Loss	(1,709	(57,471)	(9,486)
Net Current Assets	(1,070)	3,577	2,109
Total Assets	8,395	10,577	7,787
Shareholders Funds	(4,470)	(71,514)	(47,023)
Deferred Liabilities	12,187	44,124	24,445

Expressions if Interest are welcome from technically and financially competent potential investors.

ZAMBIA STATE INSURANCE CORPORATION LIMITED

The Government of the Republic of Zambia (GRZ), through the Zambia Privatisation Agency (ZPA) wishes to introduce a Strategic Equity Partner for Zambia State Insurance Corporation Limited (ZSIC), the country’s premier insurance company. Interested potential investors may submit their **Expression of Interest** to ZPA.

The Corporation

ZSIC has the broadest distribution network among all other insurance companies in Zambia. Besides maintaining a health business relationship with insurance broking firms, the Corporation procures business through independent contractors (agents) and branches. Currently, there are 17 branches, district and franchise offices covering all the nine provincial centers in Zambia and some critical districts. The Corporation was established with the view of providing low cost insurance to indigenous Zambians. It is wholly owned by the Government of the Republic of Zambia.

The Corporation is partner to some of the world's most reputable and strongest re-insurance companies. It is also affiliated to several international insurance organisations. Much of the insurance business operates through treaties. Facultative arrangements apply in certain exceptional cases.

Product and services structure

There are two main trading cores that contribute to ZSIC's turnover; the Non Life Division and the Life Division. The divisions consist of the following services:

- **Non Life Division.** This division operates with five departments each providing a distinct insurance service. They are <u>Fire Department</u> - offering a range of covers for fire, householder, acts of nature and related disasters for both private and commercial customers. <u>Accident Department</u> - which can be categorised as to providing cover for property, burglary, "all risks", public liability, plate glass and employers liability. <u>Motor Department</u> - providing K1 billion in premiums providing, Road Traffic Act Insurance, Full Third Party, Full Third Party Fire and Theft and Comprehensive. <u>Engineering Department</u> - providing the insurance needs of the construction industry, operators and owners of large plant. <u>Marine and Aviation Department</u> - which caters for the transportation of people, and shipping and freight of goods that could be damaged lost or stolen in transit.

- **Life Division.** ZSIC is the leading provider in Zambia of Life assurance and Pension plans. The schemes offered include endowment insurance, anticipated endowment, whole life assurance, mortgage protection, child endowment, group life and other policies.

Management and work force

The Corporation has a staff compliment of 372 employees and management undergoing rigorous training programs which has seen ZSIC become a leader in Zambian business circles. Management has continued to invest prudently in line with international corporation standards, and the management organisation is well structured and efficient.

Key strengths

- Sound financial base and continued profits
- Proficient management, which is adaptable to change
- Streamlined operations providing increased accountability and efficiency
- Largest insurance organisation in Zambia
- Has sizable existing customer base
- Major investor in the Zambian stock market and economy
- Poised to take advantage of increasing number of new businesses
- Liberalisation of Zambian economy allows for greater diversity in products

Financial Highlights

Three year financial review - General Insurance Division

All Figures are stated in K'million

Year ended 31 December	2003	2002	2001
Gross Premium	50,413	45,898	33,866
Profit/(Loss) Before Tax	8,606	6,980	4,772
Insurance Funds	20,360	18,283	13,594
Net current assets & Liabilities	26,538	7,013	1,363

Three year financial review - Life Division

	2003	2002	2001
Gross Premium	17,351	12,684	35,646
Net Claims	7,863	7,469	13,466
Insurance Funds	67,915	19,926	101,248
Net current assets	10,574	504	26,231

The Corporation has embarked on the process of restructuring the Life Division which incorporates product, staff and Balance Sheet restructuring. The process may take three to four years.

Privatisation Plan
Expressions of Interest are welcome from technically and financially qualified potential investors.

Interested Parties can contact:

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