AFRICA SERIES
INVESTING IN KENYA

INTERCONTINENTAL TRUST
Impeccable Service Intelligent Solutions

Lying on both sides of the equator on the east coast of Africa, Kenya is bordered by Somalia, Ethiopia and Sudan to the north, Uganda to the west, Tanzania to the south and the Indian Ocean to the east. Kenya is strategically placed as it is the gateway to the landlocked countries in East and Central Africa. Its port in Mombassa is also an invaluable asset since it is a major deep water harbour along the East African coast line.

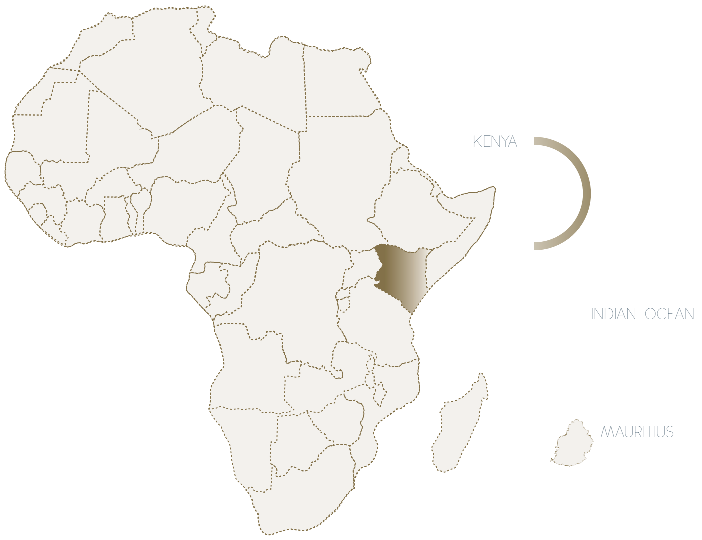
Having an area of 582,646 km^2, it is the world's forty seventh largest country.

Kenya is often described as "the cradle of humanity" as earliest evidence of man's ancestors was discovered by paleontologists. In the present day, Kenya's ethnic diversity has produced a vibrant culture. And with scenic beauty and abundant wildlife, it is one of the major Africa's safari destinations.

With its scenic beauty and abundant wildlife, Kenya portrays itself as a special location for investments.

REPUBLIC OF KENYA

GDP per capita (Nominal)	US$ 900 (2012 est.)
GDP per capita (PPP)	US$ 1,800 (2012 est.)
Real GDP Growth	4.7 % (2012 est.)
Population	44,03 mn (July 2013 est.)
Currency	Kenyan shilling (KES)
GMT	+3 Hour



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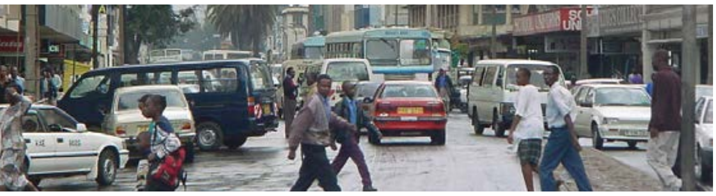
COUNTRY OVERVIEW



- On 27th August 2010, a new constitution was promulgated in Kenya marking a major milestone in the country's governance structure. This is one of the very few constitutions in the world, made during peace time and it has been hailed as one of the most progressive, comprehensive and development oriented constitutions with a very detailed Bill of Rights.

- Kenya, which is the only developing country in the world hosting fully fledged headquarters for UN bodies, namely UNEP and UN-Habitat is a country endowed with rich heritage of natural resources, which allows for a wide range of economic activities. It has a population of nearly 40 million people, with Nairobi the capital city home to a population of 3.5 million. Other major towns include Mombasa, Kisumu, Nakuru, Eldoret and Thika. Kenyans are friendly and warm people, well known for their cordial hospitality.

- Kenya's economic blue print: Vision 2030 is a three pillar vision (economic, social and political) with aim to become a globally competitive and prosperous middle income economy with a high quality of life by the year 2030. Under the economic pillar, the country aims to achieve and sustain an economic growth of 10% over the next twenty years.

POLITICAL AND LEGAL FRAMEWORK

The Political framework of Kenya is made up of a semi-presidential representative democratic republic, whereby the President of Kenya is both head of state and head of government, and of a multi-party system. Recent constitutional amendments have enabled sharing of executive powers between the President and a Prime Minister. Executive power is exercised by the government, with powers shared between the President and a Prime Minister, who coordinates and supervises the cabinet. Legislative power is vested in both the government and the National Assembly. The judiciary is independent of the executive and the legislature.

The Executive, Legislature and Judiciary constitutes the three arms of Government based on the principle of separation of powers (although some of the powers and duties of the three arms overlap) serving as a system of checks and balances. The Kenyan legal system consists of a mix of Kenya statutory (written) law and Kenyan and English common law, mixed with elements of tribal and Islamic law. Kenya's basic legal system and body of law is very similar to that found in western or European countries. This is mainly a result of Kenya being a part of the British empire for many decades until 1963; Kenya is still a member of the British Commonwealth.

WHY INVEST IN KENYA?

Kenya presents unique opportunities and cuts a competitive edge in the region as a special location for investments. It stands out because of the following reasons:

Strategic location: Kenya is strategically located as a regional financial, communication and transportation hub. Major international banks have their regional headquarters in Nairobi. There are three international airports, Jomo Kenyatta International Airport ("JKIA") in Nairobi being the busiest and largest in the region, others are in the coastal town of Mombasa, Eldoret, and Kisumu on Lake Victoria, the second largest fresh water lake in the world.

Labour Force: Large pool of educated, skilled, enterprising, and English speaking labour force, with a large number, especially the youth being proficient in French, German and Spanish.

Well established and mature private sector: The government appreciates that the private sector is the engine of economic growth and has adopted various policy options aimed at facilitating and providing optimum environment for enhanced private sector growth. The economy is fully liberalized with no restrictions on capital transfers and a wide range of suitable tax, trade and investment incentives.

- Good range of Tax Treaties and Investment Promotion and Protection Agreements.
- A stable pro-investment Goverment.
- Business Friendly Regulatory Reforms.
- Well Developed Social and Physical Infrastructure.
- Fully liberalised Economy.
- Preferential market Access to within the region and the E.U.
- Well Established Local and Foreign Sector.

RESOURCES AND ECONOMY

The major sectors of Kenya's economy are agriculture and services. Table 1 below shows the sector contribution to GDP in 2010 and 2011, showing an increase in GDP in agriculture, wholesale and retail trade and the financial services:

Sector contribution to GDP

Sectors	Contributors to GDP	
	2011	2012
Agriculture	23.8	25.9
Manufacturing	9.6	9.2
Construction	4.1	4.1
Wholesale and retail trade	12.2	11.8
Transport and Communication	9.9	9.3
Financial services	6.3	5.2
Public services	16.4	16.5

Sector contribution to GDP

Agriculture

Agriculture (including coffee and tea cultivation) is the main source of revenue for 70% of the population. Kenya is also taking advantage from its location - it is considered as a regional hub for trade and finance in East Africa.

The principal cash crops are tea, horticultural produce, and coffee; horticultural produce and tea are the main growth sectors and the two most valuable of all of Kenya's exports.

Financial Services

Kenya-based banks are leading regional integration in the East Africa Continent banking sector. About eleven multinational and Kenyan owned banks use Kenya as a hub to expand their operations in the EAC region. There are four indigenous Kenyan banks with branches within the region. These banks include Kenya Commercial Bank ("KCB"), Equity Bank, Fina Bank, and Commercial Bank of Africa. A World Bank survey revealed that 56 percent of the banks operating in the East African region are hubbed in Kenya.

Tourism

The tourism industry in Kenya is the single largest export earner and forms an important basis of the country's economy. It highlights two of Kenya's most unique features: wildlife and beaches. Careful planning and proactive leadership have maximized the tourism potential as Kenya continually outpaces it's East African neighbors. The tourism industry in Kenya has come a long way as an important revenue generator.

Telecommunications

The Internet first became available in Kenya during 1993. Full Internet access was established in 1995. Kenya's telecommunications and broadband market is undergoing a revolution, following the arrival of three fibre optic international submarine cables (Seacom, TEAMS and EASSy), ending its dependency on limited and expensive satellite bandwidth. The country's international bandwidth increased more than eleven-fold in 2011. The biggest mobile phone company, Safaricom, has introduced "M-PESA"— a service allowing customers to transfer money using a mobile phone. Kenya is the first country in the world to use this service and its runaway success has seen the system being replicated by local and international competitors.

Infrastructure

Kenya has an extensive road network of approximately 95,000 miles connecting most parts of the country. The railway system comprises 2,765 km of track. The railway network comprises a meter gauge track that runs across the southern part of the country from Mombasa at the Indian Ocean to Malaba at the border with Uganda. The network has principle branch lines connecting Kisumu, Nanyuki and Nyahururu from the mainline at Nakuru, Gilgil and Nairobi respectively. It has direct links with the port of Mombasa, the road network and the inland container depots.

Industry and manufacturing

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Water and Sewerage

For industrial and domestic purposes, water is supplied by local authorities and other licensed suppliers. Major towns in Kenya provide sewerage and drainage systems for residential and business use.

In view of increasing demand, various local authorities are undertaking major investment for supply of water.

INVESTMENT OPPORTUNITIES AND INCENTIVES

Key business and investment opportunities in Kenya include tourism, agriculture, transport and infrastructure, manufacturing, communications, energy, building and construction and pharmaceuticals sectors. Specific areas of interest to business are eco-tourism, power generation equipment, telecommunications equipment, agricultural inputs, food processing and packaging equipment, road construction, cement production, motor vehicles parts among others.

Infrastructure
The development of transport infrastructure holds the key to effective socio-economic development of the country. In order to achieve this, it is proposed to improve the network by undertaking several projects. Potential opportunities exist in the form of developing airports, road networks, ports etc to cater for the ever-increasing passenger volumes and the growth of traffic. The key focus for the government will be on roads, energy, rail and ports in 2012/13, with an investment of KShs 268.1billion.

Real Estate, Social Infrastructure and Tourism
Social infrastructure remains a challenge in many African countries and Kenya is not unique. This entails the development of a multi–purpose Convention Centre, with a contemporary design in Kenya's second largest and seaport city – Mombasa. Project combines several conference Centre's under one roof to accommodate high demands from more than 54% of total number of tourists visiting Kenya; domestic and international meetings and events.

Information & Communications Technology
Ongoing liberalization and privatization offer important investment opportunities to private investors, particularly in the information technology and telecommunications sectors. Investors possessing the necessary skills in those sectors can form joint ventures, particularly for the provision of cellular phones and internet services

Energy
Over the past five years, Kenya's demand for electricity has grown by 10% annually, while supply has grown by 8%. According to the Ministry of Energy, demand is expected to grow by 7% annually over the next 10 years, reaching 3,066 MW by 2018 and 4,647 MW by 2022. Kenya's aim is to reduce reliance on imported fossil fuels and weather-dependent hydro; mitigate climate change and increase electrification access and reduce poverty.

TRADING AGREEMENTS

Exports from Kenya enjoy preferential access to world markets under a number of special access and duty reduction programmes. Kenya is signatory to various agreements aimed at enhancing trade amongst member states.

East Africa Community ("EAC")
Kenya is a strong member of the EAC with other partners being Burundi, Rwanda, Tanzania and Uganda. The region offers a market of over 126 million people and with the Common Market protocol established by the partner states since July 2010. Due to its geostrategic location and elaborate infrastructure, Kenya is the springboard to this lucrative market. It is also the largest and most vibrant economy in the EAC and dominant exporter accounting for approximately 37 % of intra EAC trade.

Multilateral Trade System ("MTS")
The World Trade Organization ("WTO") is the only international organisation dealing with the global rules of trade between nations.

The overriding objective of the WTO is to ensure that trade flows as smoothly, freely and predictably as possible. Kenya has been a member of the WTO since its inception in January 1995.

ACP / Cotonou Partnership Agreement

Exports from Kenya entering the European Union are entitled to duty reductions and freedom from all quota restrictions. Trade preferences include duty-free entry of all industrial products as well as a wide range of agricultural products including beef, fish, dairy products, cereals, fresh and processed fruits and vegetables.

African Growth and Opportunity Act ("AGOA")

Kenya qualifies for duty free access to the United States of America ("USA") market under the African Growth and Opportunity Act enacted by USA. Kenya's major products that qualify for export under AGOA include textiles, apparels, handicrafts, etc.

Generalised System of Preferences ("GSP")

Under the Generalised System of Preferences, a wide range of Kenya's manufactured products are entitled to preferential duty treatment in the United States of America, Japan, Canada, New Zealand, Australia, Switzerland, Norway, Sweden, Finland, Austria, and other European countries. In addition, no quantitative restrictions are applicable to Kenyan exports on any of the 3,000-plus items currently eligible for GSP treatment.

INVESTMENT PROMOTION AND PROTECTION AGREEMENTS

The constitution of Kenya guarantees protection of life and private property. The Foreign Investment Protection Act guarantees against expropriation of private property by government. Kenya is a signatory to and Member of the Multilateral Investment Guarantee Agency ("MIGA") an affiliate of the World Bank which guarantee investors against loss of Investment to political problems in host countries.

Kenya is also signatory to International centre for Settlement of Investment Disputes which is a channel for settling disputes between foreign investors and host governments

TAX REGIME

Resident and non-resident companies are subject to income tax based on all income accruing in or derived from Kenya. The principal taxes include Corporate Taxes, Stamp Duties, Social Security Taxes, among others. The general corporate tax rate is 30% while the branch of a foreign company is taxed at 37.5%. Reduced rates for a period of 3 to 5 years are available for new listed companies; the rates and period depend on the percentage of capital listed.

The country also has transfer pricing and thin capitalisation rules. Non-Residents are usually subject to a range of withholding taxes, some of which may be reduced under a double tax treaty negotiated with the country of residence of the recipient. Double Taxation Treaties have been concluded with a number of countries, including Mauritius.

	Non-Treaty	Kenya/Mauritius Double Taxation Treaty
Capital Gains	0%	0%
Dividends	10%	(a) 5% - if the beneficial owner is a company (other than a partnership) which holds directly at least 10 per cent of the capital of the company paying the dividends; (b) 10% in all other cases.
Interest	15%	10%
Royalties	20%	10%
PE if building site last more than	N/A	12 Months

Comparison of tax rates in Kenya and under the Double Tax Avoidance Agreement between Mauritius and Kenya.

BANKING AND EXCHANGE CONTROL

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya ("CBK"). The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

Two of the four largest banks, the Kenya Commercial Bank ("KCB") and the National Bank of Kenya ("NBK"), are partially government-owned, and the other two are majority foreign-owned (Barclays Bank and Standard Chartered). Most of the many smaller banks are family-owned and operated. There is no foreign exchange control in Kenya, but banks must report significant foreign exchange transactions to the Central Bank (i.e. all transactions in excess of USD 10,000 must be reported).

NAIROBI STOCK EXCHANGE IN BANKING IN KENYA

The Nairobi Stock Exchange in Banking in Kenya is one of Africa's most active capital markets. Started in the 1920s, it was formalized through incorporation into a company in 1954. As a capital market institution, the Stock Exchange plays an important role in the process of economic development. It helps mobilize domestic savings thereby bringing about the reallocation of financial resources from dormant to active agents.

Long-term investments are made liquid, as the transfer of securities between shareholders is facilitated. The Exchange in Banking in Kenya has also enabled companies to engage local participation in their equity, thereby giving Kenyans a chance to own shares. Nairobi Stock Exchange enhances the inflow of international capital and is also a useful tool for privatization programs.

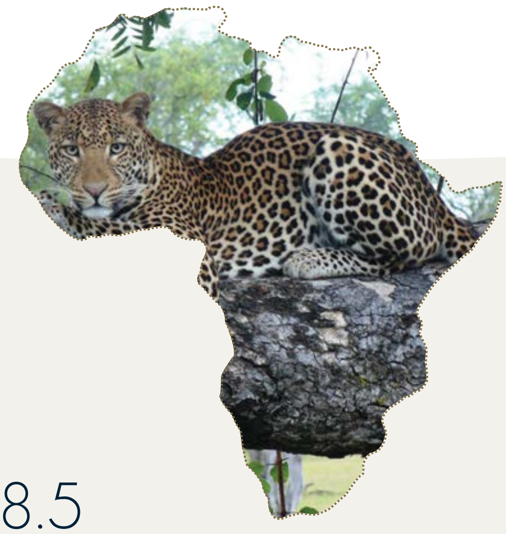
Why use Mauritius for investments in Kenya?

The Mauritius financial sector has been growing into an attractive, secure and competitive location for cross-border investments and is regarded as a stepping stone for investments into India, China and Africa.

Mauritius has been ranked first in Africa in the following indices:

Index	Organisation	Rank in Africa
Ease of doing business	World Bank	1st
Easiest Country for Trade	World Economic Forum	1st
Economic Freedom	Heritage Foundation	1st
Top Regional Reformer	World Bank	1st
Most Improved Investment Climate	Africa Business Awards	1st
Best Governed Country	Harvard University (Kennedy School of Governance)	1st
Governance Quality	Mo Ibrahim Foundation	1st
Environmental Performance	Yale and Columbia Universities	1st
Quality of Life	fDi intelligence	1st
Global Innovation	INSEAD	1st
Quality of the Air	World Health Organization	1st
Country Brand Index	Future Brand	1st

Africa in numbers.



3 percent
of global GDP.

1 billion
people

Two thousand
languages.

1/5
of the world's young people.

4th
largest share of global shale gas reserves.

$8.5
billion annually in diamond sales revenue.

4,7%
growth rate per annum.

12,5%
of global oil production

20%
of global gold production.

World's most advanced mobile banking technology.

Increase in GDP of 50% by 2020.

Sub - Saharan Africa GDP Growth Rate: 5,5%

114
billion barrels in oil resources.

Mining

- $8.5 billion annually in diamond sales.
- 77% of global platinum production.
- For several mineral reserves, Africa ranks first or second globally.

Financial Services

- Microfinance has been identified as one of the key growth areas in banking.

Transport

- The amount of cargo through Africa's ports has tripled in the last decade.
- African governments typically allocate 6% to 8% of their GDP to infrastructure development.

Oil and Gas

- 12.5% of global oil production.

Telecoms

- $8 trillion investment potential by 2025.

Healthcare

- $23 per capita spend in Sub-Saharan Africa on healthcare.

SPECIFIC ADVANTAGES FOR INVESTMENT INTO AFRICA

There are specific advantages for setting up and administering an investment vehicle in Mauritius for investment in Africa as opposed to investing directly.

Investing Directly	Investing through Mauritius
No protection against nationalization or confiscation of asset.	Protection of investments under Investment Promotion and protection Agreements ("IPPAs") with a number of African countries.
High withholding/capital gains taxes in African countries.	Double Taxation Treaties ("DTA") network*. No/Low withholding taxes. No capital gains taxes.
No or limited preferential access to markets.	Preferential access to markets through membership in major African regional blocs.
Possible exchange controls.	No exchange controls.

1. Mauritius is a member of the African Union, South African Development Community ("SADC"), Common Market for Eastern and Southern Africa ("COMESA") and Indian Ocean RIM-Association for Regional Cooperation ("IOR - ARC").
   As a result of its membership in the COMESA, Mauritius is part of the Free Trade Area along with 12 other African countries. Hence, all customs duties are eliminated from the COMESA imports.
2. Under the United States Africa Growth and Opportunities Act ("AGOA") Mauritius, being part of Africa, has duty free access to the US markets for over 7,000 products including apparel, footwear, wine, motor vehicles components and agricultural products.
3. The air and sea ports offer the most up-to-date facilities with connections to important business centres of Europe, South Africa, India and the Far East.
4. Mauritius is a member of the Mutilateral Investment Guarantee Agency ("MIGA"), a World Bank agency. MIGA provides non-commercial guarantees (insurance) for cross border investments in developing countries. Citizens or companies incorporated in Mauritius are eligible for MIGA guarantees. The guarantees protect investors against the risks of transfer restrictions, expropriation, war and civil disturbance, breach of contract and non-honoring of sovereign financial obligations.
5. Mauritius is a signatory to the European Union Economic Partnership Agreement ("EU-EPAs"). Amongst items of the agreement, there is elimination of duties/quotas for Mauritius imports into the EU, flexible rules of origin, dispute settlement mechanism and development cooperation provisions.
6. Mauritius has signed Investment Promotion and Protection Agreements ("IPPAs") with a number of African countries. The IPPAs encourage and protect investments by virtue of measures to minimize any deprivation of investments. In the worst case scenario, any deprivation of investments will have to be justly compensated. This provides additional comfort to investors since this can significantly reduce investment risks in countries where there are risks of nationalization or expropriation. Furthermore, the IPPAs provide free repatriation of investment capital and returns. In case of disputes in connection to investments, a procedure is to be followed including the provision of an international arbitration tribunal if necessary.

Signed and In Force

Burundi, Madagascar, Mozambique, Senegal, South Africa

Awaiting Ratification

Benin, Botswana, Cameroon, Comoros, Gabon, Ghana, Kenya, Mauritania, Rep of Congo, Rep of Guinea, Rwanda, Swaziland, Tanzania, Tchad, Zimbabwe

Awaiting Signature

Lesotho, Malawi, Uganda

In Negociation

Algeria, Burkina Faso, Egypt, Ethiopia, Tunisia, Zambia, Togo

6. The laws in Mauritius provide for companies from another jurisdictions to transfer their incorporation to Mauritius subject to the laws in the country of incorporation. Immediately upon registration by continuation, the Company will be able to benefit from various tax treaties and IPPAs that Mauritius has with other countries.
7. Currently, Mauritius ("MU") has DTA with a number of African countries:

	Country	Dividends		Interest		Royalties		Capital Gain		PE if building site last
		Non-Treaty	MU	Non-Treaty	MU	Non-Treaty	MU	Non-Treaty	MU	MU Treaty
1.	Botswana	7.5%	5%/10%	15%	12%	15%	12.5%	25%	0%	6 months
2.	Egypt**	0%	5%/10%	20%	10%	20%	12%	20%/25%	0%	6 months
3.	Kenya**	10%	5%/10%	15%	10%	20%	10%	0%	0%	12 months
4.	Lesotho	25%	10%	25%	10%	25%	10%	25%	0%	6 months
5.	Madagascar	0%	5%/10%	20%	10%	10%	5%	20%	0%	6 months
6.	Mozambique	10%/20%	8%/10%/15%	20%	8%	20%	5%	32%	0%	6 months
7.	Namibia	10%/20%	5%/10%	10%	10%	9.9%	5%	0%	0%	6 months
8.	Nigeria**	10%	7.5%	10%	7.5%	10%	7.5%	10%	0%	6 months
9.	Rep.of Congo**	20%	0%/5%	20%	5%	20%	0%	34%	0%	12 months
10.	Rwanda	15%	0%	15%	0%	15%	0%	30%	0%	12 months
11.	Senegal	10%	0%	16%	0%	20%	0%	25%	0%	9 months
12.	Seychelles	15%	0%	5%/15%	0%	15%	0%	0%	0%	12 months
13.	South Africa**	15%	5%/15%	0%	0%	12%	0%	18.6%	0%	9 months
14.	Swaziland	15%	7.5%	10%	5%	15%	7.5%	0%	0%	6 months
15.	Tunisia	0%	0%	20%	2.5%	15%	2.5%	30%	0%	12 months
16.	Uganda	15%	10%	15%	10%	15%	10%	30%	0%	6 months
17.	Zambia	15%	5%/15%	15%	10%	20%	5%	0%	0%	9 months
18.	Zimbabwe	10%/15%	10%/20%	0%	10%	15%	15%	20%	0%	6 months

****Awaiting Ratification**

Egypt, Gabon, Kenya, Nigeria, Republic of Congo, South Africa

Awaiting Signature

Ghana, Malawi

In Progress

Algeria, Burkina Faso, Tanzania, Togo

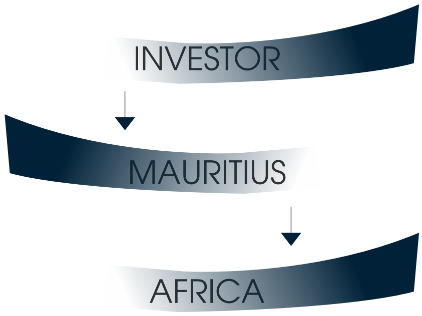
DTAAs awaiting signature/ratification/in progress.

INTERCONTINENTAL TRUST
International Tax & Management Services

Types of Companies in Mauritius

There are two types of global business companies in Mauritius - Category One Global Business Company ("GBC1") and Category Two Global Business Company ("GBC2"). A global business company is one which conducts its business outside of Mauritius.
While the GBC1 is resident for tax purposes in Mauritius and can thus avail itself of the benefits of the double taxation treaties signed by Mauritius, the GBC2 is tax exempt and is typically used where no tax treaty benefits are sought.

A typical structure may be as follows:



The Mauritius Company may be freshly set up in Mauritius or can be registered by way of continuation either as a GBC1 or GBC2 in Mauritius. ITL can assist in the formation or migration and administration of both categories of companies.

WHY INTERCONTINENTAL TRUST ?

- One of the leading Management Companies licenced by the Financial Services Commision in Mauritius.
- Principals involved in the global business sector in Mauritius since its inception.
- Large institutional clients and high profile organizations in portfolio.
- First management company in Mauritius to successfully complete an ISAE 3402 Type II audit by PwC.
- First Management Company in Mauritius to be accredited as an Authorised Training Employer by the institute of Chartered Accountants in England and Wales.

Intercontinental Trust Ltd is regulated by the Financial Services Commission in Mauritius.
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ISAE 3402
COMPLETED TYPE II AUDIT

Sources for information on Kenya : Kenya Investment Authority | Kenya Government Website | Taxand.com | Kenya Investment Summit 2012 | CIA World Fact Book