8/24/2009

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| LLOYDS FINANCIALS LIMITED | **THE COMPANY PROFILE – AND OUR PROPOSED ROLE IN AREED II** |

Table of Contents

[COMPANY PROFILE 3](#_Toc239131454)

[1. ABOUT US 3](#_Toc239131455)

[2. INVESTMENT DEALER’S LICENCE 4](#_Toc239131456)

[3. PRODUCTS AND SERVICES 5](#_Toc239131457)

[4. WEALTH AND PORTFOLIO MANAGEMENT 6](#_Toc239131458)

[4.1. ZAMBEZI INVESTMENT FUND 7](#_Toc239131459)

[4.2. GOLDEN NEST PRIVATE EQUITY FUND 7](#_Toc239131460)

[4.3. LLOYDS LIQUID FUND 7](#_Toc239131461)

[4.4. AGRICULTURAL CREDIT GUARANTEE SCHEME 7](#_Toc239131462)

[4.5. LLOYDS CREDIT ENHANCEMENT FUND 7](#_Toc239131463)

[4.6. THE SECURITY OF THE FUNDS 8](#_Toc239131464)

[AFRICAN RURAL ENERGY ENTERPRISE DEVELOPMENT (AREED) 9](#_Toc239131465)

[5. ROLE OF LLOYDS FINANCIALS LTD IN AREED II 9](#_Toc239131466)

[5.1. AFRICAN RURAL ENERGY ENTERPRISE DEVELOPMENT (AREED) 9](#_Toc239131467)

[5.2. LLOYDS FINANCIALS’ ROLE AS FUND MANAGER IN AREED II 9](#_Toc239131468)

[5.3. SYNERGISTIC RELATIONSHIP BETWEEN AREED II AND LCEF 10](#_Toc239131469)

[THE NEW FINANCING STRUCTURE FOR AREED II PROPOSED BY LLOYDS 11](#_Toc239131470)

[6. CONCLUSION 12](#_Toc239131471)

# COMPANY PROFILE

## ABOUT US

Lloyds Financials Limited, is a financial services company, and is registered and regulated by the Securities and Exchange Commission of Zambia as a broker-dealer. Under the Investment Dealer’s license, the company is able to provide clients with financial and investment advice; develop and issue investment instruments in the market; raise capital through the money and capital markets, both locally and internationally and, is able to manage and or set up Funds.

The company was founded by Professor Lloyd Chingambo, after retiring as General Manager of the Lusaka Stock Exchange, in 2004. Subsequently, in 2005, Professor Chingambo was appointed by the Cabinet of Zambia to advise government on housing finance, and help develop the housing bond market to finance the almost 2 million housing backlog in the country. Professor Chingambo is currently the Chairman of the National Economic Advisory Council, a national strategic think-tank which reports directly to the President, on critical economic issues of the country.

In addition to the extensive knowledge and experience of Professor Chingambo, the Chief Executive Officer, the company is endowed with a vast skills base, specializing in areas such as Commodities Markets, Carbon Finance, Capital Markets, Structured and Mezzanine Finance, Property Development, Infrastructural and Developmental Finance, Asset Management, Engineering, Science, Economics, and much more.

Over the years, and through varied transactions and experiences in our rather young and conservative financial market, Lloyds Financials Limited has emerged as a leader in the development of innovative solutions through financial engineering, and sound investment principles. Lloyds Financials Limited, ensures that both the borrowers and investors in a transaction emerge with the best financial deal appropriately designed to suit their needs; both investors and our clients get results they seek. This approach has transformed the company into a dynamic provider of merchant/ investment banking services, and is now beginning to spread its services to other countries in the region.

## INVESTMENT DEALER’S LICENCE

Lloyds Financials Limited is licensed as an Investment Dealer by the SEC (the regulator), annually. [Our Broker-Dealer Licence Number is DL/05/26]. SEC audits the company, including all operational and clients’ accounts and fund management processes before issuing us with the licence. In addition to the company being under licence, our staff members are also registered (after undergoing a rigorous training programme and passing industry-specific examinations) and annually regulated, under their Dealer’s Representative Licences.

* Under our Investment Dealer’s licence, the company is able to:
  + Provide financial and investment advisory services
  + Issue investment instruments into the market
  + Raise capital from the Money and Capital Markets, both locally and internationally
  + Manage and/or develop Assets, Asset Classes and Funds.
* Clients can expect specialized and appropriate financial solutions as follows:-
  + Financial advisory services
  + In-depth review of business processes
  + Appropriately designed financial solutions
  + Innovative deal structuring and financial engineering
  + Access to financial markets/networks
  + Financial needs profiling and wealth creation.
  + Development of innovative investment instruments.

## PRODUCTS AND SERVICES

Lloyds Financials Limited offers specialized and appropriate financials solutions to its clients. The products are designed to cater for those entrepreneurs and organizations looking to develop themselves and the region into financially sustainable growth nodes, and hence create wealth. The company provides a broad range of merchant/ investment banking services, anchored in responsible investment principles and sound financial advisory practices.

As part of our mission to provide our clients with the highest level of service delivery, we guarantee them increased opportunities to maximize their investments and minimize risk by allowing them unlimited access to international and emerging markets using our full range of products. In addition, we have established an extensive network of partners around the world. This allows us to tap into a multitude of investment opportunities and partnerships from any part of the globe.

The company provides a broad range of merchant and investment banking services which are

organized under eight (8) product/service areas, namely:-

* **CORPORATE AND PROJECT FINANCE:** We provide advisory services on structured finance transactions involving: acquisitions and mergers, business expansions, etc.
* **WEALTH AND PORTFOLIO MANAGEMENT:** We provide Fund and Portfolio management services to both individual and corporate clients and public sector entities. In addition, our licence allows us to create specialized Funds.
* **INFRASTRUCTURE DEVELOPMENT:** We provide appropriately structured finance for infrastructural projects, including turnkey solutions. We develop and structure Public-Private-Partnership (PPP) projects, and arrange long term finance.
* **PROPERTY DEVELOPMENT FINANCE:** We provide suitable property finance, for commercial and retail projects, including developing concepts, and turnkey solutions.
* **DEBT RESTRUCTURING AND MANAGEMENT:** We provide advisory services for businesses and institutions in financial distress. This usually involves business re-engineering and revenue optimization through Asset and Liability Modelling (ALM).
* **SHORT TERM FINANCE:** We provide short term investment instruments which include trade finance, money market finance, commercial papers, etc.
* **CARBON FINANCE:** We provide advice on green investments. We structure CDM projects, including structuring the trading of carbon credits.
* **PRODUCT DEVELOPMENT:** This involves research into emerging local and global market trends and development of appropriate products for the Zambian and SADC markets.

## WEALTH AND PORTFOLIO MANAGEMENT

Under the Dealer’s Licence, Lloyds Financials Ltd can provide investment advisory services and manage client funds. The clients can be individuals, private companies, or public sector organizations. The licenced staff members are able to provide investment advice, and create appropriate portfolios for the clients. In addition to managing client funds, the licence also allows the company to create its own Funds, and in this regard, we have set up some specialized Funds which we are currently managing.

Our philosophy is rooted in ethical and responsible investment principles. Hence our continual drive to access growth opportunities in the region. The blend of opportunities, markets and portfolio structures determine the growth and performance of a portfolio. Investments are made into various asset classes including equity, fixed income, cash liquidity, currency, real estate, infrastructure, private equity and fund of funds.

The investment opportunities in Zambia and the region, as emerging markets, are vast, with strong returns. On the demand side, our Project Book is currently $240 million, and the Infrastructure Project Book is about $1 billion.

The following are some of the products currently running under our Wealth Management Department to cater for the opportunities presented by the region and our project book.

### ZAMBEZI INVESTMENT FUND

This is an Open-Ended Investment Fund, which seeks to provide finance for structured investment projects and programmes through various Sub-Funds. The Fund bears the following features:

* Dual Listing/Quotation on the JSE (Primary Regulator) and LuSE
* Comprehensive Capital Protection
* High current income with value and income stability
* Diversification provided by the underlying Sub-Funds and portfolio investments
* Clear exit mechanisms for both Fund Shares and Portfolio Investments
* Strong governance structures.

### GOLDEN NEST PRIVATE EQUITY FUND

The Golden Nest Private Equity Fund seeks to finance opportunities in Zambia and the region. The Fund targets to mobilze$50 million and offers 20-30% return on the portfolio. The Fund has two asset classes namely, Private Equity and Short Term Fixed Income. This Fund is also linked to the Lloyds Liquid Fund for the short term return on investments, with a rollover option and growth in the equity assets class.

### LLOYDS LIQUID FUND

This Fund provides an Investment Plan for Individuals, Groups of Individuals and Corporates. The Fund invests into instruments in the market which provide short term returns. Individuals or Groups of Individuals can invest into this Fund, starting from a minimum of K500,000 per month to get into a Short to Medium Term Savings Plan. Corporates can expect customized Working Capital Investment Plan. This is an ideal opportunity for companies to make additional revenue, in short periods, as opposed to money sitting idle in bank accounts.

### AGRICULTURAL CREDIT GUARANTEE SCHEME

This is a Fund which provides a Guarantee Scheme to farmers who need to access agricultural inputs like Seeds, etc. The Fund works with Agricultural Associations, like Seed Associations, etc. The Scheme is managed by Lloyds, and supported by Care International and USAID. It is envisaged that the scheme shall reach at least 90,000 small-scale farmers throughout the country in two years.

### LLOYDS CREDIT ENHANCEMENT FUND

This Fund is supported by USAID, NORAD, IFC & NFU Conservation Unit and Africare. The Fund provides credit enhancement to Importers of Equipment, Chemical and Other Agricultural Inputs. Originally designed for the Agricultural Sector, the Credit Enhancement Fund can now be used by any other sector players.

The following represents how the Fund works.

Figure : Lloyds Credit Enhancement Fund Structure

The Fund is enhanced by Insurance products, including Credit Insurance, which provides protection in case of default by the client.

The Credit Enhancement Fund has been created to enable importers of equipment and inputs to get adequate funding for their imports. The Commercial Banks in Zambia have supported the above structure, as it mitigates various risks, which would normally inhibit them from financing these deals.

### THE SECURITY OF THE FUNDS

The following constitute points which enhance the security of the Funds.

* Funds are regulated by SEC
* The Fund Manager, Lloyds Financials is licenced and audited annually by SEC
* The Fund Manager adheres to strict Capital Market Rules and Regulations
* Lloyds Financials Limited has a strong **Investment Advisory Committee**, which oversees the management and corporate governance of the various Funds under management. The Investment Committee comprises of prominent players in the Capital Market. (The Committee members are drawn from: the Securities and Exchange Commission (SEC); Lusaka Stock Exchange (LuSE); Pension and Insurance Authority (PIA) and the Zambia Agricultural Commodities Exchange (ZAMACE).
* The Funds are placed in a separate Fund/Client Account
* To date, the SEC Compensation Fund which protects investors against any mismanagement of Funds, under any of SEC’s Licencees, has not been used since the inception of the LuSE in 1994.

Figure : Extract from a letter written to Investors by SEC.

# AFRICAN RURAL ENERGY ENTERPRISE DEVELOPMENT (AREED)

## ROLE OF LLOYDS FINANCIALS LTD IN AREED II

### AFRICAN RURAL ENERGY ENTERPRISE DEVELOPMENT (AREED)

UNEP’s African Rural Energy Enterprise Development (AREED) initiative operates in Mali, Ghana, Tanzania, Senegal and Zambia to develop new sustainable energy enterprises that use clean, efficient and renewable energy technologies. Launched in 2001, AREED promotes energy efficient and renewable energy technologies through small and medium-sized enterprises (SMEs). AREED has succeeded in developing an ingenious plan of loan provision, building capacity in bankable business plan development, analyzing market conditions and identifying efficient energy systems for SMEs.

In Zambia, the capacity building in business plan development, analysis of market conditions and identifying efficient energy systems for SMEs, were all being done through the local partner, namely the Centre for Energy, Environment & Engineering Zambia Limited (CEEEZ). The analysis of the loan application, loan disbursement, and aftercare and monitoring of the loan portfolio were being handled by a Fund Manager in the USA. Due to the distance, and lack of on-the-ground monitoring processes, loan management from USA was deemed to have been inefficient and ineffective. At the close of the AREED I programme, it was recommended that a local Fund Manager be appointed to manage the AREED II Funds.

### LLOYDS FINANCIALS’ ROLE AS FUND MANAGER IN AREED II

As outlined in the profile above, Lloyds Financials Limited is a registered and regulated Fund Manager, which is well placed to manage AREED II Funds for Zambia.

**Benefits Lloyds Financials would bring to AREED II as the Fund Manager:-**

* Lloyds would provide Fund Security and Protection to Investors’ funds through its SEC Licence and Investment Advisory Committee structures
* It already provides professional fund management and investment advisory skills
* Lloyds is currently the only Financial Institution which is ACTIVE in Environment/Carbon Related Financial Products and Services
* Lloyds’ greater understanding of CDM, and Carbon Finance through Lloyds Financials Products, namely: Carbon Finance Unit & Africa Carbon Credit Exchange, make it ideal in evaluating AREED projects for loan processing
* It is able to provide structured systems to manage the portfolio, including additional security features, risk management and mitigation strategies, aftercare and monitoring mechanisms
* It would immediately enhance and integrate AREED with Lloyds Credit Enhancement Fund
* It has the capacity and international and local connections to attract additional funding into AREED Zambia, if and when required, and would thus help to Co-Finance projects with AREED II
* It also provides treasury management functions, which should help to grow the FUND, through investments.

### SYNERGISTIC RELATIONSHIP BETWEEN AREED II AND LCEF

As outlined by CEEEZ (in their report), the implementing partners in Zambia, AREED I can be strengthened and improved upon by drawing on the lessons and weaknesses learnt from its implementation. In this regard, the following points are worth noting, in discussing what improvements need to be considered as critical to make AREED II better than its predecessor:-

* The previous arrangement in which the Fund Manager was based in the USA, posed serious operational challenges as it compromised effective monitoring of projects on the ground. Secondly, it led to serious delays when it came to processing of the loan applications. It became quite evident, and imperative that the Loan Portfolio Management needed to done by a local Fund Manager who would be in a position to continuously monitor and verify things on the ground, than was possible with the existing arrangements.
* Similarly, the arrangement in which technology support and related services were not localized, posed their own challenges. This situation made the implementation and management of the AREED I programme expensive for number of reasons. For example, every time consultants were required to come and fix something, they had to come from abroad. This made the exercise expensive and time insensitive. In the end, this structure compromised the effectiveness and efficiency of the projects, and the whole programme in general.

Consequent upon the foregoing, the following financial and technical structure has been developed with a view to address the perceived weaknesses that were associated with AREED I, so that AREED II could be enhanced.

# THE NEW FINANCING STRUCTURE FOR AREED II PROPOSED BY LLOYDS

**1A.** SPONSORS INVEST IN AREED.

**AREED**

**INVESTORS**

**INVESTORS**

**3A.** PRESENT BUSINESS PLAN TO ACCESS AREED FUNDS FOR PURCHASE OF EQUIPMENT.

**6B.** IMPORTATION AND SUPPLY OF EQUIPMENT.

**6A.** CREDIT ENHANCEMENT APPROVED AND LC ISSUED

**5A.** LOAN APPROVAL AND DISBURSEMENT.

**5B.** OFF-TAKE AGREEMENTS ISSUED

**IMPORTERS OF EQUIPMENT AND INPUTS**

**SMEs AND FARMERS**

**3B.** PRESENT BUSINESS PLAN TO ACCESS LCEF FUNDS FOR IMPORTATION OF EQUIPMENT.

**4.** PROCESSING OF LOAN/CREDIT ENHANCEMENT APPLICATION BY LLOYDS.

**LLOYDS CREDIT ENHANCEMENT FUND**

**1C.** INVESTORS BROUGHT BY LLOYDS INVEST INTO LCEF & AREED.

**1B.** AREED FUND FINANCES AREED II.

**AREED II FUND FOR ZAMBIA**

**LLOYDS FINANCIALS LIMITED**

**THE FUND MANAGER**

CENTRE FOR ENERGY, ENVIRONMENT & ENGINEERING ZAMBIA LIMITED (CEEEZ)

**IMPLEMENTING PARTNERS OF AREED**

**2.** APPOINT FUND MANAGERS, AND PROVIDE PROGRAMME SUPPORT.

**2.** PROVIDE TECHNICAL AND PROJECT ADVICE, AND DEVELOP BUSINESS PLANS.

Figure : Integration between AREED II and LCEF to provide greater financial support to the renewable technology sector

## CONCLUSION

Fundamentally, the goal of AREED II should be, to be better than AREED I. But against the backdrop of weaknesses which have been identified as having hampered AREED I, it is imperative that in its design, and set up, AREED II should be rooted in the need to address all the known weaknesses which acted as obstacles to the success of its predecessor. One of the weaknesses identified was the arrangement to do with fund management.

As this profile shows, Lloyds Financials Limited is well positioned and experienced in developing and supporting innovative solutions in the financial market in Zambia. The company’s exposure to both Fund Management and Carbon Finance in Zambia, makes Lloyds an ideal candidate to manage AREED II Funds. As outlined above, the company is already engaged in fund management, in some cases, in collaboration with Donors. Critically, some of our Funds, such as the Credit Enhancement Fund (LCEF) would not only be directly integrated into the business model of AREED II, but would particularly enhance the renewable energy and technology sector in Zambia.

We believe that the involvement of Lloyds Financials Limited in AREED II would increase the success and productivity of the programme.