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SESSIONAL PAPER NO. OF 1981

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Government Guarantee for European Investment Bank Loan to Bamburi Portland Cement Company Limited.

THE GUARANTEE (LOANS) ACT CAP 461

PARLIAMENT OF KENYA LIBRARY

1) In accordance with the provisions of the Guarantee (loans) Act (Cap 461) the following information is laid before the National Assembly relating to a guarantee by the Government of the obligations of Bamburi Portland Cement Company Limited (hereinafter referred to as "THE BORROWER") in respect of a credit to be established by the European Investment Bank (hereinafter referred to as "THE BANK") and drawn in favour of "THE BORROWER" in all amount equipment to 6.5 million ECU'S equivalent to approximately 60 million Kenya Shillings.

2) The Bank intends to finance "THE BORROWER" having regard to the provisions of the Second ACP-EEC convention of LOME (hereinafter referred to as "THE CONVENTION").

3) The Credit is to be used for financing of a project for the convention of two oil-fired kilns (in "THE BORROWER") Cement production plant in Mombasa to coal and the uprating of its capacity from 800,000 to 1 million tons of clinker per annum and the making of further specific plant improvements.

4) The Bamburi Portland Cement Co. Ltd. was incorporated on 20th July, 1951. The authorised Share Capital of the Company is presently KShs.127 million and will be increased by a forthcoming Rights issue to KShs.157 million. The equity of the Company is as follows:-

Kenya Government	20%
Cementia Holding A.G. Zurich	37%
Bruce Circle Industries, London	37%
Sundry Shareholding through Nairobi Stock Exchange	<u>6%</u>
Total	<u>100%</u>

Government Guarantee for Cement Investment Bank Ltd.
Cement Portland Cement Company Limited.

THE GUARANTEE (LOANS) ACT 1951

1) In accordance with the provisions of the Guarantee (Loans) Act (1951) the following information is laid before the National Assembly relating to a guarantee by the Government of the obligations of Cement Portland Cement Company Limited (hereinafter referred to as "the company") in respect of a credit to be established by the company for investment bank (hereinafter referred to as "the bank") and drawn in favour of "THE INVESTMENT BANK" in all currency equivalent to 5.5 million R.U.S. equivalent to approximately 50 million Kenya Shillings.

2) The bank intends to finance "THE INVESTMENT BANK" in accordance with the provisions of the second ACP-RU convention of 1950 (hereinafter referred to as "the Convention").

3) The credit is to be used for financing of a production of two all-fired kilns in Kenya to cost the sum of 20 million Kenya Shillings in respect of cost and the sum of 10 million Kenya Shillings in respect of further specific improvements.

4) The Cement Portland Cement Co. Ltd. was incorporated on 20th July, 1951. The authorized share capital of the company is presently 25,000,000 Kenya Shillings and will be increased by a forthcoming rights issue to 30,000,000 Kenya Shillings. The equity of the company is as follows:-

Kenya Government	10,000,000
Essential Trading A.S. London	10,000,000
British Overseas Industries, London	5,000,000
Various Shareholders through British Stock Exchange	5,000,000
Total	30,000,000

- 5) The loan will bear interest at the nominal subsidised rate 8 per cent per annum calculated on the amount of loan drawn and outstanding from time to time payable half-yearly in arrears on specified dates.
- 6) The principal amount of the loan will be repaid over a period of 10 years commencing after a grace period of 2-2½ years.
- 7) The effectiveness of the loan is conditional upon a guarantee being provided by the Government. The National Assembly is therefore requested to approve that the Government may guarantee repayment of the loan referred to in paragraph 1 and other charges therein.
- 8) The current total contingent liability of the Government in respect of guarantees given under section of the Guarantee (loans) Act (other than those specified in the schedule to the Act) amounts to £314,730,894 with the guarantee of a sum equivalent to £3,000,000 now proposed, the aggregate will be increased to £317,730,894 of which £12,585,583 will fall within paragraph (a) and £305,145,311 within paragraph (b) of section 3(3) of the Act.

DR. MUNYUA WAIYAKI
(HON. DR. MUNYUA WAIYAKI)

(5) The loan will bear interest at the nominal rate of 4 percent per annum calculated on the amount of the loan drawn and outstanding from time to time payable half-yearly in arrears at specified dates.

(6) The principal amount of the loan shall be repaid over a period of 10 years commencing after a grace period of 2-1/2 years.

(7) The effectiveness of the loan is conditional upon the guarantee being provided by the Government. The National Assembly is therefore requested to resolve that the Government may guarantee a portion of the loan referred to in paragraph (5) and other charges thereon.

(8) The current total nominal liabilities of the Government in respect of guaranteed loans under section 2 of the Guarantee (Loans) Act (Cap. 120) with effect from the 1st January 1964 amounts to K1,730,000 which is guaranteed at a sum equivalent to K1,500,000 now proposed, the aggregate will be increased to K3,230,000 of which K1,500,000 will fall within paragraph (5) and K1,730,000 within paragraph (6) of section 2(2) of the Act.

(SIGNED BY THE MINISTER)