



Wednesday, 26 April 2017

Circular No. 1 of 2017

TO: Chief Executives of Issuers of Securities

RE: Continuing Obligation for Issuers of Securities

Background

Regulation 19 of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (The Regulations) mandates every issuer whose securities have been offered to the public to comply with the Continuing Obligations specified in the Fifth Schedule of the Regulations. Paragraph B06 and B20 of the Fifth Schedule specifically requires issuers to prepare and publish their interim and annual financial statements within specified timelines.

It has been observed that although most of the issuers comply with the requirement to prepare and publish financial statements within the stipulated timelines, the information published does not meet the minimum required level of disclosure envisaged by the Regulation.

In this regard, kindly note that all issuers of securities to the public, whether listed or not, are required to prepare and publish their Annual and Interim financial statements in at least two (2) Newspapers of National circulation within four and two months of the close of the financial year respectively. The financial statements to be published shall include the following components, at the minimum;

- (a) Balance sheet (Statement of Financial Position);
- (b) Income statement & Statement of comprehensive Income;
- (c) Statement showing either -
 - (i) All changes in equity; or

- (ii) Changes in equity other than those arising from capital transactions with owners and distributions to owners (statement of recognized gains and losses);
- (d) Cash flow statement; and
- (e) Selected notes, including the Audit opinion and a summary of Key Audit Matters raised by the Auditor.

Further, the Authority and the Exchange would like to reiterate the following reporting obligations relating to public announcements and the respective content and timelines, as stipulated in the Fifth Schedule of the Regulations:

PUBLIC ANNOUNCEMENT	TIMELINES AND CONTENT
Material Information ¹ and Cautionary announcement ²	Within 24 hours of the event, simultaneously to the Authority and the securities exchange at which the issuer's securities are listed, if applicable, and to the public during non-trading hours.
Announcements of dividends and/or interest payments on issued securities	<p>Within 24 hours following the Board's resolution in the case of an interim dividend or recommendation in the case of a final dividend, by means of a press announcement.</p> <p>The resolution must be at least 21 days³ prior to the closing date of the register and shall contain at least the following information:</p> <ul style="list-style-type: none"> (a) the closing date for determination of entitlements; (b) the date on which the dividend or interest will

¹ "material information" means any information that may affect the price of an issuer's securities or influence investment decisions and includes information on - (a) a merger, acquisition or joint venture; (b) a block split or stock dividend; (c) earnings and dividends of an unusual nature; (d) the acquisition or loss of a significant contract; (e) a significant new product or discovery; a change in control or significant change in management; (g) a call of securities for redemption; (h) the public or private sale of a significant amount of additional securities; (i) the purchase or sale of a significant asset; (j) a significant labour dispute; (k) a significant law suit against the issuer; (l) establishment of a programme to make purchases of the issuer's own shares; (m) a tender offer for another issuer's securities; (n) significant alteration of the memorandum and articles of association of the issuer; or (o) any other peculiar circumstances that may prevail with respect to the issuer or the relevant industry.

² "Cautionary announcement" means any information which could lead to material movements in the ruling price of its securities if at any time the necessary degree of confidentiality cannot be maintained, or that confidentiality cannot be maintained, or that confidentiality has or may have been breached.

³ For the purpose of this circular, a day refers to a calendar day.

PUBLIC ANNOUNCEMENT	TIMELINES AND CONTENT
	<p>be paid; and (c) the cash amount that will be paid for the dividend or interest.</p> <p>Where the shareholders at the annual general meeting do not approve a dividend recommended by the Board, this fact shall be announced by the Board by means of a notice within 24 hours following the annual general meeting.</p> <p>Notification of non-declaration of dividends or payment of interest must be published either in the interim or quarterly report, the annual financial statements or by way of a press announcement or where the issuer is listed on the Growth Enterprise Market Segment, on the issuer's website.</p>
Payment of Dividend	Dividends declared by an issuer shall be paid out within ninety (90) days of the date of the books closure in case of interim dividends, and ninety (90) days of approval of the shareholders in the case of the final dividend.
Books Closure date	<p>Any intention to fix a book closing date and the reason thereof shall be notified to the Securities Exchange at which the securities are listed.</p> <p>The books closure date shall be at least twenty one (21) days after the date of notification to the securities exchange at which the securities are listed, in the case of an interim dividend, and in the case of a final dividend, the closure date shall be subject to the approval of the shareholders at the annual general meeting.</p>
Quarterly returns	<p>Arrangers of commercial papers and corporate bonds shall submit quarterly returns in the prescribed format by the 10th day of the month following the end of the quarter. The return "return" in this case is expected to include the following information at the minimum;</p> <ol style="list-style-type: none"> 1. The outstanding bond amount 2. The names and holdings (In Kshs) of the different bond holders 3. The Average Yield (%) on the bond 4. A summary showing the percentage holdings

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	<p>by the following classes of investors</p> <ul style="list-style-type: none"> ○ Banks ○ Insurance Companies ○ Fund Managers/Investment Companies ○ Individual investors
<p>Notice of Annual General Meeting</p>	<p>Every issuer shall, within six months after the end of each financial year and at least twenty-one clear days (including weekends and public holidays) before the date of the annual general meeting, distribute to all shareholders and holders of its debt securities:</p> <ul style="list-style-type: none"> a) a notice of annual general meeting and annual financial statements for the relevant financial year; and b) the auditor's report on the issuer's financial statements.
<p>Shareholding</p>	<p>An issuer shall at the end of each calendar quarter, disclose to the securities exchange every person who holds or acquires 3% or more or in case of an issuer listed on the Growth Enterprise Market Segment, 5% or more of the issuer's ordinary shares, and shall publish in its annual report the following information on the its shareholding:-</p> <ul style="list-style-type: none"> (a) distribution of shareholders. (b) names of the ten largest shareholders and the number of shares in which they have an interest as shown in the issuer's register of members; (c) distribution schedule of each class of shares other than ordinary shares; (d) name and address of the company secretary; (e) address and telephone number of the registered office; and (f) address of each office at which register of securities is kept.

Please note that

- (a) An issuer whose securities are listed on more than one securities exchange must ensure that equivalent information is made available at the same time to the market at all such securities exchange.
- (b) Any announcement made by the issuer in respect of - (i) a dividend; (ii) a capitalization or rights issue; (iii) the closing of the books; (iv) capital return; or (v) sales or turnover; shall be issued so as to coincide with the release of the annual, interim or quarterly financial statement.

The purpose of this circular is to advise all issuers to observe compliance with the above requirements.

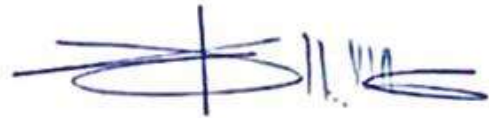
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