

## **Listing on the USE: what would be required of your company?**

In order for a company to raise capital through the Uganda Securities Exchange by issuing securities, the company or the securities must be listed on the Exchange. Listing on the Exchange is governed by the Listing Rules of the Exchange. A listed company is a company any part of whose equity or loan securities have been admitted to the Official List of the Exchange. It is also permissible to list securities while the company itself is not listed and the securities will be admitted to the Official List of the Exchange, for instance corporate bonds.

### **What are the Listing Categories?**

Before discussing the requirements necessary for listing, it would be prudent to note that securities can be listed under various categories. When applying for listing, a company or its security will qualify for one of three possible listings: the main investment market segment (MIMS), the alternative investment market segment (AIMS), or the fixed income securities segment (FISMS). The conditions that must be fulfilled to qualify for a main market listing are more stringent than those for the alternative investment market listing.

Recognizing the need to encourage the growth of small to medium sized businesses and companies which are not able to list on the main market, the alternative market was created. The criteria to be met are less onerous than the main market criteria though quality and stability of the company are still seriously assessed.

### **What eligibility criteria must your company meet?**

#### **Freely transferable securities**

The issuer of the securities must be incorporated as a public company under the laws of Uganda and must be in conformity with such laws. The company should therefore be incorporated under the Companies Act (Cap 85) of Uganda. The memorandum and articles of association of the company should permit the issuance of shares or other relevant securities to the public. In other words, the securities for which listing is sought must be freely transferable.

#### **Status of the Securities**

The securities for which listing is sought must be issued in conformity with the laws of Uganda and in conformity with the issuer's memorandum and articles of association or equivalent documents. All authorizations required for the creation and issue of the securities under the law must have been duly obtained including approval of the prospectus or offer for sale document by the Capital Markets Authority.

#### **Accounting Records**

The company must have filed accounts for a period of five years if it is applying for a main market listing, or three years for the alternative market listing. The accounts must have been drawn up in accordance with the Companies Act and must be prepared in accordance with the standards regarded by Council as appropriate for companies of international standing and repute. The audited financial statements must comply with international accounting standards to ensure that the financial records are reliable. The auditors must have reported on the accounts without any qualification which in the opinion of Council is material for the purpose of listing.

In exceptional cases, a shorter period of accounting may be accepted if there is satisfactory evidence that the investors will have the necessary information to arrive at an informed judgment on the company and the securities for which listing is sought.

#### **Capital Requirements**

Capital requirements are based on the segment that the issuer wishes to list under. In order to qualify for a main market listing, the company must have listed securities with the value of at least 500 million shillings for equity, and 150 million shillings for a debt instrument. As regards alternative market listing the minimum stated capital for equity is 150 million shillings, and 80

million shillings for debt security. These figures are currently under review and will most probably be revised upwards.

Securities of a lower value may be admitted to listing if the Governing Council of the Exchange is satisfied that adequate marketability of the securities can be expected.

### ***Further Information***

The Exchange may require further information regarding the background of the company, its capitalization and share distribution, long-term and funded debt financing, dividend records, pending legal action and so on.

It is the role of the sponsoring member of the Exchange to compile all this information and fulfill the due diligence requirements of the Exchange. In this way the Exchange ensures that a proper due diligence has been done on the issuer prior to listing.

### **Who works with you in preparing to list?**

#### *The Sponsoring Member*

According to the Listing Rules, every company applying for a listing must be represented by a sponsoring member of the Exchange. The sponsor's role involves providing a link between the company and the Exchange, and advising the company on all aspects of listing on the USE including assessing the company's initial suitability for listing.

The sponsoring member is responsible for the lodging of any documents that are required to be submitted with the application for listing and for ensuring that the said documents fully comply with the Listing Rules. The sponsor's main responsibilities include:

- Advising the company's directors on the Listing Rules;
- Coordinating the activities of other professional advisers;
- Helping to draft the prospectus;
- Drawing up the time-table and the overall marketing strategy for the flotation;
- Confirming to the Exchange that all the Listing Rules have been complied with.

#### *Professional Advisers*

The sponsor in carrying out these responsibilities works with a team of professional advisers. The advisers play a key role in helping the company meet the listing requirements. The advisers include:

- The reporting accountant;
- the legal advisers;
- the auditors;
- Property/ assets valuers.

The reporting accountant provides a detailed financial and business analysis of the company covering its financial controls, financial record, financing and forecasts. The auditors provide an independent review while the legal advisers are primarily concerned with ensuring that all the legal requirements are complied with.

The team of advisers then prepares the prospectus which is the invitation offering to the public for subscription any shares or debentures of a company. The next issue of the Bulletin will focus on the prospectus requirements and the costs of flotation.

## **Continuing Listing Obligations**

### **What is expected of a Company while it remains listed on the Uganda Securities Exchange?**

While a company remains on the official list, it is required to comply with the continuing listing requirements of the Uganda Securities Exchange (USE) as provided in the Listing Rules.

The purpose of the continuing listing obligations is to ensure that the requirements of full disclosure continue to be met while the security is listed. In addition, the continuing obligations seek to secure the confidence of and protect investors. The continuing requirements include reporting requirements; announcements; forms, registers and certificates; and new issues.

### **Reporting Requirements**

#### **Periodic Reports**

There are two kinds of periodic reports:

- Half yearly reports which are given to the Exchange after the end of the first half yearly period in the financial year of the listed company. The half yearly report should be given immediately the figures are available and in any event not later than three months after the end of the first half yearly period. A company that has subsidiaries should base their report on the group accounts.
- Preliminary financial statements which are given to the Exchange immediately figures are available, and should be availed in any event within three months of the end of the financial year. A company that has subsidiaries should base their statement on the group accounts. Preliminary financial statements must accompany certain announcements for instance dividends, rights issues, and closing of the books.

Periodic reporting enables the Exchange to monitor the listed company in the interval between the annual reports.

#### **Annual Reports**

A printed annual report should be issued to the Exchange and to the shareholders within six months of the close of the company's financial year. A company that has subsidiaries should prepare its annual audited accounts in consolidated form in accordance with the Companies Act and the relevant generally accepted accounting principles. The report should set out the following as separate items-

- The amount of turnover, investment and other income excluding extraordinary items. Comparative figures of the previous year should be included.
- A statement of the source and application of funds with comparative figures for the previous year.
- A statement as at the end of the financial year showing the interest of each director of the company in the stated capital of the company.
- Particulars of material contracts involving directors' interests entered into since the end of the previous financial year whether still subsisting or not. In the case of a loan these include the details of the lender and the borrower, the loan amount and the interest charged thereon, the security provided, and the terms of repayment of the principal and payment of interest.
- A dated statement setting out, amongst other things, the names of the 20 largest shareholders and the number of equity securities in which they have an interest as shown in the company register of shareholders; a distribution schedule of each class of equity security; the name and address of the company secretary; the address and telephone number of the registered office of the company; the address of each office at which a register of securities is kept.

The annual report should contain a brief description of each of the major properties of the company, including the nature of tenure, and an indication of the location of the properties concerned.

The purpose of the annual report is to ensure that investors are informed of the companies activities during the preceding financial year. Since the report provides a basis by which the performance of the company can be assessed, the annual report must be professionally audited to ensure the accuracy of the financial position.

## **Announcements**

### General

Announcements entail communication of material information. All material information should be announced. Material information is any company information that impacts in any way on investor perception and ultimately on the company market price. Examples include any recommendation or declaration of a dividend or otherwise; bonus; rights issues; financial results; annual general meeting or extraordinary meetings; change of registered office of the company or of the Registrar; change in company directors, company secretary or auditors of the company; change of substantial shareholding etc.

The information is released to the public at the expense of the company. The medium used for the release should be of national circulation. The company should appoint a person who communicates with the market. In most instances this is the Company Secretary, but the company must specify its spokesperson/people. Announcements must be on letterhead and must be signed by an authorized person(s) for purposes of credibility. Changes in authorized signature must be notified to the public. Announcements should be communicated to the Exchange immediately the decision is made and in any event not later than 24 hours after the decision is made.

## **Content**

The announcement should be dated, provide the detail of the subject matter of the announcement, and give adequate notice in instances where notice is required, in order to sufficiently inform the investors.

- Dividend announcements should specify the nature of the dividend i.e interim, special, final; the rate of dividend declared on the amount of ordinary shares outstanding, and the amount of dividend to be earned per share; specify the date that the dividend will be paid; state the book closure date; and give the address of the share registry at which the documents will be accepted for registration.
- Bonus announcements require similar detail as dividend announcements.
- Details in a rights issue include the price, terms and purpose of the rights issue; the financial circumstances which call for the rights issue etc.
- In the case of meetings notice shall be given 21 days before such meeting is held or such shorter period as may be permitted under the company's articles or the Companies Act. Such notice must specify the place, date and time of the meeting; and in the event that the usual meeting place is changed, must give full justification for the change. The place chosen must be convenient to the general body of shareholders.

A dividend announcement, capitalization or rights issue, closing of books etc, shall be accompanied by a preliminary financial statement.

## **Timing**

The investors should receive the announcement in time in order for the information communicated to be beneficial to them. Timing depends on the nature of the announcement and is provided for in the Listing rules, and in the Companies Act.

## **Forms, Register and Certificates**

### Proxy Forms

The company should design a proxy form in such a manner that a shareholder appointing a proxy can indicate how he would like his proxy to vote in relation to each resolution.

### Register

The company should maintain a stock or share register showing full details of all entries relating to the registration of stocks or shares entered or deleted under any particular name and the relevant certificate numbers and the names into which or from which any particular stock or share may have been transferred.

### Certificates

The number of securities represented by the certificates must be clearly shown in words and figures on the face of the certificates. The certificates should clearly indicate the name of the shareholder and the certificate number. The certificates should be designed in such a manner as to readily detect forgery and/or alterations. The printing of securities certificates must be entrusted to recognised security printers. Certificates should be appropriately authenticated by an approved company official.

### Conclusion

The Exchange through the continuing listing obligations seeks to ensure that its mission of developing and managing an efficient and transparent securities market is met.