



## **CMA CIRCULAR NO. 6 OF 2016**

April 18, 2016

**To: All issuers of securities to the public and Listed Companies at the Nairobi Securities Exchange**

**RE: PUBLIC ANNOUNCEMENT OF PROFIT WARNING**

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Paragraph G.05 (1) (f) of the Fifth Schedule to The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 states that “An issuer shall disclose all material information and make a public announcement of any profit warning, where there is a material discrepancy between the projected earnings for the current financial year and the level of earning in the previous financial year.” Material discrepancy in relation to projected earnings for a financial year means that such earnings are at least 25% lower than the level of earning in the previous financial year.

Paragraph G.05 (3) of the Fifth Schedule to The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 states that “Unless otherwise stated, all public announcements which an issuer is required to make under these Regulations shall be made within 24 hours of happening of the events.”

Further Regulation 63 (1) and (7) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002 require that any communication to the public and to shareholders should be factual and shall be submitted to the Authority for approval prior to distribution.

The Authority notes that issuers who issue their profit warnings either at the same time they release their audited accounts or immediately prior to releasing their audited accounts shall be deemed to be in breach of the above requirements. Good Corporate Governance

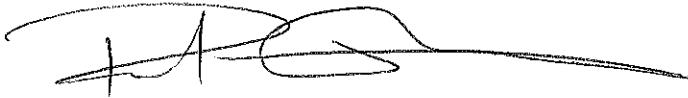
practices dictate that companies prepare prudent periodic management accounts and projections and a company's management and board ought to be aware of the declining level of profits well before commencement of the external audit. Where the decline in profits is caused by substantial audit adjustments, the board and management shall be held to account for the omissions and commissions giving rise to such adjustments.

The purpose of this circular is to guide all issuers of securities to the public to issue profit warnings as soon as management becomes aware of a likely drop in earnings. The Board will be held accountable for failures or lapses in providing effective oversight and ownership of risk management where they fail to ensure management provides adequate and timely disclosures on financial performance.

All public announcements shall be made in at least two newspapers of national circulation in addition to other applicable mediums of communication.

Kindly ensure compliance and do not hesitate to contact the Authority in case you require further clarification.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P. Muthaura', with a long horizontal flourish extending to the right.

Paul M. Muthaura  
**Ag. CHIEF EXECUTIVE**