

Are Nairobi Stock Exchange Companies prepared for Web-based Communications with their shareholders and the general public?

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Introduction

- ◆ The Kenya Companies Bill 2007 (CB) proposes that communications between a company and its members be performed by means of a website.
- ◆ Why?
- ◆ To reduce the cost of communications between companies and their members & potential investors.
- ◆ Hard copies of communications can in many cases be required by a member.
- ◆ Web communication will become increasingly attractive because of cost and reliability.

When MUST a communication be placed on the company's website?

- ◆ The web-site must be maintained by or on behalf of the company & access must be free of charge (s222, 389 & 459).
- ◆ The annual financial statements (s387) & the preliminary statement of results (s388). N.B. Interim financial statements have been OMITTED.
- ◆ The results of a poll taken at a general meeting (s221).

Members' power to require website publication of audit concerns

- ◆ The members of a quoted company may require the company to publish on a website a statement setting out any matter relating to—
- ◆ (a) the audit of the company's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the next financial statements meeting, or
- ◆ (b) any circumstances connected with an auditor of the company ceasing to hold office since the previous financial statements meeting, that the members propose to raise at the next financial statements meeting of the company (s458).

When CAN a communication be placed on the company's website?

- ◆ Notice of a general meeting of a company (s190 & s191). The notice must be available on the website throughout the period beginning with the date of that notification and ending with the conclusion of the meeting.
- ◆ An offer to acquire shares in the company (s334).

Circulation of written resolutions proposed by directors (s175) or members (s177)

- ◆ For resolutions to be considered at a general meeting, the company must send or submit a copy of the resolution to every eligible member, by sending copies at the same time to all eligible members in hard copy form, in electronic form or by means of a website.
- ◆ The resolution or statement is not validly sent unless the resolution is available on the website throughout the period beginning with the circulation date and ending 28 days later or the date specified for this purpose in the articles of association of the company.

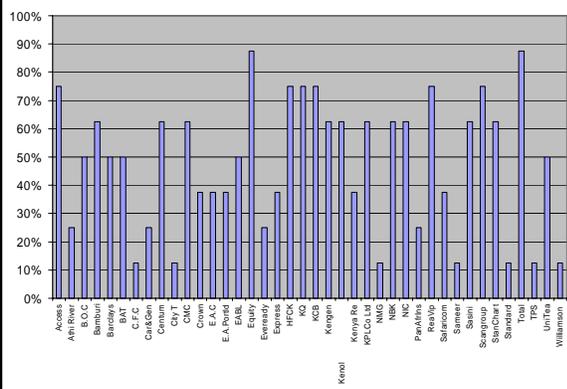
13 Companies quoted on the Nairobi Stock Exchange which do not have a website

1 A Baumann & Co. Ltd	8 Kenya Orchards Ltd.
2 Carbacid Invmnts Ltd.	9 Limuru Tea Co. Ltd.
3 Diamond Trust Bank K. Ltd.	10 Marshalls (E.A.) Ltd
4 Eaagads Ltd.	11 Mumias Sugar Co. Ltd.
5 Jubilee Insurance Co. Ltd.	12 Uchumi S'markets Ltd.
6 Kakuzi Ltd	13 Unga Group Ltd.
7 Kapchorua Tea Co. Ltd.	

Criteria on which web content measured

- 1 Written resolutions by directors?
- 2 Written resolutions by members?
- 3 Notice of general meeting?
- 4 Results of a poll at a general meeting?
- 5 Annual financial statements?
- 6 Preliminary statement of results?
- 7 Audit queries by members?
- 8 Access to information free of charge?

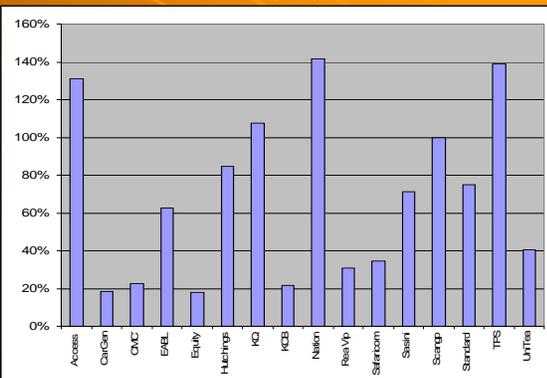
41 NSE companies with a website



Comparison between the web content for an NSE vis-à-vis a comparable US company.

- Criteria:
- NSE/comparable US company:
- Many methods of comparing the web content of a company; eg., the number of different topics dealt with, the number of different functions available, the number of words or pages.
- Method selected: web pages.
- Sample size: 16 companies (39.02%)

Web pages



Conclusions:

- 13 NSE companies have to establish a website: i.e. 24.07% of NSE companies;
- Level of preparedness for companies with a website is wanting: mean = 47.81%;
- Compared to US quoted companies:
- Web content : mean = 69.11%: compares favourably.
- Interim financial statements have been OMITTED from the CB 2007 requirement. A proposal will be made to the Attorney General's Chambers to include this requirement in the new Companies Act.

Further research

- Financial analysts need several years financial statements to decide whether or not to invest in a company:
- How many interim financial statements are available on the websites of NSE companies?
- How many annual financial statements are available on the websites of NSE companies?