



LISTING ON THE LUSAKA SECURITIES EXCHANGE (LuSE)

Below are some of the basic requirements on how to list on the LuSE.

There are requirements that apply to all listings. One such requirement that applies to companies seeking a Listing is that they must appoint a 'sponsor', which will generally be a broker, to advise them on the Listing Rules and Prospectus Rules and to give confirmations as to their compliance with those rules and certain other matters to the LuSE. Although a sponsor is required to provide advice to the company, its primary responsibilities and obligations are owed to the LuSE. Therefore, a company seeking a listing is required to appoint a sponsor. The sponsor leads a company's team of professional advisers and coordinates their roles to ensure a company successfully completes the listing process.

Prospectus review and approval

An admission of securities onto the Official List and the Main Market of the Lusaka Securities Exchange requires the production of an approved prospectus.

Key Eligibility Criteria

The procedure for listing will depend on the type of listing i.e. whether it is a private placement or a public offering and also the method of offer.

Step 1

- Conversion of company from private to public company
 - Special resolutions [amend articles to allow members exceed 50, and to remove provisions restricting free transferability of shares]

Step 2

- **Either issue new shares**
 - to the public; requires a Prospectus

- to the members [**Rights/capitalization/scrip dividend election**]; requires an offer document
- to a select group [**private placing**], requires an offer document
- **Or without new issue of shares**
- **In either case, you must register new or existing shares with the SEC**
 - Prospectus [disclosure to the public]
 - Offer Document [disclosure to targeted investors]
 - Registration Statement [disclosure to the SEC]
 - Amended Articles of Association
- **Select LuSE Market**
 - Either the Trading Market Route (Quoted market)
 - Effect of registration offers automatic trading on the LuSE
 - Or the Listed Market Route

Step 3

1. Criteria

- (i) Applicant must disclose method of listing
- (ii) Applicant must meet the following criteria:
 - *minimum subscribed capital of ZMW 5 000 000*
 - *minimum of 10 million shares in issue*
 - *3 years profit listing*
 - *25% of issued share in public hands*
 - *at least 300 shareholders*
- (iii) Applicant must be a public company if the listing refers to shares. (This will require conversion from a private company to a Plc in accordance with the Zambian Companies Act)
- (iv) Articles of Association must not impose transfer restrictions on shares other than those permitted by law and must not limit the number of shareholders. (Once conversion to a Plc has been done, it will imply that the company's Articles of Association have also been amended to take into account the above)

- (v) Applicant must have registered securities with SEC
- (vi) Shares must have been fully paid up, transferable and must have voting rights, etc.

2. Documents

- (i) Application for Listing, complying with Schedule 1 of the Listing Rules, accompanied by Listing Fee;
- (ii) Board Resolution authorising the listing;
- (iii) Shareholders Resolution authorising the listing;
- (iv) An explanation of how the required spread of shareholders is to be achieved;
- (v) The proposed pre-listing statement dated and signed by the directors, together with date and details relating to its publication in the press;
- (vi) If the pre-listing statement is a prospectus, a certificate from the company's legal advisors that the requirements of the Securities Act and the Companies Act have been complied with;
- (vii) If the pre-listing statement contains an Accountants Report, a statement from the Accountant that the contents of the pre-listing statement are not contradictory with the information contained in the Accountants Report;
- (viii) Underwriting Agreement;
- (ix) Articles of Association complying with Schedule 10 of the Listing Rules;
- (x) Debenture trust deed, if debentures are to be listed;
- (xi) Share Certificate complying with Schedule 11;
- (xii) A statement whether the companies securities are listed on any exchange outside Zambia and particulars of that listing;
- (xiii) List of companies of which directors are also directors and nature of business conducted by such companies.

3. Prospectus – SEC process.

Before a company can be listed, the sponsor must get a company's prospectus approved by the SEC. Although the prospectus is a legal document, it is also a marketing tool to help to sell shares to potential investors. A company's lawyers usually take the primary responsibility for drafting the prospectus although the sponsor/bookrunner(s) assist a

company in crafting the appropriate marketing story. The drafting of the prospectus takes several weeks and will involve all advisers. A number of drafting sessions will take place on various sections of the document. From a marketing perspective, the prospectus outlines a company's strengths, strategy and market opportunity. There are precise areas that must be covered in a prospectus, such as the inclusion of risks relating to a company.

DUE CONSIDERATION PROCESSES BEFORE LISTING

Due diligence

The overall purpose of due diligence is to ensure the accuracy, truthfulness and completeness of a company's prospectus, and to understand any issues associated with the company. While each professional adviser performs a different role in this process, the sponsor/bookrunner(s) will focus on the diligence of a company's operations management, financial prospects, historical performance, competitive position and business strategy. The advisers will also look closely at factors such as a company's suppliers, customers, creditors and anything else that might have a bearing on the offering or viability of a company as a public company and on the accuracy and completeness of the prospectus.

Due diligence comprises many interrelated processes. Business due diligence is conducted mainly by the sponsor and bookrunner(s) and is to verify a company's business strategy and potential for future growth. As part of the information and fact-gathering process, the sponsor/bookrunner(s) may conduct onsite inspections, particularly for manufacturing and property-intensive businesses. They may also interview company officials, suppliers and customers to understand fully every aspect of a company's business and its financial statements. The knowledge obtained will later help the sponsor/bookrunner(s) and management to craft a strong, consistent message that can be used during the marketing process.

Financial due diligence is geared toward confirming a company's historical financial results and understanding its operational and financial prospects. Key areas of focus include:

- (i) audited and interim financial statements
- (ii) capital structure
- (iii) breakdown of historical financials by business
- (iv) detailed review of budgets

- (v) meetings with auditors
- (vi) budget versus actual financial statements
- (vii) accounting policies and auditor management letters
- (viii) use of proceeds
- (ix) financial control systems
- (x) working capital requirements
- (xi) debt covenants.

Legal due diligence is conducted by the solicitors and is the process of verifying a company's legal records, material contracts and litigation. Key areas of focus include:

- (i) Litigation
- (ii) compliance with laws and regulations
- (iii) title to principal assets
- (iv) corporate structure
- (v) debt covenants
- (vi) environmental issues
- (vii) intellectual property.

Legal restructuring, documentation and agreements

During this stage, a company's management, sponsor and lawyers work together to draft the necessary legal documentation and implement any required corporate restructuring. The collective purpose of these documents is to assure investors and regulators that the IPO has been objectively vetted for gaps, irregularities, misleading statements and other potential problems. The documents include:

- (i) the placing agreement or prospectus (if funds are being raised)
- (ii) comfort letters
- (iii) legal opinions
- (iv) lock-up agreements.

Continue to prepare a company to become a public company

The sponsor/bookrunner(s) will assist a company on a number of matters critical to its transformation into a public entity. These include:

- (i) discussion of valuation
- (ii) development of investment case
- (iii) the composition of the board and its committees
- (iv) internal controls
- (v) prevailing market conditions.

Marketing strategy

The bookrunner(s) and sponsor will set up a comprehensive marketing plan to target specific investors.

Experienced advisers who will guide the company on the process to an initial public offering ('IPO') or bond listing and provide ongoing advice once the company is listed. Selecting the right advisers and getting it right early on will help ensure that disruptions to the process are minimized. Factors to consider when appointing advisers include the firm's relevant and recent experience in relation to the company's business and the sector the company operates in. The table below shows the different advisers typically involved in a listing on the Main Tier and briefly highlights their varying roles and responsibilities.

Advisers' roles and responsibilities

<p>1. Sponsor</p> <ul style="list-style-type: none"> • Overall co-ordination and project management of IPO process • Co-ordination of due diligence and prospectus • Ensure compliance with applicable rules • Develop investment case, valuation and offer structure • Manage communication with LuSE and SEC • Act as adviser to the company's board • Ongoing support/advice after flotation 	<p>2. Bookrunner</p> <ul style="list-style-type: none"> • Prepare company for roadshow • Facilitate research • Build the book pre-float • Marketing and distribution • Pricing and allocation
<p>3. Lawyers</p> <ul style="list-style-type: none"> • Legal due diligence • Draft and verification of prospectus • Corporate restructuring • Provide legal opinions 	<p>4. Financial PR</p> <ul style="list-style-type: none"> • Develop communication strategy to support pre-IPO process • Enhance market perceptions to develop liquidity and support share price • Pre- and post-IPO press releases
<p>5. Reporting Accountant</p> <ul style="list-style-type: none"> • Review financials – assess company's readiness for IPO • Tax structuring • Financial due diligence - long form, short form and working capital reports 	<p>6. Other Advisors</p> <ul style="list-style-type: none"> • Registrars • Financial printers • Remuneration consultants



Listing Incentives

- Benefits to Listed Market
 - No VAT on share and auxiliary transactions
 - No Capital Gains Tax/No Property transfer Tax
 - 2% Corporate tax discount on New listings
 - Where 33% of the shareholding is the hands of Zambians, there is a further discount of 5%
 - Property Transfer Tax is exempt on share transactions
 - Lower risk profile, higher investor confidence [because of higher disclosure requirements]

Benefits of listing

- Providing access to capital for growth, enabling companies to raise finance for further development, both at the time of admission and through further capital raisings
- Creating a market for the company's shares, broadening the shareholder base
- Placing an objective market value on the company's business
- Encouraging employees' commitment and incentivizing their long-term motivation and performance, by making share schemes more attractive
- Increasing the company's ability to make acquisitions, using listed shares as currency
- Creating a heightened public profile – stemming from increased press coverage and analysts' reports – helping to maintain liquidity in the company's shares
- Enhancing the company's status with customers and suppliers.