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Case Studies of Uganda Entrepreneurs:

Ssemukutu & Company, Ltd.

Henry B. Thomas

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INTRODUCTION

Henry B. Thomas served from 1960 to 1962 in the Uganda Development Corporation as an M.I.T. Fellow in Africa. The Uganda Development Corporation has since 1952 invested over £ 8 million in heavy and light industry, mining operations, agricultural plantations, financial institutions, and real estate in Uganda. Like most multiple purpose development corporations, the U.D.C. has been faced with the need to provide assistance to locally owned infant businesses. Since 1955, the Corporation has provided such assistance from a £ 70,000 reserve fund appropriated from its profits. Not all of this fund has been expended.

Mr. Thomas's work as a U.D.C. employee included participation in the Corporation's small industry effort. Because the interest in small industry assistance extends to many countries and many development corporations, it seemed worthwhile to document, in a detailed manner, yet without extensive analysis, a number of cases in which the U.D.C. had extended financial assistance. The work was undertaken by Mr. Thomas during the final months of his tour with the U.D.C. and during a period after his return from Africa as a Research Associate at the Massachusetts Institute of Technology's School of Industrial Management. He is currently with the International Finance Corporation in the Department of Development Bank Services, Washington, D.C.

These materials form part of a series of working papers on development bank problems for internal use at the School of Industrial Management and for use by others interested in the subject. They are not to be reproduced in whole or in part without the author's permission.

J.D. Nyhart
School of Industrial Management
Massachusetts Institute of Technology

<u>Ssemukutu & Company, Limited</u>

Case B
Henry B. Thomas
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Mr. Henry B. Ssemukutu is an entrepreneur in the truest sense of the word. He has organized his own business and runs it himself. He has invested his own money in it and expects to make a living from it. He is an entrepreneur further in that his business is in an entirely new field (for Africans in Uganda) where the risks are greater, the profits, at least initially, liable to be smaller than in more usual activities.

Ssemukutu & Company, Limited engages in two major related activities. One is management consultancy and the provision of secretarial and accounting services; the other is the promotion of new businesses and making investments in existing businesses where the provision of management assistance by the company is included.

Though he is not following a strictly industrial pursuit, his activities are so intermingled with other entrepreneurs in industry as well as agriculture that it is especially appropriate to study his business. Besides, he is beginning to engage in such pursuits, though financing and other problems have still to be solved. It is to be hoped that his wide range of interests and activities do not lead to his ruin.

This study is the result of a series of interviews with Mr. Ssemukutu held during the first half of 1962. It attempts to describe his business activities, past and present, and to indicate in which directions the business is liable to go in the future. Mr. Ssemukutu's background and education are also described so that the reader might form a picture of the sort of individual it is who founded and runs the business.

## Early Life

Mr. Ssemukutu was born at Entebbe on June 3rd, 1934. His parents were Baganda. Mr. Ssemukutu's father was a government clerk at the time,

Entebbe then being the capital of Uganda. His father was a polygamist, Mr. Ssemukutu's mother being the senior of two wives. He has three brothers and four sisters, each wife having born two sons and two daughters. His two true sisters are older than he though he is the eldest son.

Mr. Ssemukutu's father had been educated through Secondary III, roughly equivalent to the first year of high school in the United States. However, the standard of education at that time in Uganda (1920) was rather lower than now. His mother was an ordinary African housewife, though educated enough to teach him his alphabet before he entered school. His early family life was evidently a tough one. His father had served in the army in the First World War and had brought his army training back to his home. He was "a difficult man," running his family on very strong disciplinarian lines.

Mr. Ssemukutu attended kindergarten at a mission run by Americans and Canadians. He went on for his primary education to the Catholic Mission School at Kisubi. In 1948 he entered Namilyango College, receiving his secondary school certificate in 1953. While at the College he studied science subjects with the idea of entering Makerere University to work for a science degree.

He was not admitted to Makerere University however, evidently not being sufficiently qualified. Instead in 1954 he went to the Muljibhai Madhvani School of Commerce and Art. He followed a commercial course, receiving his Intermediate Certificate for Chartered Secretary at the end of 1955. (A chartered secretary in the British business community is charged with handling the statutory affairs of a company.) In March of

1956 he joined the Uganda Credit & Savings Bank in Kampala. From 1956 to 1958, however, he continued studying at night for his final certificate as a company secretary through a correspondence course.

After six months with the Uganda Credit & Savings Bank he left to run his own company full time. He had founded the company after graduating from the Muljibhai Madhvani School and had been running it in his spare time while with the Bank. He evidently found, however, after leaving the Bank, that it could not support him, for six months later, in March of 1957, he joined the staff of Uganda Development Corporation Limited (UDC). In August of 1959 this Corporation sent him to England to finish his studies. He attended the Balham & Tootling College of Commerce in London until June, 1960 when he returned to Uganda and UDC as a Chartered Secretary. Mr. Ssemukutu was the third Ugandan to become a member of The Chartered Institute of Secretaries. He stayed with UDC until December, 1961 when he left to again devote full time to his own business.

Mr. Ssemukutu was single at the time this study was carried out, though engaged to be married. He hoped to be married within two or three months, though he was not sure if the press of his business (both on his time and his finances) would allow it. He was a member of the African Chamber of Commerce and a founder and the present president of the Uganda Commercial Association. This latter organization is composed of young men interested in commerce, most of whom had graduated from the Muljibhai Madhvani School. They met to study and discuss general business subjects. One of their objectives was raising money to send members overseas for further study. This aim was fulfilled for them by the Government in 1961

when it awarded 300 scholarships for overseas study (a large increase on the usual yearly number). All of the members of the organization who applied received scholarships. Until this time the Association had been able to finance only one member for study abroad.

History of the Company

Ssemukutu & Company, Limited was started in March of 1956, the same month Mr. Ssemukutu joined the Uganda Credit & Savings Bank. The Company was formally incorporated on November 9th, 1956. (In what follows a capital C will be used to denote Mr. Ssemukutu's Company.) It is not clear what the original objectives of the Company were - probably a combination of management consulting and business promotion. Little if any work was undertaken along these lines, however, until 1960. Mr. Ssemukutu worked part time on the Company during the six months he was with the Bank, devoting his full efforts to it after leaving it.

As mentioned above, though, Mr. Ssemukutu was soon forced to take up other employment. "People didn't accept this sort of service." From 1957 to 1959, while he was with UDC and before it sent him to England to complete his studies, Mr. Ssemukutu carried out a certain amount of research on African business in Uganda. His intentions were to further familiarize himself with the field so that when he eventually returned fulltime to his Company he would be better able to make a success of it. This research was in addition to his correspondence course in company secretarial work.

During this period the Company was in the hands of a manager. It is not at all clear what the manager did or how he was paid. No accounts for this period were prepared and it is likely that the business produced

little or no income. No doubt Mr. Ssemukutu paid the manager from his UDC salary.

Mr. Ssemukutu did say that when he returned from England in 1960 he "restarted the Company." This probably means that now that he was a qualified company secretary he began to actively look for business, either other companies to promote or to offer his services to. Whatever these activities were, they were carried on while he was still employed by UDC. This double allegiance and, possibly, conflict of interest was terminated at the end of 1961 when he left UDC and again devoted full time to his own Company.

Before he returned from England the Company had no formal offices. On his return Mr. Ssemukutu opened offices in town in an office block on the main road. This two-story building had recently been put up by the Government for rental to African firms. The first floor contained showrooms with offices behind. The second floor, where Mr. Ssemukutu was located, contained only offices. Though the building was well constructed, of modern design, and centrally located, it was only half occupied. This may be due to poor parking facilities nearby, as suggested by Mr. Ssemukutu, or to a lack of African businessmen capable of paying even the nominal rent. Mr. Ssemukutu's offices consisted of a large room suitable for meetings of ten or 12 people on the front of the building and a smaller room across the corridor at the back. Mr. Ssemukutu used the front room as his office, as well as for meetings, the other being used by his staff.

Finance

The balance sheet for 31st December, 1961 (Appendix I) showed that 1,216 Ordinary Shares of shs. 10 each were issued and fully paid.[1] By the end of February, 1962, however, all 2,000 of the authorized capital was issued. These shares were held by four individuals in blocks of eight, 25, 600, and 1,367. Mr. Ssemukutu himself held the largest block of shares. There was also an overdraft from Barclays Bank D.C.O. at the end of 1961 amounting to some shs. 5,850. In an interview in April, 1962 Mr. Ssemukutu indicated that this overdraft facility had been reduced by the bank to a maximum of shs. 3,700. It was secured with property Mr. Ssemukutu owned. During early 1962 Mr. Ssemukutu had made several personal loans to the Company. In February such loans stood at about shs. 6,000; by April they had risen to about shs. 10,000. These loans came from Mr. Ssemukutu's personal savings and from a mortgaged life insurance policy. They represent all the money Mr. Ssemukutu has.

The unavailability of long-term finance is an inhibiting factor in the Company's operations. Though it can meet its normal obligations from income from consulting and accounting/secretarial fees, it often needs capital to invest in the new businesses it tries to promote. Such capital might be used to buy equity or merely as short-term loan capital to help

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[1]The monetary system of East Africa is based on the British sterling. Thus one E.A. shilling is equivalent to one English shilling (and worth about 14 U.S. cents). The E.A. shilling, however, is divided into 100 E.A. cents. The English pound unit (20 shillings) is not used in formal statements in East Africa. The East African monetary system is used throughout this paper.

such a business get started. A short-term loan might, for example, cover the first year's rent, often required to be paid in advance.

Mr. Ssemukutu has approached the United States Agency for International Development mission in Uganda for a loan for these purposes. Though the mission has expressed an interest in the business and what it is trying to do, it is not likely to be able to help Mr. Ssemukutu as the sum involved would be relatively small.

Mr. Ssemukutu has talked informally with Uganda Credit & Savings Bank officials about the chances of it granting him a loan. He learned that his business would probably fall outside its province and so has never made a formal application for a loan. The Bank typically assists going agricultural or trading concerns, shying away from supplying venture capital. Though the Bank might be able to help him, Mr. Ssemukutu feels that the chances are so slim that he does not want to run the risk of having his refused application on its files. He feels that this may in some way damage his credit rating. UDC is a logical source of financial help, and one that would probably entertain an application favorably. However, Mr. Ssemukutu feels that it is unlikely that UDC would help him due to his past connection with the Corporation and the somewhat unpleasant circumstances surrounding his departure.

Though the normal avenues of financing appear to be closed to him, Mr. Ssemukutu has conceived of an alternative source, a type of investment trust. This scheme is discussed later.

## Personnel

Besides Mr. Ssemukutu there is one other executive, a Mr. B. Masembe, and an African girl typist. Mr. Masembe is reading for the Chartered Institute of Secretaries in his free time. He has replaced the previous executive, Mr. S. S. Mukasa, who managed the business while Mr. Ssemukutu was with UDC and in England. Mr. Mukasa is currently in England studying business management on a scholarship. Mr. Ssemukutu mentioned that he wanted to replace the present female typist with a male typist, the latter evidently expected to be more efficient.

Mr. Ssemukutu claims that he only takes as salary his actual "cost of living," i.e., enough to cover his food, rent, insurance premiums, and other essential items. Mr. Masembe receives shs. 600 a month plus expenses incurred on Company business. The typist receives shs. 120 a month.

There were two directors of the Company until the end of 1961, Mr. Ssemukutu (the managing director) and a Mr. S. S. Kigonya. Mr. Kigonya, a member of the UDC staff, owns the block of 600 shares. It is not known why he retired as a director in December, 1961. Mr. Ssemukutu has continued as the sole director.

## Policy & Objectives

Mr. Ssemukutu prepared a statement of his Company's policy in May of 1962. This was done to provide answers quickly and easily to questions concerning the Company's activities raised, for example, by foreign firms. It is reproduced in Appendix II.

The objects of the Company are extremely broad, as indeed have been its activities. The main emphasis, both in the statement and in practice, is on the promotion of new companies. A typical approach is to form a small group of coffee farmers into a limited liability company to process their coffee. There is also a great deal of emphasis in practice on investing in going concerns, especially when the Company can undertake the management functions. Only a few new companies or investments in existing companies have been made, however, due mainly to the lack of capital. Certain rather ancillary functions have been undertaken by the Company from time to time as well. Some of these are connected with the desire to provide a full range of services to the Company's clients; others have grown up simply because there was a need or a market for them. Many of these activities are not reflected in the statement. The more important ones are discussed below.

Current Activities

Mr. Ssemukutu's activities during the period his business was being studied (the first half of 1962) varied somewhat from month to month. This came out in the interviews which were held over the course of four months. As this variation is a salient feature of the business and its operation, an attempt is made in what follows to point it out.

When first interviewed in February, 1962, the Company was acting as statutory secretaries for the following four companies:

Lukuli Coffee Factory Ltd. (located three miles from Kampala, being three coffee farmers and Mr. Ssemukutu)

Kizama Growers Association Ltd. (located 60 miles from Kampala, being a group of coffee farmers)

Bagalanyi United Farmers Ltd. (located 30 miles from Kampala, being a group of coffee farmers with vegetable growing a future possibility)

Mawokota Farmers Ltd. (located 15 miles from Kampala, being a group of coffee farmers)

Mr. Ssemukutu claimed that negotiations with several other companies for the provision of this service were currently going on.

The heavy emphasis on coffee farming should be noted. This reflects Mr. Ssemukutu's conviction that the immediate future in Uganda rests heavily on agriculture with coffee being the most important crop. (In 1960 coffee accounted for 40.9% of Uganda's exports, cotton, 35.9%, with copper, the third largest export, accounting for only 8.8% of the total.)

As statutory secretaries, the Company calls board meetings, records minutes, prepares annual returns of directors and share allotments, maintains a registered office (the Company's own offices) and other tasks required under the Companies Ordinance. The Company also prepares monthly accounts for these four companies and for the Kayondo Shoe Factory as well. (The Kayondo Shoe Factory is the subject of Case A in this series. Not being a limited liability company, it need not file statutory reports required of such companies by the Companies Ordinance. It does not therefore need secretarial assistance.)

The Company has also invested in Lukuli Coffee Factory Ltd., both by way of shares and through an unsecured loan at the then current bank rate. Mr. Ssemukutu was managing this company as well as acting as statutory

secretary and accountant. He stated that it was his Company's policy to invest in and manage companies "if it was obvious that they needed extra cash to get off their feet." This was the only company in which he had an investment, though the accounts for 1961 indicate that shs. 50 had previously been invested in shares in Bulumagi Growers Factory Estate Ltd. though were now written off.

Though the management of Lukuli Coffee Factory Ltd. was taking up most of Mr. Ssemukutu's time in February, 1962, he was investigating other investment possibilities. One that he was especially interested in was insecticides. He had noted that the World Bank, in its report based on a recent survey of Uganda, had recommended this activity as a good industrial possibility. A local African-run company, Tayari Products Ltd., had recently gone into liquidation and Mr. Ssemukutu was studying the possibility of taking over its assets, especially the name "Tayari" ("ready" in Swahili) and the trade name of its product, "Byekwesewa" (Luganda for "where have the insects hidden"). His intention was to provide overall management for such a reconstituted concern from his office in Kampala, working through a factory manager.

Mr. Ssemukutu mentioned in this interview that he wanted to pass all the accounts, forms and returns preparation over to his executive, Mr. Masembe, so that he could concentrate solely on management. Evidently such concentration would include not only those firms he had or would invest in but also clients who came to him solely for advice. He was currently giving the Kayondo Shoe Factory "advice on general management, finance, personnel; putting general commercial knowledge into the business." It is probable that

he also advised the other companies for which he acted as statutory secretary. Mr. Ssemukutu said that he was available for general management consultancy to anyone who cared to come in. Not many such people evidently came to him, however, at least not of their own accord.

Mr. Ssemukutu, besides his other activities, was an insurance agent for four companies: The Motor Union Insurance Co. Ltd., United British Insurance Co. Ltd., British Traders Insurance Co. Ltd., and the Ocean Accident & Guarantee Corp. Ltd. He insured his clients as part of the general management service he offered.

By April, 1962, Mr. Ssemukutu had become very involved with the insecticide project, claiming that he spent some 80% of his time with it. The take-over of the liquidated business, however, was running into trouble at this time. Legal difficulties over the ownership of the name "Byekwesewa" had appeared. The old owner had originally registered this word as a trade name. Now the old factory manager was starting to manufacture insecticides in a new plant with the old formula and had started proceedings to have the name registered in his name as a trade mark. This, of course, would deprive Mr. Ssemukutu of its use, even though the old owner had agreed to sell it to him. Mr. Ssemukutu was convinced that the old manager was being substantially assisted by Asian capital. In fact he felt that the new business was in reality Asian inspired and owned, though operating behind an African front.

Mr. Ssemukutu had evidently bought by this time the assets of the old business other than the trade name. He was managing the business from his Kampala office, the manufacturing plant being located outside of town. He

said that in May he was going to make an extensive sales campaign tour to the Eastern and Western Provinces to try to open up new territories. Without the known and accepted trade name, competition against the other new firm would be a real problem.

It appeared that Mr. Ssemukutu, though currently spending a great proportion of his time on insecticides, was still able to continue with his normal management services. He remarked that secretarial work did not take up too much of his time. He had been able by this time to get his assistant to take over much of this work.

The insecticide business was not, however, the only iron Mr. Ssemukutu had in the fire. He was still very much interested in promoting small coffee pulperies. So far he had helped one start up (Lukuli Coffee Factory Ltd.) and was in the process of starting another. The role he played was that of a consultant, helping a small group of coffee farmers to form themselves into a company. The farmers themselves usually had to have sufficient capital as he had little to spare. He also appears to have acted as a catalyst, supplying the idea and plans. He was trying to develop a standard set of plans for a coffee pulping company, dealing not only with its organization but also with the construction of the factory. When requested, and if able to do so, Mr. Ssemukutu said that he would also invest some of his own money in the new business. This might be either in the form of loan or equity capital.

By this time the Company has also been approached by a vernacular newspaper with a request that it take over the management of the paper. Mr. Ssemukutu expressed some doubt as to the merits of this proposition;

his main emphasis was on agriculture and businesses allied to it like insecticides. He did not feel that he should get involved in such a divergent project.

By May Mr. Ssemukutu was spending the majority of his time with coffee pulpery problems. He now managed two coffee curing works though still having invested in only one. The coffee picking and processing season had just started and Mr. Ssemukutu was making frequent trips to the factories to see that all was going well.

He was still very much involved with the insecticide business, however. It was by now manufacturing and selling its product and Mr. Ssemukutu was still called upon to make frequent sales trips as well as oversee its management. This operation was not yet separate from Ssemukutu & Company, any income going straight into the Company's accounts. This helped finance the Company's operations but clouded its profit picture. Mr. Ssemukutu wanted to set the insecticide business up as a separate entity so that he could tell if Ssemukutu & Company could operate economically and profitably by itself with only secretarial and accounting business. He did not think so, claiming that it would need more accounts to become viable.

The Company was now acting as statutory secretary and doing the accounts for eight companies. Besides the original five, another coffee works had been added as had the insecticide business. Also a company called Joe's Service Station Ltd. had joined the list. This latter was an African owned and operated company on the Entebbe road just outside of Kampala. It was an Esso station and one of the largest and best run African owned stations in Uganda.

Besides the above business, Mr. Ssemukutu advised several other clients on a short-term basis. Two of these happen to be Cases C and D in this series. Mr. Ssonkke of Mengo Builders and Contractors Ltd. (Case C) had approached Mr. Ssemukutu for advice on the basis of their personal friendship. Mr. Ssemukutu claimed that he would not have helped this company if it had not been for this friendship. This company was in receivership at the time of the initial approach by Mr. Ssonkke. It is not clear how much help Ssemukutu & Company gave Mengo Builders and Contractors or whether it was of a continuing nature. Probably it was quite informal and limited to one or two interviews.

Mr. Tyaba of Case D is another personal friend of Mr. Ssemukutu. He came to Mr. Ssemukutu to talk about management problems in October, 1961. Mr. Ssemukutu proposed that before he could advise Mr. Tyaba an evaluation of his business would have to be made. Mr. Ssemukutu claims that Mr. Tyaba did this and sent it to him but since that time there had been no further contacts. Though appointments to meet were made, Mr. Tyaba had not kept them. (Mr. Tyaba claims that the reason no further contacts were made was that he had not had time to bring his accounts up-to-date. See Case D.)

Mr. Ssemukutu claimed that many people came to him for advice but that he did not take on every one as a new client. If he did not trust their business integrity he did not want to deal with them. He may meet with them once but then discourages a long-term relationship.

Fees

For casual advice, involving only one or two interviews, the client is normally charged shs. 25 per interview. (In January, 1962, however, the four such clients were charged only shs. 20. This discrepancy may be due to Mr. Ssemukutu raising his rates later in the year.) For acting as statutory secretary and accountant on a permanent basis, the standard fee is shs. 6,000 a year. However, the fees actually charged depend on the company and its potential to pay, even though there is the same amount of work involved in all cases. The Kayondo Shoe Factory, for which, of course, the Company only acts as accountant, pays shs. 2,400 a year. A problem in charging the full fee, according to Mr. Ssemukutu, is the seasonal nature of the businesses of his clients which are based on agriculture.

He also, of course, receives the normal commission from the insurance he has sold. In January, 1962 these commissions amounted to approximately shs. 250. In contrast, he received shs. 5,925 from secretarial/accounting fees. Consultancy fees brought in another shs. 80.

Past Projects

In the past the Company has offered a variety of services to the business community. Many of these have since been withdrawn because there was no market for them or because they conflicted with the Company's other activities. One of these was a confidential credit rating service. Mr. Ssemukutu would provide wholesalers (usually non-African) with a list of retailers with whom they might deal, giving

credit ratings and a description of their general business.

This service required that Mr. Ssemukutu knew the business reputation and credit rating of practically every businessman in Uganda, at least on the retail level. Lists issued to a client were confidential to the recipient and for his exclusive use. Not many people were aware of this service and Mr. Ssemukutu did not want to publicize it as he felt that it would get a bad reaction from retailers. In the two years that this service was available, Mr. Ssemukutu had only one client. It was withdrawn partially due to its lack of financial success and partially due to Mr. Ssemukutu's fear that it was dangerous for the rest of his business. If it became widely known among his other clients he might have lost their confidence.

Another service which Mr. Ssemukutu once offered was introducing foreign firms to Uganda. He felt that as they would not know the people, their tastes, the laws, etc., he could act as an intermediary. He would try to market their products for a year or so and then, on the basis of this experience, advise the foreign firms on what they should do: whether to establish their own marketing outlets or use existing ones, how to modify their products to better suit the local taste, etc. He had no plans to invest in any local subsidiary the foreign firm might set up; he would only offer local knowledge and charge a fee for it.

Again, Mr. Ssemukutu has had only one approach for this service, a Japanese firm. In fact, it appears that the idea for this service was born from this approach. Nothing very much came from it, however.

It is likely that if another foreign firm were to approach Mr. Ssemukutu for advice or information about Uganda, he would be willing to give it, charging a fee for it. It is partially in anticipation of such future approaches that the handout, reproduced in Appendix II, was prepared.

The above two examples illustrate what Mr. Ssemukutu means when he says that he is "feeling my way along." Every day he has to "invent what this country wants." Some of this invention is triggered by a chance encounter with a potential client, such as the Japanese firm. Some comes from discussion in the African Chamber of Commerce, where the problem of credit rating for small African retailers has no doubt been discussed.

Mr. Ssemukutu is on the distribution list for mailings from Arthur D. Little, Inc., a consulting firm located in Cambridge, Massachusetts. He claims that he gets many ideas from studying its literature. He also gets ideas from his reading and research in magazines and government publications. Many of these ideas, however, he cannot put into practice due to lack of capital and personnel. This may be beneficial in a way as with too many projects going at once none may receive the careful attention it needs to survive and grow in the African business environment.

Mr. Ssemukutu has engaged in another activity of some interest, in this case in his personal capacity. For three months he did a series of weekly broadcasts for the Uganda Broadcasting Service on African trade. These broadcasts were in Luganda, the language of the Buganda tribe. While this sort of educational program is of great

value to the people in general, it also provides a small income and helps to advertise the existence of Ssemukutu & Company. The Uganda Broadcasting Service has indicated that it would like to repeat the series.

Investment Trust

Mr. Ssemukutu is apparently devoting more and more of his efforts to promoting new companies, de-emphasizing the many other varied activities he has carried on in the past. He will still, of course, carry on with management consulting and the secretarial-accounting functions as they provide a steady income. As mentioned before, though, financing new companies is a real problem. To solve it, Mr. Ssemukutu is trying to promote yet another new scheme, what he terms an "investment trust."

Mr. Ssemukutu is not yet quite sure just how the scheme will operate. His main interest is in obtaining more capital. His idea is to promote new companies with money invested in the trust. The important thing for him is that there is "a commercial advantage" in the scheme for himself. He would put forward a proposal for the trust to invest in, having done all the planning on the proposal himself. If the proposal were accepted, he would charge a development fee. Once the new company was started and operating, his Company would act as secretary, accountant and manager, receiving fees for these jobs.

When interviewed Mr. Ssemukutu had no project firmly in mind to propose to such a trust. He was thinking of advising investment in cotton, perhaps buying up shares in an existing ginnery as a first step. He was also thinking of investing in existing African companies

that seemed viable but which needed additional capital. It apparently would make little difference what their business was. (The Kayondo Shoe Factory might be such a company.) In any case, Mr. Ssemukutu would work out the various possible schemes and put them up to the investors for final decision. He of course expects to be able to influence their decision to a large extent.

This investment trust is not a saving scheme or even a pure investment trust scheme. There is a great deal of risk involved, the investor having little chance of an immediate profit and a good chance of loss. Mr. Ssemukutu must therefore use a great deal of salesmanship in finding investors. Luckily he has an advantage in this respect as he has gained the confidence and trust of many Africans connected with business. At the time this scheme was discussed in the interviews, Mr. Ssemukutu had interested nine individuals, though he had talked to quite a number more.

Subscriptions initially would be set at a minimum of shs. 50 per month. The eventual aim is 50 investors subscribing a minimum of shs. 100 each a month. Though he is starting with a minimum subscription of shs. 50, he is sure that later he can raise the minimum to shs. 100. He reasons that after the investors get used to subscribing shs. 50 a month, they can adjust their budgets a second time to include an additional shs. 50.

Participants, once signed up, would not be able to withdraw during the first 12 months. If after that time they did want their money back, they would have to give 12 months' notice. In this way, Mr. Ssemukutu

would have the use of their money for an extra year, free of cost.

All of the nine that had already signed up had, according to Mr. Ssemukutu, a regular source of income. Some were salaried, some ran their own businesses. They came from several professions; teachers, gas station operators, executives, all being top men in their fields. Others of the same caliber that he had tried to interest in the scheme, Mr. Ssemukutu claimed, either did not understand the scheme, did not appreciate the idea behind it, or were not keen about it.

Mr. Ssemukutu feels that teachers are an excellent source for this type of capital. They are inclined to be liberal, have a progressive outlook, and also have a regular income from either the government or a mission. Of the first nine investors, three are teachers. Mr. Ssemukutu is convinced that they can afford at least shs. 50 a month, if not more.

The scheme first occurred to Mr. Ssemukutu in August, 1961. It was launched at the beginning of April, 1962 and by the end of that month shs. 200 had been invested in the trust. During May shs. 450 more was added. Though this is far from enough money for the investments Mr. Ssemukutu would like to make, it is a start on "organizing money." Mr. Ssemukutu is beginning to put himself "in a position to direct investment, to have money around me."

Income Tax

In one of the interviews Mr. Ssemukutu's views towards income taxes were solicited. He admitted to having had no experience with such matters in the past, this being mainly because until 1961 African-owned businesses were exempt from paying income tax in Uganda. He intends to take the tax

matters of his client as well as his own Company's to a consultant.

Mr. Ssemukutu said, though, that "if the income tax is hard on us /‾the Africans_7, we will be hard on it." He was referring to ways and means to get around paying the tax. The implication was that Mr. Ssemukutu was aware of techniques of hiding profits behind expenses and otherwise reducing income tax liabilities. He pointed out that the Asians do this all the time. He claimed that this experience in ducking their taxes gives the Asians an unfair advantage over the inexperienced Africans.

Conclusion

By providing secretarial and accounting services to African businessmen, Mr. Ssemukutu is filling a much needed role in the African entreprenurial picture. He is rather unique in this field, at least in Uganda, being the only African engaged in it. Members of other races provide the same services but only to European or Asian firms, if only because African firms cannot afford the high cost of non-African assistance. Also the idea of paying an outside body to perform these functions is as new to an African as the functions themselves. His management consultancy services also are unique and most beneficial. It is to be hoped that he will continue in this field.

He claims, however, that the income likely to result from these services alone is too small to support his Company. Even given many more clients he feels that he could not afford to concentrate only in this area. Were he to charge more, his clients could not afford to hire him. He therefore must look for other sources of income. This has led

him into promoting new businesses, and consulting services, however, as an adjunct to his promotional activities and as a needed source of income, albeit small.

Though he may be in the promotional field in an attempt to find more profits, one concludes that Mr. Ssemukutu is trying to emulate his past employer, Uganda Development Corporation. This may be from altruistic motives, wanting to use his superior education and training for the good of his country, or from a desire to show that an African-run organization can do as well as a European-run one. Such a desire is an unconscious one and possibly stems from some unpleasantness connected with his tenure at or departure from UDC.

Whatever the reasons for his entering the field, the fact remains that Mr. Ssemukutu is in a better position (excepting his lack of finances) to help such small African companies than other agencies. The fear is, however, that one or two bad investments could wipe him out, resulting in the country losing its only management consulting firm solely oriented towards African businesses.

His dabbling in other somewhat different activities, such as credit rating or acting on behalf of foreign firms, gives rise to the same fears. He has tried them because there was no one else doing them and he had been perceptive enough to see their need and potential future. However, in many cases he was not equipped well enough to handle them successfully. Even were he, it is doubtful if he could handle so many different jobs at the same time. It does appear, however, that Mr. Ssemukutu is beginning to concentrate more and more on only two fields - promotion of new businesses and management consulting.

APPENDIX I

Director's Annual Report for 1961

Chairman's Statement

Balance Sheet - 31st December, 1961

Income and Expenditure Account

From 1st October, 1960 to 31st December, 1961

Computation of Income Tax Liability 1961

# Director's Annual Report for 1961

## General

The Director has pleasure in presenting the Fifth Annual Report together with the Balance Sheet and Profit and Loss Account for the year ended 31st December, 1961. The Company was incorporated on the 9th November, 1956 and the Preliminary Expenses amounted to Shs. 900/=. Extensive research was carried on in African business since the incorporation and the information collected justified opening an office and one was started in October, 1960.

## Accounts

The net profit for the year is Shs. 1,336.37 after providing Shs. 214/= for Income Tax. This amount is now carried forward. It is proposed to write off the Preliminary Expenses of Shs. 900/= when the Company has made more profits.

## Directors

In terms of Article 74 of the Company's Articles of Association Mr. H. B. Ssemukutu continues as Director.

## Auditors

Messrs. A. H. Shah & Sons being eligible offer themselves for re-appointment as Auditors of the Company. A motion to provide for the fixing of their remuneration will be submitted to the Annual General Meeting.

sgnd

(Henry B. Ssemukutu)
Director

15th June, 1962

## Chairman's Statement
## to be presented at

## The Fifth Annual General Meeting

We started operating in October 1960 when Uganda's economy was falling sharply. The nature of our business was not known nor was it appreciated by many African businessmen. We had no capital. It was difficult to recruit staff to run our business. Such were the problems we faced the day we started but I am glad to say that we have to some extent overcome those problems. The trading conditions in the country are still very bad at this date and one can say that these are probably the worst conditions this country has seen during the post-war period. Naturally, this has affected us a great deal; but I am glad to say that we have not lost money as such except that we have lost business.

We are breaking new ground every day in our business. We intend to operate as Management Consultants to African Companies but the idea is very new to the African businessman and although he is interested to take advantage of our service, he is extremely reluctant to pay for it. The lack of capital among African enterprises makes it difficult for your company to introduce efficient methods in those firms and consequently the value of our efforts and advice can hardly be seen. Capital is the biggest limiting factor which we are facing and therefore your company has decided to start operating as financiers to African companies in which we are interested as consultants and/or managers. It is rather too early to report on the success or failure of our activities as financiers but it can be said that we are sailing on rough waters.

Our connections with foreign firms has not been bad at all and during the period under review we were appointed insurance Agents by A. J. Millar & Son Ltd. - the principal representative in East Africa of various British insurance companies. Our Bankers, Barclays Bank D.C.O. have been very helpful and without their assistance our operations today would have been very small. We are getting many enquiries from abroad, notably Japan for African firms with whom the Japanese can trade. Political uncertainty, however, is still limiting commercial progress but we hope that after independence, assuming there will be peace, law and order, foreign capital will be forthcoming and will seek association with local capital and/or personnel. It is therefore important that you increase the capital of your company; at the extraordinary general meeting this matter will be discussed more fully.

I would like to thank Mr. S. S. Kigonya for his services as a Director of the Company during the period under review. This was a difficult time and his advice no doubt helped the Company a great deal. Our Staff have done a very good job considering the conditions in which they were working. We are very grateful to them for their efforts. Perhaps I would mention that our former Manager Mr. S. S. Mukasa got a scholarship to the United Kingdom for a course in Business Management. We wish him the best of luck.

With those remarks and comments I now propose the adoption of the Director's Report and Accounts for the year 1961.

15th June, 1962.

## Balance Sheet - 31st December, 1961

| | | |
|---|---|---|
| **Authorized Capital** | | |
| 2,000 Ordinary Shares of Shs. 10/- each | 20,000.00 | |
| **Issued and Paid Up Capital** | | |
| 1,316 Ordinary Shares of Shs. 10/- each fully paid | | 13,160.00 |
| **Profit and Loss Account** | | |
| Balance, carried forward | | 1,336.37 |
| Total Shareholders' Interest | | 14,496.37 |
| **Current Liabilities and Provisions** | | |
| Overdraft with Barclays Bank D.C.O. Kampala (Secured | 5,843.48 | |
| Sundry Creditors | 3,630.55 | |
| Accrued Expenses | 545.50 | |
| Income Tax | 214.00 | 10,233.53 |
| | Shs. | 24,729.90 |

| | | | |
|---|---|---|---|
| **Fixed Assets** | | | |
| Mailo Land | 2,580.00 | - | 2,580.00 |
| Furniture & A Fixtures | 1,603.00 | 119.00 | 1,484.00 |
| | 4,183.00 | 119.00 | 4,064.00 |
| **Current Assets** | | | |
| Investment with First Permanent Building Society | | 6,112.50 | |
| Shares in Bulumagi Growers Factory Estates Ltd. | 50.00 | | |
| Less: Written off | 50.00 | | |
| Deposit with Uganda Electricity Board | | 40.00 | |
| Sundry Debtors | | 13,551.18 | |
| Cash in Hand | | 39.72 | 19,765.90 |
| **Expenses Carried Forward** | | | |
| Preliminary Expenses | | | 900.00 |
| | | Shs. | 24,729.90 |

........................Director

## Auditors' Report

We have examined the above Balance Sheet and the Attached Profit and Loss Account, and we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books.

The above Balance Sheet and the attached Profit and Loss Account are in agreement with the books of accounts and in our opinion, and to the best of our information and according to the explanations given us, the said accounts give the information required by The Companies Ordinance 1958 in the manner so required; the Balance Sheet gives a true and fair view of the state of the Company's affairs as at 31 December 1961, and the Profit and Loss Account gives a true and fair view of the profit for the year ended on that date.

Date 3 May 1962

(Sgnd) A. M. Shah & Sons
Kampala

Kampala

## Income and Expenditure Account from 1st October 1960 to 31st December, 1961

| | Shs.Cts. | | Shs.Cts. |
|---|---|---|---|
| Management and Administration Expenses | 561.25 | Consultancy Fees | 1,330.00 |
| Office Expenses | 1,059.73 | Secretarial/Accountancy Fees | 9,446.00 |
| Sundry Expenses | 193.92 | Interest | 112.50 |
| Salaries | 4,954.30 | Miscellaneous Income | 200.05 |
| Directors' Expenses | 50.00 | Sundry Commission | 1,278.02 |
| Office Rent | 720.00 | | |
| Postages and Telegrams | 309.35 | | |
| Commission | 67.50 | | |
| Interest | 52.50 | | |
| Travelling Expenses | 1,628.65 | | |
| Bad Debts written off | 750.00 | | |
| Audit and Accountancy Fees | 300.00 | | |
| Shares of Bulumagi Growers Factory Estate Ltd. written off | 50.00 | | |
| Depreciation | 119.00 | | |
| Net Profit to Appropriation Account | 1,550.37 | | |
| Shs. | 12,366.57 | Shs. | 12,366.57 |

## Profit and Loss Appropriation Account - 31st December, 1961

| | | | |
|---|---|---|---|
| Provision for Income Tax | 214.00 | Profit for the year, brought down | 1,550.37 |
| Balance carried forward | 1,336.37 | | |
| Shs. | 1,550.37 | Shs. | 1,550.37 |

## Computation of Income Tax Liability 1961

| | | | |
|---|---|---|---|
| | | | Shs. |
| Profit per accounts | | | 1,550 |
| Add: Shares written off | | | 50 |
| Depreciation | | | 119 |
| | | | 1,719 |
| Less: Wear and Tear on Furniture 10% | 160 | | |
| " Profit for the Period October to December 1960 not subject to tax* | 786 | | 946 |
| Adjusted Profit for 1961 | | Shs. | 773 |
| | | Say | £ 39 |

- - - - - - -

* African owned limited liability companies were exempt from Income Tax up to the beginning of 1961. From the beginning of that year they had to pay the normal rate of shs. 5.50 per £. (Footnote was not part of actual accounts.)

# APPENDIX II

Policy Statement

# Ssemukutu and Company Limited

## Policy

### General

The policy of the Company is based on the main objects for which it was formed and they are:-

1. To provide professional services to business houses and in particular to undertake secretarial and consultancy work for businessmen especially Africans.
2. To undertake the management of businesses and act as Managing Agents.
3. To foster business and promote companies or assist in the expansion of existing firms.

In carrying out the above objects it is recognized that many African businessmen do not know or appreciate professional services of the kind we provide and also that generally African businesses are not sufficiently resourceful to pay for our professional services. It is our duty, however, to make them understand the necessity of our services in business and also pay adequately for them. Our firm, therefore, is pioneering in this line of business and the task we are facing is formidable but it is not unsurmountable.

The staff of the Company have a good general education with emphasis on commercial education or have good experience in commercial affairs; they should be willing to tackle problems and bring modern business practices to businessmen who need them.

[illegible]

[illegible]

[illegible]

Consultancy

We may approach a client or he may approach us but when the two parties have met, we must solicit every information from the client about his business and problems e.g., general nature of business, sales and purchases, statistics, production, sources of raw materials, location of factory or shop, nature of custom, management and technical matters, etc. All this is termed "Internal Information."

We must then investigate the external factors which affect the business and they are termed "External Information." It covers government policy, competition, consumer habits, transport, etc.

When the Internal and External information has been collected, the project is evaluated to assess its commercial viability and if it is a sound proposition, the question of finance is brought in. The Internal Information together with the proposals submitted by the client enable us to prepare the budget and arrive at the total finance required. If loan finance is required, arrangements are made to approach banks, finance houses or individuals. If equity or preference capital is required the client can make arrangements for that and we can assist him.

The Charges are as follows:-

1. A Fee of Shs. 25/= is payable on the first interview. At this interview the client is encouraged to give as much Internal Information as possible in outlining the project which he wants the company to investigate on his behalf.

2. A fee of not less than Shs. 200/ for "billed costs" is charged. This amount is required for the initial expenses which must be incurred in course of investigating the project. It is the amount we conaider anybody - whether this company or somebody else - would have to spend when doing this sort of work e.g., buying rules and regulations affecting the project, travelling, stationery, etc. The fee varies with each particular project and when it has been paid work starts.
3. The Company carries out all the preliminary work and collects the important information. The magnitude of the job is assessed and therefore the work involved. A fee is fixed and the client is notified of it. If he authorizes the company to continue with the project and prepare a final report he may be requested to deposit not less than 40% of the fee fixed, the balance to be paid on submission of the report.
4. When the final report has been submitted, that project is finished from our point of view although we still remain interested in its function and generally we follow it up free of charge or at a small fee which can be agreed. It should be noted that the company has a copyright on all the information collected and contained in the final report. The client must not publish or cause to publish the report or part thereof without the written approval of the company.
5. Where this Company is requested to assist in raising a loan or raise loan money on behalf of a client, in addition to the fee charged under (3) above, the company also charges 2% of the total amount to

be raised and/or actually raised. The company charges ½% of the loan even if it is unsuccessful in raising a loan for the client or in assisting him in that matter.

Management

Sometimes a person for some reason has to leave his business - say for an overseas tour or due to old age, sickness or even death. The Company can where possible undertake to run his firm as Managing Agents at a fee agreed upon by the parties.

Finance

Having recognized the need for capital in many African businesses, the Company has initiated a system of finance to the companies with which it is associated. Little so far has been done in this field but the policy will be that this company will take an interest in short term finance on first class securities and to associated companies only. It is only in rare cases that long term finance will be provided and also that firms not associated with the Company will be financed.

Secretarial

Many African businessmen have no knowledge of the Company Law in Uganda, nor are they sufficiently conversant with the factory laws, insurance, commercial law, etc. The company provides services in this field by advising various clients on these matters.

Investments

The Company is also keen to have its own investments in which it is directly interested as equity shareholders. In such cases money is

invested where the Company will have a strong say or control of the management and it is the policy to hold at least 51% of the equity where possible.