

Grooming a Family Business Successor – Nina Interiors Limited, Uganda

Patricia Karugaba Kyazze, Managing Director of the family owned business Nina Interiors Limited Uganda (NINA), looked forward to the upcoming board meeting with mixed feelings. On the agenda were three crucial matters for discussion; appointment of a new independent director, approval of the company's dividend policy, and the board trip to the Rwanda subsidiary. Patricia knew that a lot depended on how she presented these matters to the board. She therefore reserved one full day, Thursday, June 16, 2016 to finalize the draft board papers she had prepared for the meeting.

Growing With the Business

Patricia was the youngest daughter in a family of four siblings. She had two elder sisters and a second born brother. While in primary school all the siblings used to assist their mother in varied business activities from baking buns to counting cash after school hours. At the university, she enrolled for BA in Social Sciences majoring in Political Science. Given that the course had elective subjects, she chose to take those that were scheduled in the morning thus allowing her to work in the afternoons in the family business, NINA. She had always wanted to take up interior design as a career; after completing her university studies and working in NINA for about two years, her mother rewarded her by paying for a course in interior design in the UK. In 1999, with the course completed, she was back to Kampala and doing interior design jobs for individuals and companies while at the same time working in NINA. According to her, most people did not have a good appreciation of interior design and those who did, were not willing to pay for it. As such, by 2002, her interior design business was still struggling to pick up.

Mrs. Juliana Kagima Mukasa, the eldest sibling in the family, recalls preparing the family dinner as her mother and the other children counted the cash collections for the day¹. However, by the time she was completing secondary school in 1989, Juliana would spend about two hours every evening in the family shops assisting her mother in selling buns and groceries. In 1993, after completing a hospitality course at Utalii College in Nairobi, Kenya, Juliana went back to Kampala determined to start her own business. She ran a restaurant business with some friends for five years before getting married in 1996. Upon marriage, she left the restaurant and joined her

¹ The mother recalls that when the children were still too young to know the difference between different currency denomination notes and coins, she would tell them to put the notes of same color in one place, the coins of the same shape in one place. She would then tally the different batches to get the total cash sales for the day. Somehow she trusted her children so much that she never suspected that they would pick any of the monies for their own use.

husband in managing a petrol station business. This she did up to 2007. At that time, the petrol business was not doing well and having discussed with the husband she rejoined NINA which by then had grown substantially. She took up the role of coordinating supplies and employee working schedules in addition to assisting with sales whenever necessary.

Phillip Karugaba was the second born in the family. He took a law degree in Makerere University and achieved a great feat of obtaining a first class degree in law in 1991. The last time someone had obtained a first class in law was in 1973. Phillip soon proceeded to do his Masters in Law degree at Cambridge University, UK. Upon graduation, he returned to Kampala to form a legal firm with other lawyers. The legal firm was very successful and by 2015 was ranked among the top five legal firms in Kampala. Initially, Phillip would provide legal and company secretary services to NINA but over time the demands of his legal practice made it increasingly difficult to continue doing so. Therefore, from 2013, his sister Juliana had been holding the company secretary role and keeping Phillip informed whenever necessary.

Joanina Karugaba, the third born in the family, studied Social Work and Social Administration in Makerere University. During her annual university holidays she worked part-time for NINA but this became a full-time engagement on completing her degree. In 2002, her mother agreed to Joanina taking a Master's degree in Management of NGOS in London School of Economics, UK. Joanina's move to the UK coincided with the period when her younger sister Patricia's interior business was struggling. After discussions with the mother, Patricia decided to close her business and to join NINA on a full-time basis. She spent most of the time in the sales section of NINA interacting with customers.

Soon after completing her studies in the UK, Joanina was lucky to get a good job in Nairobi, Kenya. After working for several years, she landed at her dream career as an international gender specialist with the UNHCR in Geneva, Switzerland. According to her mother, even though she lived far away, Joanina regularly called to check on how NINA was doing. The mother recalled that when the company was constructing its showroom in Kampala, she used to send small amounts of money which finally totaled USD 65,000. Though she finally got a refund for the money, to the mother, this was a sign of her commitment to NINA.

During the time the children were studying, their mother, Mrs. Karugaba, grew and evolved the family business from an ordinary grocery shop to a top end furniture and curtains shop which she registered as Nina Interiors Limited (NINA) in 1991. On formation of the business Alice had distributed the NINA ownership to all the family siblings who also became board members of the company. Except for the year 2010, the company returned a profit despite the political and economic challenges experienced in Uganda over the period. See Appendix 1 for the NINA Financial Statements for the period 2010 – 2015 and Appendix 2 for NINA Share Distribution.

By 2015 Patricia and Juliana worked full time with NINA as the Managing Director and Operations Director respectively. The company provided a premier one stop center for office and domestic furniture, curtains blinds and decorative accessories. An impressive four storey building on plot number 41 on Jinja road, Kampala, housed all the company departments. The company rented additional warehouse space in the nearby Kampala industrial area. Both Patricia and Juliana could now put into practice some of the business lessons they had learned early in life from their mother. See appendix 3 for examples of such experiences titled “The School of Hard Knocks”.

Over the years, NINA won several awards culminating in Alice being declared winner of the CEO of the Year Award at the MTN Uganda Women in Business Awards of March 2016. The judges attributed the award to the fact that, among others, NINA had a functioning board of directors and a subsidiary in the neighboring country of Rwanda. The board composition was particularly interesting in that it had three independent non-family board members in addition to all the five family members. In the same year, the company was given a certificate of appreciation for voluntary tax compliance by the Uganda Revenue Authority (URA). See Appendix 4 for the MTN and URA award certificates.

Formalizing the Business

Around 2003, Patricia and her mother attended a Women in Business training programme in Kampala. From the programme they learnt the importance of having well defined roles in the business. After another training programme in 2005 they came up with job descriptions and appointment letters for the different roles in the business. The outcome was that Patricia became the General Manager, and Juliana the Operations Manager. However, their mother preferred not to have any title though everyone new she was the Chief Executive Officer (CEO)².

Around 2008 Mrs. Karugaba told the other family members that she wanted to get off the day to day running of the business. Finally in 2010, the company hired someone to take over the role of the General Manager and from then on Patricia became the Managing Director while Juliana became the Operations Director. Unfortunately the new General Manager left the company after only one year and the position remained vacant thereafter.

From the training programmes, Patricia had also come to appreciate the importance of having a functional board. However several of her attempts to have the board meeting at the family home were not successful³. Still in 2008, the company’s auditor’s management letter recommended

² Mrs. Karugaba preferred not to have any title and would joke that the title CEO for her meant Chief Emotional Officer as she was doing a lot of employee emotional management in the company.

³ Patricia recalled that on several occasions, the different family members would arrive with their children and then insist that they should first have lunch, after which most people were too tired and sleepy to have any meaningful meeting.

that the company should have a board and regular board meetings. Since Mrs. Karugaba always insisted to have such recommendations implemented, with her support, Patricia managed to organize the first board meeting in the company's stores area. At that time the board comprised of all the family siblings and their mother.

Phillip, being a lawyer was assigned the role of company secretary. Soon thereafter, both Phillip and Patricia attended the board training course, called The Effective Director (TED), offered by Strathmore University Business School. During the course both got convinced on the need to have independent board members for NINA. During the subsequent board meetings, the family agreed to look for two people to join the board as independent board members. Furthermore, it was agreed that one of the person would be the board chair while other needed to have experience in financial and audit matters.

In 2011, the family members agreed on the two board appointments. Mrs. Karugaba recalled the long standing relationship between NINA and Mr. Samwiri Njuki which led her to propose him as the board chair.

"I knew Mr. Njuki as far back as when I was running a grocery business. At that time he used to work as bank manager in one of the main banks. When I opened a bank account and he realized I was operating a small business, he started following my banking habits very closely. If three days went by without me doing any banking he would call me. At one time I told him I had no money to bank and he said, "Even if it is Uganda Shillings (UGX) 2000⁴ bring it.

Later, he organized for me to take an unsecured loan of UGX 650,000 which I used to buy some industrial sewing machines that we still have up to today. From then on, when he moved to a different bank I would move my bank account to that bank. I liked him because he was very tough and demanding. If a monthly repayment was due on the 28th, he would call by the 25th to remind me to pay. My children used to know when he made such calls because he would advise us on how to raise the payment if we did not have the cash at hand. I personally respected him but I think the children, to some extent, feared him.

By the time we decided to approach him as the board chair for NINA Limited, he was board chair of KCB Bank, Uganda and a member of several boards mostly in the financial sector. I therefore knew he would bring a lot of board experience to the board of NINA Limited. At the same time, I knew he would give our board prestige as his name was by then well known in Uganda. I'm happy he agreed to join the board and it has worked very well for us."

⁴ In 2000 the medium exchange rate was 1 USD = UGX1600.

The rest of the family members agreed to their mother's proposal to have Mr. Njuki as the board chair. Similarly Patricia's proposal to have Mr. Callist Habaasa as the board member in charge of finance and audit was also accepted. Mr. Habaasa had been a long-time customer and advisor of NINA. He was working as a Senior Finance Manager with a respectable organization in Kampala. Later, the board discussed several candidates and finally decided to have Mr. Nicholas Agaba, a strategy expert, become the third independent board member⁵.

Mr. Habaasa later stepped down from the board after he joined a multinational organization in a position that would put him in a situation of potential conflict of interest with his board membership at NINA. All the remaining board members were then requested to seek and circulate CVs of potential board members to replace Mr. Habaasa. The board was to discuss and decide on the better of two possible candidates in the next board meeting set for end of June 2016. Appendix 5 shows extracts from the CVs of the two candidates who were being considered for fill the vacant board position left by Mr. Habaasa.

The Company Dividend Policy

From the registration of NINA in 1991 to 2015 there was at least one section in the company's financial statement that remained the same. The subsection on dividends always read, "The Directors do not propose payment of dividends for the year ended 31 December..." After attending the TED course, Patricia became aware of the need for companies to, whenever possible, pay dividends to its shareholders. She also learnt that such payments had to be weighed against the company opportunities for growth.

In the four years leading to 2011, the company made profits. In that year, Patricia proposed to pay dividends amounting to UGX 32,048,250. The amount was to be distributed according to the shareholding in the company. Phillip felt that Patricia's proposed dividend was too small and convinced the other shareholders to have the dividend reinvested in the company business. However, every year thereafter the matter of paying dividends always came up during the approval of the company financial statements.

By 2014, Mrs. Karugaba had managed to extract herself from immediate day to day business activities and changed the title in her business cards to "founder". Now, with a bit more time to herself, she was of the opinion that a payment of dividends would allow her to engage in social activities that she had always wanted to do in the past. Currently, under the company's cash

⁵ Juliana recalled how all the board members took Nicholas for lunch as part of their way to assess whether he would fit into the board. When Nicholas asked why he was taken for lunch by the company board, one of the board members responded that this was because he was a good customer of NINA, which he truly was.

control measures, the founder needed the MD's approval to incur any unbudgeted for expenses. Appendix 6 shows Alice's travel request pending Patricia's approval.

During the board meeting to approve the company's financial statements for 2015, the matter of the dividends came up again. Phillip, Juliana and their mother felt that as shareholders they were entitled to dividends as long as the company was making profits. Patricia, on the other hand felt that there were still some good reasons for not paying dividends at this time. First, payment of dividends to the shareholders may send the wrong signals to the company employees who had not received a pay increment for some time now. Secondly, the board needed to make a decision on whether the company's Rwanda subsidiary required more capital. At the end, the board chair advised that the board needed to first approve a company dividend policy which would be used to guide such decisions then and in the future. Patricia was requested to consult widely and come up with a draft dividend policy for discussion and possible approval in the next board meeting. Appendix 7 shows an extract from the draft company dividend policy prepared by Patricia in consultation with the board chair, Mr. Njuki.

The Rwanda Subsidiary

Over the years, NINA had managed to attract a sizeable number of retail and wholesale customers from the neighboring country of Rwanda. In year 2006/2007, one of the main wholesale customers in Kigali offered to set-up a joint venture with NINA in Kigali, the capital city of Rwanda. A family relative, Mrs. Benita Nyonjo, who had worked in NINA Uganda for many years moved to Kigali to set-up and manage the subsidiary. This was done fully relying on the customer and without doing any market analysis.

Benita is a maternal niece of Mrs. Karugaba and is the sixth born in a family of ten children. Unfortunately, Benita's father, that is, Mrs. Karugaba's brother, had died only a few months before Benita took her final secondary school examinations. To support the family, Alice had given Benita a job in NINA as she waited for her examination results. As fate would have it, she ended up being very engaged with the business and never left until the opportunity to go to Kigali came up in 2007.

After about one year of the joint-venture, Benita noted that the partner had a different management style with that of NINA. After attempts to reconcile differences failed, NINA bought off the wholesaler to create a fully owned subsidiary, NINA Rwanda. Benita retained the title of Operations Director though she was overall in-charge of the Rwanda Branch. She was required to regularly report to Patricia in NINA, Uganda in Kampala. During the first and second year of operations, the subsidiary was doing well and Benita's family (husband and two children) moved to Kigali. Benita's husband managed to team up with other persons in Kigali to start a reasonably

successful construction business in Kigali. The family's children also managed to get admission to reasonably good private schools in Kigali.

From 2010 onwards, the Rwanda subsidiary made losses in all the years. From the beginning, NINA Rwanda imported its goods from NINA in Uganda which in turn imported the goods from Asia, mainly from Malaysia. Consequently, the final products prices for the Rwanda subsidiary incurred double taxation, one in Uganda and another in Rwanda. This led to the subsidiary products having a higher price when compared to those of competitors that imported their products directly from Asia to Rwanda. Additionally, due to stringent laws enforcement in Rwanda, most of the operational costs including rent and labour were higher in Rwanda than in Uganda.

Even with these explanations Patricia, Juliana and their mother were convinced that the Rwanda subsidiary should at least break even. On three different occasions, Mrs. Karugaba had travelled to Kigali with the intention of closing the subsidiary only for Benita to convince her to give the subsidiary one more year to prove itself viable. In the process the subsidiary credit with NINA Uganda kept on increasing, reaching UGX 400 million by 2014. It was a known secret that Mrs. Karugaba had also advanced about UGX 350 million of her own funds to the Rwanda subsidiary.

With this background, the NINA board invited Benita to come to Kampala, Uganda and explain to the board why the subsidiary was making loses. Benita's presentation highlighted the double tax as the main reason why the subsidiary was unattractive. She requested that the subsidiary be allowed to do direct imports from Asia to Rwanda. The board approved this request on condition that the orders would be made through NINA in Uganda but the deliveries would be done directly to Rwanda. Additionally, Mrs. Karugaba, the founder, was to accompany Benita during the first few trips for sourcing products so that the latter could learn how to do that part of the business.

Benita's second request to the board was that NINA Uganda needed to inject additional capital into the Rwanda subsidiary to fund marketing promotional activities. Benita's presentation to the board painted a very promising future for the subsidiary if such funds were availed. The board was somehow divided on this matter with most of the family related directors arguing against the request while the independent directors supported the request. At the end the board decided that the board members should travel to Kigali and ascertain the actual situation on the ground. However, the board required that such a trip be funded by the subsidiary.

The Board Meeting

On June 16, 2016, as Patricia started finalizing on the three board papers she toyed with the idea of introducing an important item under the Any Other Business (AOB) agenda; purchase of additional space. Patricia had recently noted that the growth of NINA Uganda had led to a

congestion of staff and materials in its main office and showroom. She was of the view that the company needed to buy additional commercial space to put up a warehouse to reduce operational expenditure. If the board accepted her proposal, the move was likely to generate more profits for NINA Uganda some of which could be used to inject more capital to the Rwanda subsidiary.

But there was a catch. The cheapest option to fund the purchase of commercial space was by delaying the payment of the company dividends. But how easy was it to convince the board members to see her point of view? Would the new independent board member bring in additional insights into the board which may affect these and similar decisions in future?

Appendix 1: Summary Financial Statements for NINA the period 2011 – 2015.

NINA Limited						
Statement of Comprehensive Income 2010-2015 (Uganda Shillings, 000)						
	2015	2014	2013	2012	2011	2010
Sales Revenue	14,251,806	11,372,141	11,993,099	11,837,178	10,512,726	9,536,570
Direct Income	374,271	367,108	344,419	398,725	305,324	1,090,280
	14,626,077	11,739,249	12,337,518	12,235,903	10,818,050	10,626,850
Cost of Sales	8,781,921	6,486,813	6,933,933	7,651,571	5,119,390	7,668,934
Gross Profit	5,844,156	5,252,436	5,403,585	4,584,332	5,698,660	2,957,916
Other Income	504,238	430,700	346,973	240,377	469,612	268,188
	6,348,394	5,683,136	5,750,558	4,824,709	6,168,272	3,226,104
Administrative Costs	686,823	585,602	548,562	543,228	535,374	502,520
Operating Costs	2,470,046	2,172,325	2,873,741	2,163,334	1,788,015	1,997,914
Personnel Costs	1,626,902	1,490,266	1,519,578	1,410,461	1,378,713	890,924
	4,783,771	4,248,193	4,941,881	4,117,023	3,702,102	3,391,358
Operating Profits	1,564,623	1,434,943	808,677	707,686	2,466,170	-165,254
Finance Costs	10,975	12,197	18,556	173,936	372,107	43,921
Profit before tax	1,553,648	1,422,746	790,121	533,750	2,094,063	-209,175
Income Tax charge	593,247	513,139	471,628	258,091	756,099	337,366
Profit after Tax	960,401	909,607	318,493	275,659	1,337,964	128,191

NINA Limited						
Statement of Financial Position 2010-2015 (Uganda Shillings, 000)						
	2015	2014	2013	2012	2011	2010
Assets						
Noncurrent Assets						
Investment in Nina Rwanda	360,327	360,327	360,327	360,327	360,327	360,327
Property and Equipment	2,245,661	1,102,292	1,085,531	1,056,469	1,137,119	1,188,195
Investment Properties	3,460,000	1,379,733	1,422,405	1,466,397	1,511,750	1,558,504
Intangible Assets	1,518	2,000	303	57,234	94,745	6,701
	6,067,506	2,844,352	2,868,566	2,940,427	3,103,941	3,113,727
Current Assets						
Inventories	4,286,464	3,956,809	4,042,042	4,392,926	4,100,397	2,787,103
Receivables and Prepayments	3,841,822	2,812,924	2,285,760	1,902,406	3,066,244	2,768,085
Cash and Cash Equivalents	1,073,204	2,251,859	1,279,164	375,169	285,864	125,570
Income Tax Claimable	8,917	3,421	46,697	354,120	0	337,366
Suspense Account	0	0	166,670	238,929	218,339	0
	9,210,407	9,025,013	7,820,333	7,263,550	7,670,844	6,018,124
Total Assets	15,277,913	11,869,365	10,688,899	10,203,977	10,774,785	9,131,851
Equity and Liabilities						
Current Liabilities						
Bank Overdraft	0	0	0	184,262	342,447	80,613
Trade and Other Payables	2,063,089	1,422,615	1,232,028	739,757	1,692,805	1,154,416
Income Tax Payable	0	0	69,610	274,560	33,735	0
	2,063,089	1,422,615	1,301,638	1,198,579	2,068,987	1,235,029
Non-current Liabilities						
Directors Loans	0	0	0	0	0	228,574
Equity						
Share Capital	500,000	500,000	500,000	500,000	500,000	500,000
Revenue Reserves	12,714,824	9,946,750	8,887,261	8,505,398	8,205,798	7,168,248
Total Equity	13,214,824	10,446,750	9,387,261	9,005,398	8,705,798	7,668,248
Total Equity & Liabilities	15,277,913	11,869,365	10,688,899	10,203,977	10,774,785	9,131,851

Appendix 2: NINA Ownership Shares Distribution

NINA Limited Shareholding (2015)			
No.	Employee name	No. of shares	% Ownership
1	Alice G. Karugaba	32,500.00	65%
2	Juliana Kagimu Mukasa	5,000.00	10%
3	Phillip Karugaba	2,500.00	5%
4	Joanina Karugaba	5,000.00	10%
5	Patricia Karugaba	5,000.00	10%
	Total	50,000.00	100%

Appendix 3: Childhood Memories from the School of Hard Knocks

As the Managing Director of NINA, Patricia could attribute some of her business habits to what she had learnt from the mother in early years. Some of the lessons would forever be etched in memory as Patricia recalled:

“If there is one thing I will not forget in life, it is my first month salary with NINA. After finishing my secondary school education in 1996 I started working for my mother’s business since there was a three months break before we could join the university. My mother agreed to pay me a monthly salary of UGX 20,000. When I received the first payment, I went shopping on the same day with my cousins. I had always wanted to wear high-heeled shoes, and we soon found a pair of shoes being sold for UGX 20,000. When the shopkeeper agreed to my offer of UGX 18,000, I paid and took the shoes home. I do not exactly remember what I did with the balance of UGX 2,000.

The next day as usual, I went to mother to ask her for money for lunch. To her query as to what had happened to my salary, I explained that I had bought the shoes to which she replied “then you go eat the shoes for lunch” and gave me no money. And for the next one month I had to carry packed lunch and water from home to the shop until I received

the next salary. I have never forgotten that you need to plan for your salary to cater for your monthly expenses. This experience served me well since I then began to save some money. Using some of these savings I started buying and selling imported cigarettes which were rare in those days. This continued until I had to join A levels for my studies at which point I gave all the remaining cigarettes to mother. During my university holidays my salary was increased to UGX 70,000 and later to 140,000. I therefore had a good life in the university without asking my mother for money. I could depend on my salary.”

On her part, Juliana recalled that much as NINA involved handling cash, the family was somehow always short of cash to spend. She recalled:

“One day we went for a business event in one of the big hotels in Kampala with my mother and Patricia. After the event, we all wanted to take a cup of tea, but to our surprise none of us had any cash on them. We silently found our way back to the family shop which was a walking distance from the hotel.”

Additionally, during my secondary school holidays I would try to run my own small business. I would buy pop corns, sweets and chocolates at a cheaper price in one part of Kampala and sell them from the family shop at a profit. At one time, I used some of my money to have my sisters and my ears pricked for earrings. Much as my parents were not happy with this action, it motivated my sisters Patricia and Joanina to also start working during the school holidays and earn their own money.”

Appendix 4: Sample award certificates won by NINA Limited.



Appendix 5: Two Candidates Shortlisted for the Vacant Board Position

Item	Candidate A	Candidate B
Key Skills:	Strategic Financial Management, Strategic Business Planning and Organizational Development, Corporate Reporting, Excellent command of IFRSs and IASs	Professional and technical competence in accounting and auditing, Self-discipline and professional work ethics including integrity, honesty, objectivity and interpersonal skills. Good numerical and analytical skills.
Career & Key Achievements:	<ol style="list-style-type: none"> 1. Chief Manager Finance Agricultural Business Initiative Trust, November 2011 – To date 2. Finance Manager/Analyst Umeme Limited, Jan 2008 – October 2011 3. Head of Finance and Administration, Uganda Securities Exchange, June 2007 – January 2008 	<ol style="list-style-type: none"> 1. Managing Director Centre for Capacity Development, April 2004 – to date 2. Finance Manager, Diamond Trust Bank, July 02 - May 04 3. Senior Auditor, KPMG, July 99 – June 02 4. Assistant Finance Manager, Wales Club – UK, Jan 95 – Dec 98
Professional & Academic Qualifications:	<ol style="list-style-type: none"> 1. Chartered Certified Accountant, ACCA Member Glasgow, United Kingdom 2. Bachelor of Science (Hons) (Mathematics, Economics & Statistics), Makerere University, Uganda 	<ol style="list-style-type: none"> 1. Post Graduate Diploma in Business Administration University of Leicester – UK 2. The Association of Chartered Certified Accountants, (ACCA), UK, Emile Woolf Colleges, UK
Board Experience	None Indicated	<p>Current Board Member and Chairperson of the Finance & Audit Committee, Export Trade Africa</p> <p>Past Council Member and Chairperson of the Disciplinary and Ethics Committee - The Institute of Certified Public Accountant of Uganda (ICPAU)</p>

Appendix 6: Travel Approval Request by Alice (the founder) to Patricia (the MD)

Nina Interiors Limited

Dubai travel

2 messages

~~Nanyanga Zainah~~

Fri, Jan 8, 2016 at 1:29 PM

To: Patricia Kyazze

Cc: ~~stephen.kaboggoza~~

Dear Madam Patricia,

Mrs. Alice ~~Kanyaga~~ will be travelling to Dubai on 26th February. She will need money for a ticket top up and a visa as itemised below.

Ticket 1,121 USD

Visa 100 USD

Total 1,221 USD.

She requests that this amount be processed before end of today.

Thank you,

~~Zainah~~

Patricia Kyazze

Mon, Jan 11, 2016 at 2:07 PM

To: ~~Nanyanga Zainah~~

Cc: ~~stephen.kaboggoza~~

Dear ~~Zainah~~,

please follow up with madam to see what she has decided regarding her trip to Singapore so that we make one payment

~~Patricia Kasugaba~~ Kyazze

Managing Director

Nina Interiors Ltd

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Appendix 7: Extract from the Proposed Company Dividend Policy

1. NINA Limited (NINA) will pay a dividend based on the level of profits and cash flow requirements subject to approval of the shareholders during the Annual General Meeting. The dividend will not constitute a payout of more than 50% of profits after tax (PAT) in any given year; unless a case is made and approved at the AGM, for a special payout out of accumulated reserves.
2. This policy will take care of the need to grow the capital base and should appeal to shareholders because of the built-in flexibility to increase their dividend income through the extra payout clause if necessary. It also provides the flexibility to send desired signals about strategic objectives and future profit prospects.
3. The cost of paying more than one dividend (interim, mid-year and final) is value destroying. It is therefore recommended that NINA will only pay one dividend each year. This dividend will be declared after the annual external audit of NINA's books of accounts is completed. The amount of dividend shall be at the discretion of the Board of Directors but in any event will not constitute a payout of more than 50% of PAT in the particular year.