

# Chairman's Statement

*Here's to 70 years, and 70 more. 2020 was a big year for Uganda Clays for a number of reasons, the first being that the company turned 70. This anniversary was a great reminder of our legacy and the responsibility we hold to keep Uganda Clays going and going well.*

### Platinum Jubilee

2020 marked seventy years since the company was founded in July 1950. Because of the COVID-19 pandemic, we were not able to celebrate this jubilee in a fitting way.

Despite the inauspicious situation that we found ourselves in, the 70th anniversary afforded us an opportunity to reflect on the achievements and milestones the company has registered over the years and decades.

Since its founding, Uganda Clays has continued to manufacture and provide clay baked building products of the highest quality to customers in Uganda and beyond. In 2001, the company became the first one to be listed on the Uganda Securities Exchange.

In 2007, the company established another factory in Kamonkoli, Budaka district in Eastern Uganda. The Company is the undisputed market leader in clay baked building products, and has held this position for decades.

We are therefore deeply indebted to the founders of the company and those who have been in charge of it over the past seventy years. The anniversary is also a challenge to those of us who are currently in charge, to steer the company to greater heights.

### Headwinds of 2020

The year 2020 was terrible for most businesses in Uganda and all over the world. COVID-19, that was initially reported in far-flung China, spread speedily throughout the world and reached our shores. It caused a pandemic of unprecedented ferocity.



**Our 70<sup>th</sup> anniversary affords us an opportunity to reflect on the great achievements and milestones registered**



## UGX 0.0

*No sales were made during the months of April and May*

The lockdown that followed brought all social, economic and business activities to a halt. Many businesses and livelihoods were destroyed. Those that survived are still struggling to prosper.

It is against these strong headwinds that the Company operated from March for almost the entire year 2020.

Following the declaration of the national lockdown in March 2020, the Board took a bold decision not to close down all operations.

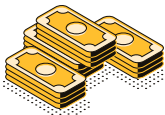
We resolved to continue with production activities with reduced staff who were residing at the factory premises for several weeks. Our main focus in this time was employee safety and maintaining production to build inventory.

Although production was ongoing, there were no sales in the months of April and May. They would later pickup after the lockdown was eased, making the decision to continue with production in order to accumulate inventory a very prudent one.



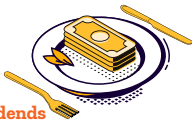
Net Profit

UGX 4.87Bn



Sales Revenue

UGX 29.7Bn



Dividends

UGX 1.21Bn

### Performance Overview

Despite the strong headwinds that it unleashed, the year 2020 was also remarkable in another way because of the unprecedented results that the Company registered. The Company made a profit after tax of UGX 4.87 billion. This was an incredible jump from a loss position of UGX 88 million in 2019. Sales revenues for the year were UGX 29.7 billion which was a 3% drop compared to UGX 30.7 billion for the previous year 2019, mainly to the negative impact of the Covid-19 pandemic on the business environment.

Despite this drop in sales, positive results were achieved through cost management initiatives put in place during the year resulting in a substantial drop in production and overhead costs.

We believe that this is not a one-off good performance. The Company is well and truly on a trajectory of growth and profitability. We are confident that this good performance will be sustained during the current year and beyond. The difficult years of persistent loss-making are behind us.

### Dividend

The Board of Directors recommends a dividend payment of UGX 1.21 billion (UGX 1.35 per share) for the year ended 31 December 2020. The total dividend represents 25% of the net profit for the year. In arriving at this recommendation, the Board took into consideration the need to retain substantial cash for capital expenditure to improve production capacity at both factory plants and to improve product quality. The Board was also cognizant of the current uncertainty of the business environment and the need to preserve some cash since the pandemic is still with us.

### Management Changes

At the beginning of March 2020, the Board of Directors took a bold decision to make changes in the top management of the Company that affected the Managing Director, Head of Production and Head of Human Resources and Support Services. The holders of those management positions left the Company by resignation or through termination with effect from 6 March 2020. In addition to the above departures, the Company had earlier parted ways with the Head of Sales and Marketing. The Board was convinced that these departures were necessary to address the stagnation in the Company's performance over the past several years.

The Board appointed Ms Jacqueline Kiwanuka, the Head of Finance, as the acting Managing Director of the

Company and immediately commenced a recruitment process to fill the vacant positions with suitable people. In spite of these changes, the Company continued to operate normally, save for the lockdown.

We are grateful to the National Social Security Fund, one of our main shareholders, who seconded some of its staff to the Company to perform some of the management roles during the recruitment period, and for the support rendered to the Company.



I am pleased to report that the Board has now made the following appointments:

- **Mr Reuben B. Tumwebaze:**  
*Managing Director*
- **Mr Richard Lule**  
*Head of Human Resources and Support Services*
- **Mr Moses Sanye**  
*General Manager Kamonkoli*
- **Mr Mark Rwomushana**  
*Head of Sales and Marketing*
- **Mr Joseph Sendegeya**  
*Head of Production*

The Board is confident that it has put in place the right management team to successfully execute the Company's business strategy and achieve sustained growth and profitability.

### Governance

The core function of the Board of Directors is to oversee the management of the business and affairs of the Company on behalf of the shareholders, in accordance with the established corporate governance framework. The Board ensures proper management and functioning of the Company and a reasonable return to the shareholders. The Board of Directors, which is multi-skilled, executed this oversight role satisfactorily.

The Board has three Committees, namely the Board Audit & Risk Committee, the Board Administration and Technical Committee and the Board Finance Committee.

I am pleased to report that despite the Covid-19 pandemic lockdown, the full Board and the three Committees held regular and special meetings to execute their mandate. Most of the meetings were held virtually in order to comply with the Covid-19 restrictions put in place by the Government.

The Board has continued to improve the governance framework of the Company, and to strengthen the control environment to address revenue leakage and loss of value and to minimize risk, and has put in place several governance manuals and policies.

### Outlook for the Future

In the year 2019 the Company adopted a new five-year strategic plan. In pursuit of the strategic goals in the plan, the Company aims to enhance production capacity and processes to achieve increased production and quality, to increase revenue and profitability, to develop high performance culture and systems, and to create a customer-focused business.

To achieve the above goals, the Board has approved a substantial capital expenditure. Most of the capital expenditure will be used to finance the construction of a new tunnel kiln and artificial drier at Kajjansi, extension of the length of tunnel kiln and the enhancement of drying facilities at Kamonkoli.

This expenditure will be financed entirely from the Company's earnings.

We are confident that these investments will propel the Company to sustained growth and profitability for many years to come.

### Appreciation

On behalf of the Board, I would like to thank the shareholders for the continued commitment and faith in the Company. I wish to appreciate our staff for their continued effort and service to the Company.

The success of the Company depends largely on their effort. We especially salute the staff who worked under difficult conditions during the Covid-19 lockdown.

I gratefully recognise our customers for the support, loyalty to and confidence in the Company and its products, despite the challenging economic environment during the year under review.

I also thank the members of the Board of Directors for their continued dedication to improving the governance of the Company and determination to see it return to profitability.

We value the contribution of all who have given value to the business of the Company and assure you all of our continued dedication as we strive for better results in 2021 and beyond.

**Eng. Martin Kasekende**  
*Chairman Board Of Directors*