Chairman's Statement

Policy and Performance

Unga Group's long-term policies have once again been vindicated. In 2011 our business was buffeted by the effects of drought and devaluation. Individually, these problems can be considerable. In combination, they were especially difficult, causing an acute shortage of raw materials, higher operating costs, foreign exchange losses, reduced margins and depressed consumer demand. That is a cocktail of conditions likely to damage any business.

Yet we emerged with turnover up by 14.7 per cent, gross margin up 37%, and pre tax profits up 88% over prior year. The balance sheet strengthened with a 19% increase in net current assets. How did we manage this? The answer is to be found in the core principles on which we have built our business.

We recognise that every year will have its challenges and we design and prepare ourselves to meet and try our best to overcome them. This is our recipe:

- Unga remains true to its core business. We stick to what we do best.
- Product quality is Unga's over-riding priority, no matter what. We earn and honour customer loyalty, whatever the circumstances.
- Unga recognises that traditional operations must be combined with modern methods and innovative drive. We invest constantly in upgrading our efficiency, our capacity and our people. We devise new products, new packaging, new distribution systems and new partnerships.

So instead of looking back on hard years (and that means most years) with the classic regrets of "could have, should have, would have", we have people who are already able and skilled running systems and partnerships that are more efficient, providing innovative products and services of good value and guaranteed standard to customers who trust us.

The Managing Director's report explains how each of these principles came into play in the past year, to minimise the downs and maximise the ups to the net benefit of shareholders, staff and customers alike.

This is the formula that makes us sustainably competitive, and positions us to do our best to achieve annually the best possible results. Consequently, in 2011, this formula has enabled the Board to recommend a first and final dividend of Shs 0.75 per share (50% higher than prior year) subject to shareholders' approval at the annual general meeting on 6 December 2011.

I would stress that maintaining traditional business lines and following established principles does not mean we operate on some sort of corporate cruise control. Problems, remedies, opportunities and prudent judgment are a never-ending dynamic. They demand a Board that is steadfast and responsive; management on high alert with fast reflexes, imagination and organisation; and staff who deliver on everything the Unga brand stands for with skill and hard work. I commend and thank them all.

Future Outlook

The year ahead is likely to feature continued inflationary pressure on commodity prices and operating costs, combined with weak local currencies. Implementation of the new constitution and the national elections in 2012 are likely to impact on the economy and demand for our products.

We will address these issues with confidence and the determination to sustain our product quality standards, focus on the core business of milling and distribution of flour and animal nutrition and health products; enhance investment in training, modernisation and capacity growth; innovative production and distribution for competitive edge; constant assessment of investment and partnership opportunities. We shall also do our best to improve product range and coverage in both existing and emerging markets.

As an agri-based business, Unga Group's results are always subject to a number of factors that cannot be known with certainty in advance – not least the weather! In 2012, with foreign exchange exposure and risk likely to be at particularly high levels, even the "best possible" result which we are pledged to strive for may not match the 2011 outcomes.

We are also pledged to maintain our employee-driven Social Responsibility programmes. These are not an optional extra but a part of our ethos. Our help gets more important, not less, in the harshest economic conditions.

Our overall policy formula may be clear to state but it is not simple to achieve. Delivering on continual improvement in every sphere is a monumental task. But it is by facing that internal challenge, in advance, that we are able to meet and often beat the external challenges.

Finally I take this opportunity to gratefully thank my fellow directors for their dedication and unwavering support that has enabled us to navigate through a turbulent financial year that has ended with positive results and management's untiring effort to ensure that Board policies are effectively implemented.

Richard Kemoli MBE FIoD
Chairman