ANNUAL REPORT 2019

Uganda Clays Ltd

BUILDING ON TOMORROW


Uganda Clays Ltd

ANNUAL REPORT 2019

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Uganda Clays Ltd [the Company] in respect of the year ended 31 December 2019 will be convened and held by electronic means on **Thursday 8 October 2020** at **2:30 pm.**

AGENDA

Ordinary Business

1. To receive and confirm the minutes of the meeting held on 26 July 2019.

2. To receive, consider and approve the Directors' report and audited financial statements for the year ended 31 December 2019, together with the report of the auditors.

3. To rotate and elect Directors in accordance with the Articles of Association of the Company and determine their remuneration.

4. To consider, and if deemed fit, appoint PKF Uganda as auditors for the year ending 31 December 2020 and authorize the Directors to fix their remuneration.

Special Business

5. To consider, and if deemed acceptable, approve amendments to the Articles of Association of the Company:

5.1 By inserting under **Article 2** the following new clauses:

- **"General Meeting"** means any meeting of the Shareholders convened either as an Annual General Meeting or Extraordinary General Meeting;
- **"Hybrid General Meeting"** means a general meeting that comprises of both physical and or virtual attendance of the members in which they exercise their rights which include voting, asking questions, deliberating on issues, making of decisions.
- **"Virtual General Meeting"** means an online general meeting of the members which takes place in real time through the means of video, audio and text in which they exercise their rights which include voting, asking questions, deliberating on issues, making of decisions without being physically present.
- the performance of an act by physical or other means shall include the performance of the act by electronic means.

5.2 By substituting for the current **Article 38** the following new Article:

Article 38(a): The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. A general meeting may be held by way of teleconference, video conference or by any other means of communication approved by the Board of Directors.

Article 38(b): A general meeting may comprise of any or all of the following:

- a physical meeting at such place as the Directors shall determine;
- a virtual meeting which shall include video and or tele conferencing facilities;
- a hybrid meeting that comprises of both the physical and virtual meeting.

Article 38(c): The Board may determine the number of attendees for the physical venue provided that alternative means of attendance are provided to the other members and their proxies.

5.3 By substituting for the current **Article 45** the following new Article:

Article 45: No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, members holding at least 45% of the issued shares of the Company being present in person or by proxy or via electronic means shall be a quorum.

5.4 By substituting for the current **Article 69** the following new Article:

Article 69:
(a) The number of directors shall not be less than (7) seven, or more than (10) ten.

(b) The directors shall as much as possible be nominated and elected on the basis of shareholding strength.

(c) In every year one third of the directors for the time being shall retire from office, except the managing director. Retiring director shall be eligible for re-election.

(d) The directors to retire in every year shall be determined by rotation rota.

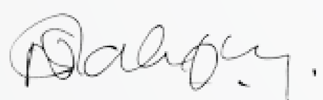
(e) A person shall not be qualified to be elected as a director unless that person has a minimum qualification of a Uganda Advanced Level Certificate.

5.5 By substituting for the current **Article 83** the following article:

Article 83: The directors shall have power at any time, and from time to time, to appoint any person to be a director to fill a casual vacancy. A director so appointed shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at such meeting.

Any other Business

6. To consider any other business for which notice has been given to the Secretary at least 48 hours before the meeting.



Lex Uganda Advocates & Solicitors
COMPANY SECRETARY

Notes:

1. **AGM Documents**

The audited financial statements, annual report, notice of the AGM and proxy form will be uploaded onto the Company website www.ugandaclays.co.ug.

2. **Why a Virtual AGM**

Following the declaration by the World Health Organization that the corona virus (COVID-19) was global pandemic on 11th March 2020, the Government of Uganda imposed several Rules and restrictive measures under the Public Health Act, Cap. 281, to curb the spread of the virus in Uganda. The measures include a ban on public meetings of more than ten (10) people and social distancing. The Company could not therefore hold a normal physical Annual General Meeting as provided for in the Articles of Association.

On 17th August 2020, the High Court granted leave to the Company under Section 142 of the Companies Act, 2012, to convene and hold an Annual General Meeting for the year ended 31st December 2019 by electronic means.

The Company has put in place an execution plan for the virtual Annual General Meeting which for which it has obtained approval/"No Objection" from the Uganda Securities Exchange.

3. **Registration for the AGM**

In order to participate in the virtual Annual General Meeting, shareholders should register through the following options:

- Dial the USSD code *284*31# from a mobile telephone on any Ugandan mobile network and follow the various prompts in the registration process.
- Shareholders who reside outside Uganda may send an email request to ugandaclays@image.co.ke and provide their name, ID/Passport number/ SCD number to be registered. Once registered they will receive a notification.

- Links to register via a web portal will also be sent to all shareholders with email addresses in the Register.

Once registered, a shareholder will receive a notification by sms or email.

In order to facilitate shareholder verification, a shareholder will be required to submit a valid identification document such as a National Identity card or passport and/or their SCD account details. For assistance, shareholders should dial the following helpline number: +254 709 170 000 from 9:00 am to 4:00 pm from Monday to Friday or send an email to ugandaclays@image.co.ke or shareholder@ugandaclays.co.ug.

Registration commences 21 days to and closes 48 hours before the AGM. Shareholders will not be able to register after the deadline.

4. Attendance of and Participation in the AGM

The AGM will be streamed live at the scheduled time and date to shareholders who will receive a link to the event upon successful registration. Voting shall be done electronically via USSD or through the web link shared upon successful registration.

Shareholders will be advised to submit questions in advance via sms, web link or email. Responses to some of the questions received shall be provided at the meeting. A list of all questions received and the answers thereto will be published on the Company's website within 24 hours after conclusion of the AGM.

Resolutions passed during the meeting will be announced before close of the meeting and thereafter published in a newspaper of national circulation and the Company website within 24 hours after conclusion of the AGM. The resolutions will also be sent to shareholders who have provided their email addresses.

5. Proxies

A shareholder who is unable to attend the AGM may appoint a proxy to attend the meeting on his or her behalf. Proxy forms are in the Annual Report to be sent out to the Members or may be downloaded from the Company's website at www.ugandaclays.co.ug.

Duly completed proxy forms must be delivered to the Company's head office at Kajjansi or emailed in pdf to secretary@ugandaclays.co.ug, to be received at least 48 hours before the meeting.

6. Publication of AGM Documents

The following documents will be published and accessible on the Company's website www.ugandaclays.co.ug:

- Notice of the AGM
- The Annual Report
- Audited Financial Statements for the year ended 31st December 2019
- Proxy form
- Court Order
- Letter of No Objection issued by the USE.

7. Updating of Shareholder details

Shareholders are urged to contact the share Registrar, to update their contact details for ease of communication and receipt of dividends.

8. Unclaimed Dividends

Shareholders who have not received past dividends should send an email to shareholders@deloitte.co.ug or call +256 (0) 417 701 000. Shareholders will be required to provide valid identification such as a copy of the national identity card, passport or driver's license.

9. Securities Central Depository (SCD) Accounts

The USE requires all listed companies to immobilize all shares that they still hold in certificate form. Shareholders are advised to open Securities Central Depository (SCD) accounts with the assistance of any of the SCD Agents listed on the Uganda Securities Exchange website www.use.or.ug to enable them continue to trade in shares.

Uganda Clays at a glance

Revenue

Revenue grew from 30.1 Billion in 2018 to 30.7 Billion in 2019 representing a 2% increase.

Year	Ushs Bn
2019	30.7
2018	30.1

Cost of sales

Cost of Sales increased from 19 Billion in 2018 to 21 Billion in 2019 representing a 10% increase. This was majorly due to machine down time at Kamonkoli Factory due to annual maintenance.

Year	Ushs Bn
2019	21
2018	19

Operating costs

Operating Costs moved from 8.5 Billion in 2018 to 11 Billion in 2019 representing a 29% increment. This was attributed to Professional and Consultancy expenses incurred during the period and the increase in distribution costs.

Year	Ushs Bn
2019	11
2018	8.5

Income taxes

Income tax credit for the year amounted to 715 Million compared to a tax charge of 508 Million in 2018

Year	Ushs Mn
2019	715
2018	(508)

Balance sheet analysis

Total assets as of 31 December 2019 were shs 62 Billion compared to shs 65 Billion in 2018 representing a 5% decrease.
Shareholder Equity reduced by 3% to shs 31 Billion in 2019 compared to 32 Billion in 2018
Outstanding loan balance for NSSF remains at Shs 20.5 Billion

Total Assets

Year	Ugx Bn
2019	65
2018	62

Cash flow analysis

During the Financial year under review the company generated Ushs 6.3 Billion from operating activities compared Ushs 5.3 Billion in 2018.
Capital investments implemented in the year totaled to Ushs 340 Million compared to Ushs 1.5 Billion in 2018.
The company also paid dividends of shs 900 Million in relation to year 2018.
The net cash available increased to 935 Million in 2019 compared to 416 Million in 2018.

	Cash generated	Capital investment	Dividend	cash available
Year	Ushs Bn	Ushs Bn	Ushs Bn	Ushs Bn
2019	6.3	0.34	0	0.935
2018	5.3	1.5	0.9	0.416

EBITDA

Gross profit for the period reduced from Ushs 2.5 Billion in 2018 to a gross loss of Ushs 804 Million. This is attributed to a small percentage growth in revenue

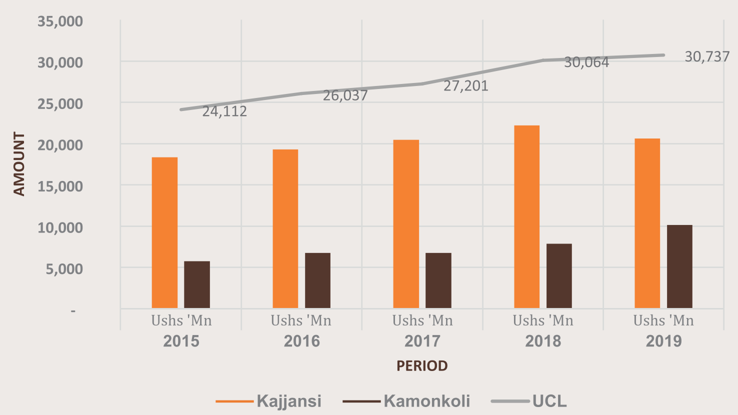
Year	Ushs Bn
2019	(-0.8)
2018	2.5

Financial Perfomance Analysis

1. UCL operations:

1. Revenue
Revenue has grown by 28% in the last five years.

Revenue (Million)



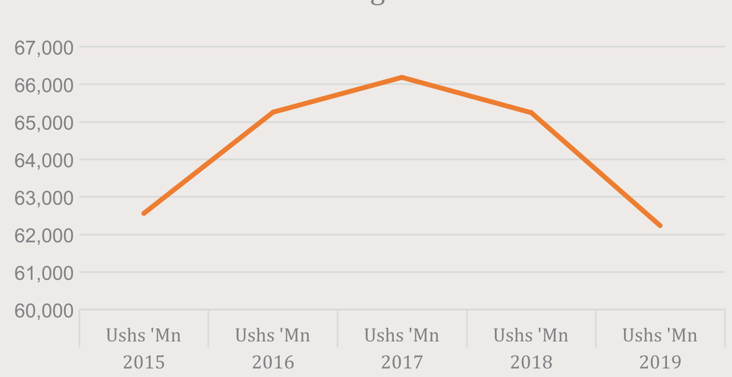
2.. UCL performance over the 5 years

STATEMENT OF PROFIT/LOSS FOR FIVE YEARS (Million)					
	2015 Ushs 'Mn	2016 Ushs 'Mn	2017 Ushs 'Mn	2018 Ushs 'Mn	2019 Ushs 'Mn
Revenue	24,112	26,037	27,202	30,064	30,737
Cost of sales	(16,367)	(15,580)	(16,511)	(19,404)	(21,282)
Gross profit	7,745	10,457	10,691	10,660	9,455
Overhead Costs	(7,759)	(6,447)	(7,832)	(8,545)	(11,056)
Operating profit/ (loss)	3,203	4,151	3,167	2,669	(744)
Cost of sales to sales	68%	60%	61%	65%	69%
Gross profit margin	32%	40%	39%	35%	31%
Overhead Costs to sales	32%	25%	29%	28%	36%
Operating Loss/profit margin	13%	16%	12%	9%	2%
Net Profit/Loss Margin	-5%	9%	9%	7%	0%

3. Asset growth:

UCL assets have increased over the years up to year 2017, beyond which the balances have declined. This has been majorly due to depreciation and low capital expenditure. Management has however embarked on the process of reinvesting in year 2020, which will see it increase its total assets as shown in the UCL 2019 - 2023 strategy.

Asset growth



Asset growth

2019
Ushs 'Mn
62,237

2018
Ushs 'Mn
65,239

2017
Ushs 'Mn
66,190

2016
Ushs 'Mn
65,264

2015
Ushs 'Mn
62,557

Uganda Clays Ltd Business Model

Corporate Information

Top 10 Shareholders as at 31 August 2020:

No.	Investor Name	Shares Held	% Shareholding
1	National Social Security Funds	292,640,000	33%
2	National Insurance Corporation Ltd	160,783,091	18%
3	Timothy Sabiiti Mutebile	24,997,828	3%
4	Kenya Power and Lighting Company	20,207,200	2%
5	Bank Of Uganda Defined Benefits Scheme- Geneafrica	18,836,500	2%
6	Joseph Tukuratiire	15,215,983	2%
7	Uganda Comm Employees Contrb Scheme-Sims	12,857,767	1%
8	Ocaya Bruno Ronnie Max & Ocaya Bernadette M &	12,483,178	1%
9	Uganda Development Bank Limited	10,147,335	1%
10	Central Bank Of Kenya Pension Fund	10,145,428	1%
		578,314,310	**64%**
	Other 2904 Shareholders	321,685,690	36%
		900,000,000	**100%**

Prepared by Deloitte (Uganda) Limited

Analysis of Shareholding as at 31 August 2020:

Range ID	Description	No. of Investors	No Of Shares Held	% Shareholding
1	Less than 500 Shares	128	33,450	0.00%
2	Between 501 and 1,000 Shares	142	117,450	0.01%
3	Between 1,001 and 5,000 Shares	626	1,672,089	0.19%
4	Between 5,001 and 10,000 Shares	532	4,495,633	0.50%
5	Between 10,001 and 50,000 Shares	841	21,467,295	2.39%
6	Between 50,001 and 100,000 Shares	251	19,204,104	2.13%
7	Above 100,001 Shares	394	853,009,979	94.78%
		2,914	**900,000,000**	**100.00%**

Prepared by Deloitte (Uganda) Limited

Summary of Shareholders as at 31 August 2020:

Nationality	Category	No. of Members	No. of Shares	% Shareholding
East African	Corporate	88	637,331,188	70.81%
	Individual	2,709	244,426,445	27.16%
		2,797	881,757,633	97.97%
Foreign	Corporate	2	1,107,513	0.12%
	Individual	115	17,134,854	1.90%
		117	**18,242,367**	**2.03%**
Grand Totals:		**2,914**	**900,000,000**	**100.00%**

Prepared by Deloitte (Uganda) Limited

Independent Auditors

PKF Uganda
Kalamu House
Plot 1 B Kira Road
Kampala, Uganda
Tel: 0414 232733/344172

Lawyers & Company Secretary

Lex Uganda Advocates, Solicitors
8th Floor Communications House
Plot 1 Colville Street
P.O. Box 22490, Kampala
Kampala, Uganda
Fax: 0414 254721
Email: partners@lexugand.com
Website: www.lexuganda.com
A member firm of TerraLex

Registrars

Deloitte (U) Ltd
Rwenzori House
1 Lumumba Avenue
P.O. Box 10319

Security Central Depository Agents/Brokers

Baroda Capital Markets (U) Ltd
P.O. Box 7197 Kampala
Tel: +256 414 233680/3
Fax: +256 414 258363
Email: bob 10@calva.com

Crested Stocks and Securities Limited
6th Floor Impala House
Plot 13-15 Kimathi Avenue
P.O. Box 31736 Kampala
Tel: +256 414 230900
Fax +256 414 230612
Email: info@crestedsecurities.com
www.crestedsecurities.com

Dyer & Blair (Uganda Ltd)
Rwenzori House, Ground Floor
P.O. Box 36620 Kampala
TeL: 256 414 233050
Email: shares@dyerandblair.com

Equity Stock Brokers (U) Ltd

Orient Plaza Plot 6/6A Kampala Road
P.O. Box 3072 Kampala
Tel: +256 414 236012/3/4/5
Fax: +256 414 348039
Email: equity@orient-bank.com

PRINCIPAL BANKERS

Standard Chartered Bank (U) Limited
P.O. Box 7111
Kampala

Stanbic Bank (Uganda) Limited
P.O. Box 7131
Kampala

Equity Bank Uganda Limited
P.O. Box 10184
Kampala

KCB Bank Uganda Limited
P.O. Box 7399
Kampala

Housing Finance Bank Limited
P.O. Box 1539
Kampala

Centenary Rural Development Bank
P.O. Box 1892
Kampala

Registered Office

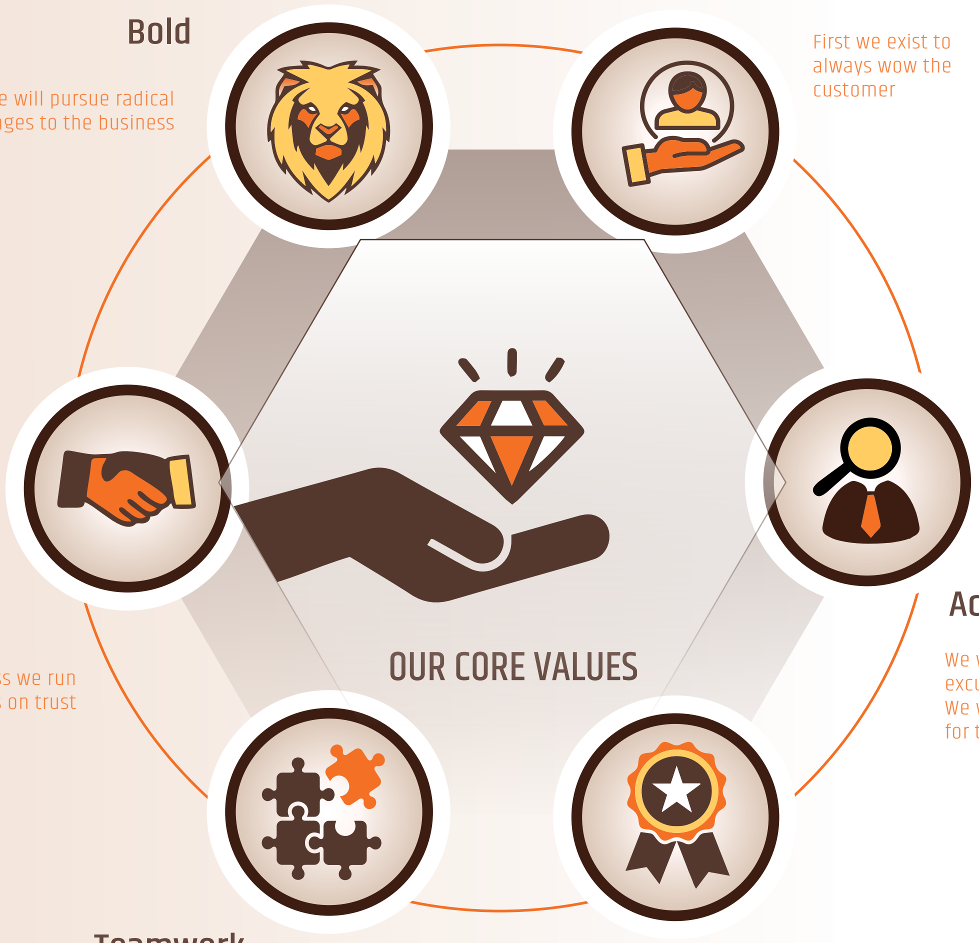
Uganda Clays Limited
Plot 22/2 Kitende, Kajjansi
Kampala-Entebbe Road
P O Box 3188
KAMPALA

Our Vision

"To be the leading brand for building solutions."

Our Mission

"To drive radical improvements in building solutions through unmatched simplicity, convenience, and quality."



Customer
First we exist to always wow the customer

Bold
We will pursue radical changes to the business

Accountable
We will not make excuses for inaction. We will be responsible for the outcomes

Integrity
The business we run depends on trust

Teamwork
Innovation is built on collaboration and freedom of thought

Quality
We will set the quality bar high on people, products and processes

About Us

History of incorporation and ownership

The company was incorporated in 1950 as a Private Limited Liability Company by the Georgiadis Greek Cypriot family. Through the years, the Company changed ownership; first, to Westmont Engineering and Construction Company in 1969, then a transfer of 13,125 shares to National Housing and Construction Company (out of 17,500 total shares) in 1977, followed by another transfer to White Tower Corporation in 1996.

In 1998, the Government of Uganda decided to divest its interest in the company; for its 375,000 shares out of 500,000 to be sold to the general public and company employees upon the company being listed on the Uganda Securities Exchange (U.S.E.). In 1999, UCL was constituted into a Public Limited Liability Company. This paved the way for the listing of the company on the U.S.E, and in 2000 Uganda Clays Ltd became the first equity to be listed on the Exchange.

Nature of business

Our main business is to satisfy our customers' construction needs at every stage of their building journey. Customers use our wide range of products at the foundation stage, wall construction, roofing and finishing or decorative stages. To meet these customer needs, we are engaged in the manufacture and sale of baked clay construction products including; roofing and floor tiles, suspended blocks, bricks, and decorative products

Where we are located:

UCL has two factories; one at Kajjansi in Wakiso District, and another at Kamonkoli in Budaka District in eastern Uganda. In both districts, UCL is the biggest employer both directly and indirectly. UCL is has a website and social media pages on Facebook and YouTube.

Our distribution network

UCL has customers from all the corners of Uganda. In order to reach them effectively, we have set up outlets. There are four UCL company sales outlets located in: Kamonkoli, Lugogo, Ntinda and Mbarara. However, customers can still access all the UCL products at the factory premises in Kamonkoli and Kajjansi.

Our Products:

Due to the diverse tastes and preferences of our customers, UCL produces a wide range of products. They are largely categorised as: roofing and floor tiles, suspended floor units, bricks, walling and partitioning blocks, ventilators and decorative grilles.

Our roofing tiles are in four types namely; Mangalore tiles, Merseilles tiles, Portuguese tiles, and Roman tiles.

UCL manufactures the widest range of suspended floor tiles, which include: Maxpans in various sizes (4'', 5'', 6'', 7'', 8'', 9'' and 12''), as well as Freespans in size 4'' and 6''.

Roofing Tiles


Portuguese Tiles


Mangalore Tiles


Ridge


Roman Tiles

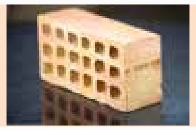

Merseille Tiles

Walling and Partitioning Blocks


Maxpan


Interlocking Brick


Partitioning Brick

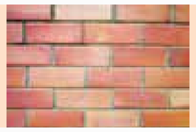

Selected Brick

Bricks & Floor Tiles


Quarry Tiles


Half Brick


Partitioning Brick


Fire Bricks

Ventilators


Venzia

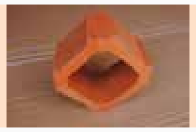

Torinno


Z-Vent


Logo Vent

Decorative Grilles


Spina


Single Pompei


Toledo

WHAT YOU MUST KNOW ABOUT

SUSPENDED FLOOR UNITS

(Commonly known as 'Maxpan')

What is a suspended floor?

A suspended floor is a ground floor with a void underneath the structure that is supported by external and internal walls. The floor can be formed using timber supports, pre-cast concrete panels, blocks and beam systems.

What is a suspended floor unit?

- It is a clay or concrete block used in the construction of suspended floors and roofs on storeyed/multi-floor buildings.
- It is a volume filler and is used to reduce on the beam weight on the suspension while maintaining the architectural design.

What types of suspended floor units are available at UCL?

At Uganda Clays Ltd, we produce suspended floor units in the form of the Maxpan as our core suspended floor unit type. Nevertheless, we produce frees-pans too, on special order. Both Maxpan and free-spans serve the same purpose.

	MAXPAN	FREE-SPAN
Structural design	Have pans (wing) on either side	They are flat on both sides
Application	Do not have a designed line of weakness so it is used as a whole	Have designed lines of weakness, which are broken off during casting stage
	Reinforcement bars are placed underneath the pans during casting	Reinforcement bars are passed through the broken points when setting to cast
	Casting is usually done on the site. No pre-casting can be done	Can be pre-cast in form of beams and transferred to the site.
	The wider surface faces up during the construction	The wider surface faces down during construction

Who uses them?

- House owners - Structural engineers
- Construction companies & Builders.

All the above use them when constructing storeyed or high-rise structures.

What are their specifications?

Maxpan at Uganda Clays are manufactured in various sizes:
•4 inch • 5 inch • 6 inch • 7 inch •8 inch •9 inch & • 12 inch.
Uganda Clays is one of the very few manufacturers that provide the 9 inch and 12 inch sizes.

Maxpan/freespans sizes, weight and other dimensions:

Maxpan/freespans are of different sizes, which are usually determined by the architectural design including the height of the structure and the span of the slab.

Fig 1 Maxpan

Size / height (h) in inches	Av. Weight Kg/Unit	Av. Length mm	Av. Width mm	Area/m2
4”	6.8	300	300	8
5”	7.5	300	300	8
6”	8.5	300	300	8
7”	9.8	300	300	8
8”	11.0	300	300	8
9”	12.3	300	300	8
12”	16.5	300	300	8

Maxpan/freespans sizes, weight and other dimensions:

Maxpan/freespans are of different sizes, which are usually determined by the architectural design including the height of the structure and the span of the slab.

Fig 2 Freespan

Size / height (h) in inches	Av. Weight Kg/Unit	Av Length mm	Av Width mm	Area/m2
4”	6.2	300	300	8
5”	8.9	300	300	8

Note:

Uganda Clays Maxpan are produced in the standard weights, which are periodically verified by the Uganda National Bureau of Standards (UNBS). There is thus minimal risk of overloading the roof structures, which could lead to the collapse of the building.

Things to note when preparing to lay Maxpans/freespans in order to obtain a strong and sound slab:

- The acceptable rib width varies between 75mm -100mm unless as specified. This eases compaction and vibrator porker movement.
- Coarse aggregates used in ribs should consist of two different sizes of crushed stones if possible 3”/461”/2 mixed together in order to obtain a better grading.
- Use clean water (fit enough for human consumption) for concrete mixing.
- The right amount of water should be added for hydration of cement to ease placing and compaction. The water: cement ratio is 50kg bag of cement to 25kgs of water. Any excess water reduces the strength of concrete greatly.
- The allowable distance from beams (supports) to the Maxpan placing should be equal to the slab depth.
- The concrete cover (topping) of Maxpans is a minimum of 50mm with anti-crack reinforcement (BRC mesh) as specified by the structural engineer.\
- Use a batch box (not a wheel barrow) to establish the quantities of materials for concrete.
- Grade 20-25 is recommended for reinforced suspender slabs (mix 1:2:4, 1:1 1/2:3) [Cement: Sand: Aggregate ratio].
- Most optimal strength is attained when curing is considered between 14 – 28 days from the date of casting the slab.
- The size and height of the building determines the size of Maxpans to be used.
- Ensure that the Maxpans are of the correct weight as indicated by Uganda Clays Ltd

How do you select which Maxpan/freespan size to use on your structure?

- **The depth of the slab:** The architectural-recommended slab thickness determines the size of Maxpan/freespan to be used. For instance, a slab thickness of 225mm would require a Maxpan of 7 inches (175mm) given that the standard concrete top-up is 50mm. [175+50 = 225] mm.
- **The intended use of the slab:** Slabs are designed according to the activities that will be carried out at a particular level when the building is completed. For instance, a level meant for car packing requires a bigger size of Maxpans slab than that for shops. Furthermore, if the levels are to be used for similar activities such as classrooms, offices or shops, the size of Maxpans used can remain the same. The higher the floor level from the ground, the lighter the Maxpans/freespans should be.
- **The clear span of the slab:** Architects usually give clear information about the span of the slab. A wider span requires bigger Maxpan/freespan sizes for maximum strength attainment and vice versa.

Key definitions:

- **Slab:** Refers to a common structural element on modern buildings, consisting of a flat, horizontal surface made of cast concrete. These slabs are generally classified as ground-bearing or suspended. A slab is ground-bearing if it rests directly on the foundation; otherwise the slab is called ‘suspended.’
- **Span of the slab:** The distance between two intermediate supports for a structure, e.g., a beam or a bridge.
- **Curing of concrete:** The process of providing adequate moisture, temperature, and time to allow the concrete to achieve the desired strength properties suitable for its intended use.
- **Grade:** The strength and composition of concrete.
- **Batch box:** A special container used to measure and mix the ingredients of concrete, plaster, or mortar, which is preferred to a wheelbarrow so as to ensure accurate proportions.
- **Ribs:** The space/gap between one Maxpan column and the other.
- **Compaction:** The process that increases load-bearing capacity and stability.
- **Vibrator Porker:** The tip of the vibrator pipe that moves freely through the 75mm – 100mm gap to ensure that proper compaction is attained.
- **Perforation:** Refers to the openings and holes passing through a block or any material. The perforation is functionally important for weight reduction.
- **Soffit:** Basically, an exterior or interior architectural feature. Generally, the horizontal, underside of any construction element.
- **BRC wire mesh:** A type of prefabricated steel reinforcement wire mesh. BRC is a brand name

What your Shopping basket should include:


Aggregate used in concrete mixing

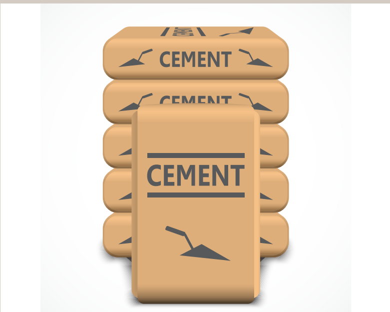

Sand used in concrete mixing


Water


Aggregate used in concrete mixing


Trowel


Timber used for shuttering



Cement


Poles


BRC wire mesh


Reinforcement bars


Maxpan block


Batch box

Pictorial demonstration of Maxpan application:

Step 1:
Columns and beams are laid to support the structure

Step 2:
Shuttering

Step 3:
A polythene sheet is laid on top of the shuttering to prevent concrete leakage during casting. The Maxpans are then laid.


Well-laid Maxpans on the shutter before concreting


BRC wires used as anti-cracks and also reinforcement

Step 4:
BRC placed on the Maxpans before concrete casting

Step 5:
Concrete slabbing by use of a compressor

Step 6:
Slabbing completed

Note:
The curing period for the concrete is between 14 - 28 days after which both the timber used for shuttering and polythene sheets may be removed.

Benefits of using Uganda Clays Maxpans

- They provide the advantage of load reduction in comparison to a similar complete solid concrete slab of the same volume.
- The perforation in the Maxpan block reduces the weight of the block making it suitable for the suspended floor.
- When Maxpans are used in a slab, the cost is reduced by 15% as compared to a solid concrete slab.
- Maxpans act as heat insulators due to their hollow nature.
- Maxpans have grooves on the top and bottom faces, which improve bondage on concrete and plaster on the ceiling soffit.
- The various sizes (depth) of Maxpans ease slab designing.
- Maxpans can also be used in doubles or triples to achieve required depths.
- The baking temperature for Maxpans at Uganda Clays is between 950 – 970°C, making them extremely strong and long-lasting.
- Maxpans made by Uganda Clays are lighter than others available on the market. Specifically, our Maxpans of six inches weigh an average of 8.5 kg/unit; other maxpans on the market weigh between 12.05kg – 15.2kg each, which exceeds the acceptable weight per square meter.
- Just like our other clay materials, Uganda Clays Maxpans are sound proof / sound insulators and fire resistant.

Benefits of Freespans

- Saves on the quantity of steel used due to its design thus cost effective
- Do not need shuttering if they are precast. Freespans can be laid and cast in form of beams then transferred to the required location, for example when being used as pit latrines covers, roofs of smaller spans, balconies, channels etc.
- May not require polythene sheet during construction due to the minimal gaps left in between during placement, thus less costly.
- Less concrete is required due to the little space left uncovered. Also, no ribs are required when placing them.
- Can be used in smaller projects thus affordable for the income levels of all customers.

Demystifying common myths:

Myth #1: Black/over-fired Maxpans are poor in quality and are not fit to use.

Fact: Black patches are a result of slight over-firing and this cannot make them weak or unfit for use. Over-firing actually makes them stronger.

Myth #2: The thicker the Maxpan wall, the stronger it is.

Fact: The strength of a Maxpan is not determined by the thickness of the walls but by the clay particle size and its compressive strength attained during the production process.

Myth #3: A roof slab made of Maxpans is too heavy given the volume of Maxpans.

Fact: Uganda Clays Maxpans are hollow blocks and they are placed in a way that does not permit entry of concrete into the holes during construction so that there is no chance of weight increase.

How to tell a good maxpan from a bad one

	Quality Maxpan	Sub-standard maxpan
1.	Conforms to the approved standard weight	Heavy/above the approved standard weight
2.	Complete or minor chipped ends and possess standard dimensions	Open broken parts and do not measure to the standard dimension
3.	Are straight	Crooked / deformed
4.	Brick-red or buff in colour, may have slight black patches	Unpleasant colour (under-fired)
5	Has metallic sound when tapped	Has low/poor sound
6.	Creates thinner/lighter walls	Creates very heavy/thick walls
7.	Has few minor cracks	Has multiple wide cracks
8.	Has a maximum water absorption of 14%	Absorbs a lot of water and disintegrates

The information provided above may not exhaust all your queries about Maxpans. We invite you to share your questions and/or comments on mail, **kajjansi@ugandaclays.co.ug**, or call us on **+256 772 700 255.**

UCL has a wide distribution network of agents whose role it is to bring UCL products and services as close to our customers as possible.

UCL Sales Agents 2020:

AGENT	Location	CONTACT NO	CONTACT PERSON
CENTRAL REGION			
Kiky's Building Solution Ltd	Kyaliwajjala	0782692776/0392947576	Mr. Kitone Joseph
Kampala Construction & Shelter Ltf	Nateete	0772493731/0393112082	Mr. Mugabo Paul
Multidime Consultants Ltd	Hoima	0772432520	Mr. Byakutaaga Stephen
Uganda Builders and Hardware Deals Ltd	Mityana rd-bujjuko	0772445885	Mr. Ssekaabe Joachim
Stevelyns Investments Ltd	Gayaza	0772711500/0754711500	Mr. Iberut Steven
Akajuma Agencies Ltd	Kansanga	0788760801/0703771047	Ms. Kansiime Grace
Muscle Group Ltd	Lubowa	0312110511	Mr. Ssendagire Charles
EASTERN REGION			
Bagasha Hardware Centre	Jinja	0704887617	Ms. Asasira Martha
Bonny Construction Co.Ltd	Mbale town	0772438837	Mr. Simali Bonny
New Super Entreprises	Soroti	0772448662	Ms. Ekayu Christine
NORTHERN REGION			
Northgate Construction Solution Ltd	Arua	0774900343	Mr. Oluma Micheal Alitre
Awonenga General Hardware Ltd	Lira	0772578195	Mr. Apule Jackson
Eleora Investments Ltd	Gulu	0772552379	Mr. Ocakacon Geofrey & Mr. Otara Stephen White
Komas U Ltd	Fort portal	0772558056	Mr. Kazooba David
Fast Home Consultants	Kabale	0702535989/0772441596	Mr. Zikampereza Phillip

Chairman's Statement

Eng. Martin S. Kasekende
CHAIRMAN, BOARD OF DIRECTORS

The Board of Directors remains Committed to Returning UCL to profitability as soon as possible. Despite several disruptions, the Company will continue to build on tomorrow through careful planning and execution of activities, a focused capital outlay for higher production, and additional land acquisitions.

The Corona Virus Disease (COVID-19) has been sweeping across the world and has completely changed the normal way of doing business. At the time of issuing this annual report, the impact on the Ugandan economy, like in many other world economies, has been profound.

COVID-19 has presented new risks and challenges never seen before in the world. The disease has led to the introduction of stringent regulations by the Government of Uganda through Ministry of Health. These regulations have affected how business is conducted, supply chains have been disrupted nationally and internationally. Human resource usage has been reduced due to the lock down and social distancing measures. Uganda Clays Ltd had to use a skeleton of staff to continue production, which affected the total production output. The cost of production rose due to the SOPs issued by the Ministry of Health. The sales volumes dropped tremendously at the onset of the pandemic and the resultant lockdown.

I am happy to inform shareholders that the Company has not reported any COVID-19 infections as we continue to adhere to Ministry of Health guidelines. The Board has embraced online technologies to be able to carry on company business.

Holding the AGM

Under the Companies Act 2012 of Uganda, the Company is required to conduct an Annual General Meeting (AGM) at least 15 months after the previous AGM. The Company scheduled the AGM for 8 October 2020 for the year ended 31 December 2019. The AGM shall be conducted virtually in accordance with the guidelines issued by the Uganda Securities Exchange and the Ministry of Health.

Performance Overview

The Ugandan economy remained stable. There was however an increase in the rate of domestic inflation from an average of 2.6% in 2018 to an average of 2.8% in 2019. The global growth has been affected by the tensions between the United States of America and China. This, coupled with stagnant growth and subdued demand in Europe, has negatively impacted on Ugandan exports. Unpredictable weather impacted agricultural production negatively and this affected the purchasing power of Ugandans.

The Company's revenue thus had a slight year-on-year growth in revenue from UGX 30.06 Billion to UGX30.73 Billion. However, due to the macroeconomic factors in the market, the cost of sales also increased thus leaving the company with a loss of UGX88.4 million.

Profitability

As mentioned earlier, the Company has made a loss of UGX88.4 Million as indicated in the Statement of Profit or Loss of the Company. This could be attributed to among others the increase in the cost of doing business due to various factors including scarcity of key fuels like coffee husks, which thus led to increase in price; outsourcing of casual workers, and increase in salaries and wages due to recruitment for offices that had not been occupied. The Board believes this is a temporary problem that can be solved by proper planning and execution of activities such that the Company can return to profit-making.

7.7% & 10.1%

Projected growth in the construction sector in 2020 and 2022 respectively because of the emerging oil and gas sector

UGX 30.06 bn to UGX 30.73 bn

Uganda Clay's year-on-year growth in revenue

8.1%

Analysts' prediction of annual growth in the construction in real terms over the next ten years

Dividends

The Board of Directors has not recommended payment of dividends for the Financial Year ended 31st December, 2019 because of the loss made by the Company.

Conversion of Shareholders loan into equity.

The Company obtained a shareholder loan from the National Social Security Fund (NSSF) in 2010. The said loan and interest were capped at UGX20.6 Billion effective 30th June, 2015. This loan remains unpaid.

The Company and the NSSF have agreed in principle to convert the entire loan into equity. The details of the conversion are still being negotiated between the Company and NSSF. At the appropriate time, the Shareholders will be informed and the requisite approvals from the said shareholders, the Uganda Securities Exchange and the Capital Markets Authority would be sought.

Compensation from UNRA

The Government of Uganda through the Uganda National Roads Authority (UNRA), compulsorily acquired some of the Company's land at Kajjansi for the construction of the Entebbe Expressway - Munyonyo Spur. The road construction has been completed. The Company lost large volumes of clay to the road construction project and sought for requite compensation for such loss from UNRA. A case was filed in the High Court, Land Division, in which the Company claimed compensation for both surface loss and economic loss.

The hearing of the case is ongoing and will be concluded soon.

Governance

Good governance continues to be a key pillar in our business operations at all levels. The Company has a properly constituted Board of Directors. There are three Board Committees with properly set out terms of reference. All the Directors sitting on the Board, except the Managing Director, are independent. The Board meets regularly to receive and interrogate reports from Management in order to review the effectiveness and appropriateness of the corporate strategy that will drive the Company forward.

Key issues

The Company needs to replace the old machinery and equipment at the Kajjansi plant. This will require large capital expenditure; however, a phased approach will be adopted to cushion the impact. The Company needs to acquire additional land with clay in Kajjansi to guarantee future sources of raw material. The Company needs to increase the size of drying spaces so as to improve the speed of drying the finished products.

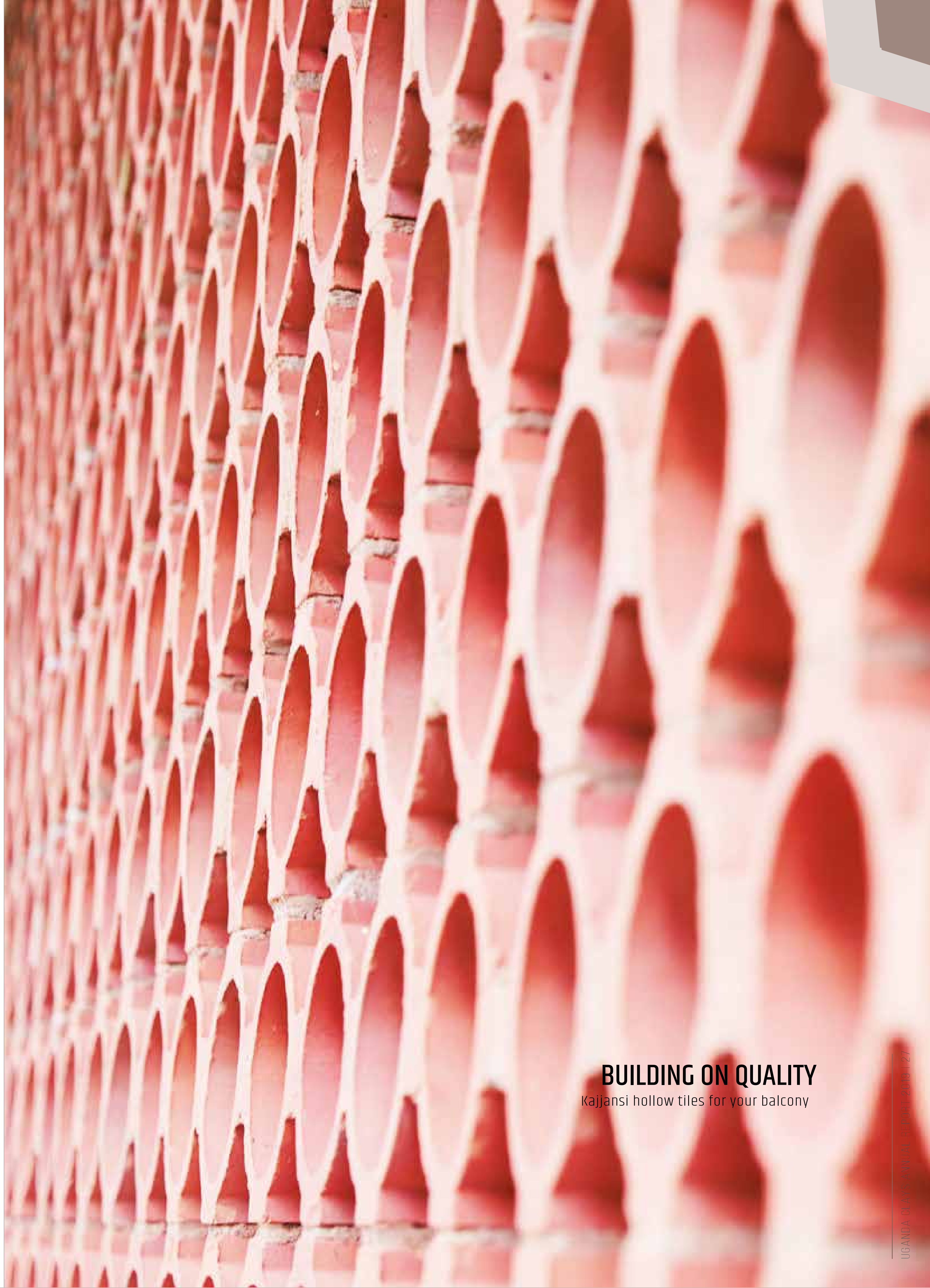
Future prospects

The emerging oil and gas sector will see increased investment in infrastructure. It is projected that the construction sector will grow 7.7% in 2020 and 10.1% in 2022 when the Hoima-Tanga pipeline is expected to be completed. Analysts predict that the construction sector would grow annually by 8.1% in real terms over the next ten years. This will greatly benefit Uganda Clays Limited, which is positioned as the leading manufacturer of baked clay building products in the country. The Kamonkoli factory together with the Kajjansi plant will be able to increase production to meet the demand. There are various housing projects earmarked to commence in the near future and Uganda Clays Ltd is poised to be a key supplier to those housing projects.

Appreciation

In conclusion, on behalf of the Board, I extend our sincere appreciation to our loyal shareholders and customers for their continued support and belief in the Company. I also wish to appreciate my colleagues in the Board, Management and staff for their invaluable contribution and dedication in supporting the Company's activities. With your continued support, we can together turn the Company around and return to profitability next year. We look forward to your continued support.

Good governance continues to be a key pillar in our business operations at all levels. The Company has a properly constituted Board of Directors



BUILDING ON QUALITY
Kajjansi hollow tiles for your balcony

Managing Director's Statement

Kiwanuka Jacqueline
Acting Managing Director

Leveraging ICT to Offer World-class Products

The Company's new Five-Year Strategic Plan is set to boost production, establish effective sales channels, and enhance overall performance

Financial Performance

Revenue for the period remained largely the same compared to the prior year, from UGX30.0 Billion in 2018 to UGX30.7 Billion in 2019. Gross margin dropped from 35% to 31% in 2018 and 2019 respectively.
The company registered a loss after tax of UGX88 Million compared to a profit after tax of UGX1.9 Billion in 2018.

Total assets reduced by 5% as at 31st December, 2019 from UGX65 Billion in 2018 to UGX62 Billion in 2019.
At UGX31 Billion, Total Equity was 3% below that of FY 2018. This was mainly due to a prior adjustment of UGX2.2 billion relating to first adoption of IFRS 9 for impairment of older trade receivable balances (2018 and earlier) as per the standard requirements.

Corporate Strategy

During the year, the Board of Directors approved our 5-Year Strategic Plan for the period 2019 - 2023. As part of this plan, a new Company Vision and Mission Statement were unveiled.
The business capabilities targeted by the Strategic Plan are: that customers are empowered to make easy purchase decisions; that we have the ability to offer and deliver goods to a large market at low cost; that our production process is lean with high quality standards and a customer-focused design; and that all this shall be done through a culture of execution discipline and innovation. The delivery of the above strategy will be "mile-stoned" across the five-year horizon.

Production:

Kamonkoli
The factory tunnel kiln performance has reduced owing to progressive aging, and the facility requires major repairs to restate its designed efficiency level. In addition, the Company experienced a scarcity in firing fuel supplies owing to the coffee offseason. This performance in turn adversely impacted the factory's drying efficiency.
Power fluctuation remains a major challenge for the plant. Frequent reliance on generator sets to run the factory is costly.

Kajjansi
Given the age of the factory equipment, machine downtime was frequent during the year. This affected product output considerably.The drying capacity at the factory dropped due to the depreciated artificial dryers, over reliance on worn-out natural dryers, and limited drying space. These factors contributed to the low stock of green products available for firing and therefore sale.

Sales, Marketing and Distribution

We managed to generate UGX30 Billion revenue despite the tough economic environment during the year. Some of the challenges that the business continues to experience include: increased competition, inferior product substitutes, and mushrooming cottage industries mainly due to a generally unregulated industry in the country.

UCL undertook a strategy to develop and nurture influencers who will walk the long term journey with us. We identified technical teams composed of engineers, roofers, masons, carpenters, tertiary institutions and other players who are critical in shaping the opinions of our customers at the point of purchase. A number of workshops were organised in the different regions of the country during the year to engage them in this effort. Our third-party sales agents have become a key component of our distribution and route to market strategy. The agents do help to facilitate last-mile delivery to customers in the four corners of Uganda and thereby help UCL establish a wider footprint in the market.
In 2019, UCL had a total of 15 such agents and they collectively contributed approximately 26% of the annual turnover.
The Company, in partnership with Housing Finance Bank, were able to provide access to credit for the third party agents. This credit facility shall enable them to increase their capital and therefore sales volume of UCL products.

Health, Safety and Environment

The company continued to pursue the health and safety agenda. During the year, we intensified health and safety sensitisation and training for staff, and increased compliance to personal protective equipment regulations. Also, we empowered the health and safety Committees to take the lead in enforcing the occupational health and safety SOPs.

Business goals of our 5-Year Strategic Plan:

UGX72bn
Revenue

90%
Net Promoter Score

5%
Wastage level

80%
Staff Engagement Index

To emphasize UCL's commitment to sustainable development and corporate duty of care to the society, Management has put in place a quarry land use restoration and development plan. The implementation of the actions therein began during the year.

Quality Assurance

We underwent an external audit as part of the process to get the company upgraded to the ISO: 9001:2015 standard. This was completed successfully and recertification is therefore assured. Additionally, the Uganda National Bureau of Standards (UNBS) awarded UCL the "Q" Mark for several of our products. They include; Maxpans, Floor tiles, Partitioning Blocks and Bricks. The process of acquiring the same mark for the Roofing tiles is ongoing.

Information Communication Technology

During the year, the Company implemented an Enterprise Resource Planning System. This system will enable the integration and streamlining of all Company business processes in order to enhance efficiency and to serve our dear customers better. We went live with Microsoft Dynamics NAV 2018 on 4th March, 2019

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Our People

In the spirit of motivating and rewarding good performance, two employees were recognised for exceptional performance. They are; Douglas Bibita, a Production Assistant - Electrical in Kamonkoli, Gonza Tumuhaise, a Health and environmental Officer in Kajjansi.
The company's reward and recognition program is intended to recognise outstanding members of staff and to inspire others to emulate them, which ultimately improves performance and staff productivity.
Investment in training was the start of the journey to re-skilling the core factory workforce to match the changing business requirements.

Building our People

Employee Recognition :
Celebrated employee of the year.

78%
Engaged in Training and Development
. Production was the main focus

21
successful recruitments

Community Health:
Supported various health drives

Staff Numbers:

197
Production
26
Finance
39
Human Resources
23
Sales and Marketing
4
Internal Audit

87% male 13%female

Our Communities

Because we value the lives of the people in the communities where we operate, the Company partnered with the Government and other stakeholders to implement a number of health programs within both factory communities.
We held medical camps where our staff participated in a blood donation drive in which 123 units were collected. Staff and members of the community at both locations were sensitised on HIV/AIDS. Additionally, over 1,700 condoms and 120 mosquito nets were distributed to members of the community.

Our company clinic personnel provided emergency response services to 17 cases in the community. Most of these were road accident victims on the Entebbe Rd highway. Thankfully, all the accidents victims we handled survived.
The Company offered 63 free HIV/AIDS counselling and testing sessions to the community at both company clinics throughout the year.

Our medical personnel teamed up with Local Government health workers to support mass immunization in both communities on the National Immunization Days.

2020 Outlook

2020 began with the outbreak of the COVID-19 pandemic, which has devastated the global economy, and has made the current global economic outlook uncertain. We still don't know when the pandemic would be over, or what the comparative impact shall be over the long term horizon. But as a business, we shall continue to evaluate and do our best to navigate the risks that the business is likely to face as a result of COVID-19.

In spite of the gloom from this global crisis, we shall continue to focus on the following: stabilizing production at the two plants to meet existing market demand, establishing strong sales channels, and enhancing performance management.

Specifically: We plan to make significant capital investment to renovate both factories particularly to improve the drying and firing facilities.

We shall leverage technology by piloting the use of e-Commerce. This will be the initial step on the journey to offering our esteemed customers a convenient end-to-end means of securing our products.
As part of the sales strategy, we shall establish a relationship management model so that there is a focused approach to customer relationships and innovation.
Additionally, we shall establish a performance-driven culture, beginning with implementing a dynamic performance review process and reward system.

Appreciation

We recognize and appreciate the commitment of all our Shareholders and the Board of Directors. On behalf of Management and staff, I wish to assure you of our continued focus on improving operational performance and efficiency so that shareholder value can improve.
Finally, and most importantly, we thank our esteemed customers for their loyalty and trust in the brand. You are the reason we exist.

We plan to make significant capital investment to renovate both factories particularly to improve the drying and firing facilities.

Strategy 2019/2023

"The Board of Directors approved our 5-Year Corporate Strategic Plan. As part of this plan, a new Company Vision and Mission Statement were unveiled.

Sealing the lauch with cake cutting

Pledging our commitment to the 5 -Year Corporate Strategy

The launch event was attended by management and staff

The 2019 best employees from Kamonkoli and Kajjansi

Engineers Forum


Western Edition


Eastern Edition

We interface with the engineers, masons and roofers to take them through our products and the best practices

Women Sports Achievement Celebration


Kampala

Celebrating UCL sports women's achievements

World AIDS Day Celebration

UCL offered free HIV/AIDS counselling and testing at the Kajjansi and Kamonkoli communities

We carried out health activities that **benefited over 1,000 people** in the communities. During the medical camps, over **1,700 condoms were supplied** to the commuity with the aim of combating HIV AIDS infections.

Sustainability Reporting

Pursuing a Strategic Vision That Ensures Business Sustainability

The Company will not only continue to deliver value to shareholders but also to be a top contributor to development by providing competitive jobs, paying taxes, and building sustainable communities.

Background

Uganda Clays Limited (UCL) is the leading manufacturer of quality baked clay building products. It mostly uses natural resources like clay, water and coffee husks as the main raw materials. The company's products are categorized into: Roofing tiles, Bricks, Maxpans, Quarry floor tiles, among others. UCL operates plants at Kajjansi and Kamonkoli (Eastern Uganda). The Kajjansi plant's operations are majorly manual but Kamonkoli is semi-automated. At Kajjansi, the two kilns are fueled by coffee husks, which are procured locally. Kiln operations at Kamonkoli were also turned from using furnace oil to coffee husks, as a fuel in order to reduce on the production costs.

In this Sustainability Report, UCL seeks to engage key audiences on our sustainability journey. It sets out how we are addressing the key sustainability issues for our business and seeking to be among the leading businesses in the market place. We seek to deliver great stakeholder value, social responsibility, as well as protecting the environment in which we operate. In doing business, we acknowledge that achievement of comparative advantage requires a perusal of previous activities and expected innovations to create short and long-term value to stakeholders.

Corporate Social Responsibility

Corporate Social Responsibility is key to the achievement of the 2019 - 2023 Strategic Plan. We focus on delivering benefits to people in areas that matter to them and to us, such as internship training, health services and clean water supply. We are working with a range of carefully selected third party experts such as vocational institutions, local councils, health centers and Police. UCL is committed to fund activities in health, charitable work, and education; geared towards universal transformation of the society. The company plans to integrate more interventions to solve the challenges in the community during this COVID-19 pandemic.

17

emergency cases were handled at our clinic in 2019. Most of these were accident victims on The Entebbe Rd highway, especially around Kajjansi. The company values the lives of the people, especially the communities in which we operate

The business, through its clinics at Kajjansi and Kamonkoli, which are at a status of a health centre three and two respectively, carried out health activities that benefited over 1,000 people in the communities. During the medical camps, over 1,700 condoms were supplied to the community with the aim of reducing HIV AIDS infections.

As a way of fighting malaria, over 120 mosquito nets were given to the Kajjansi community. Uganda Clays employees participated in the blood donation drive.

The company offered free HIV/AIDS counselling and testing at the company clinics throughout the year. Kajjansi Clinic conducted 27 HIV voluntary counseling and testing sessions on people from the community, while Kamonkoli Clinic registered 36 sessions on people from the community.

During the financial year, the company sponsored a number of events. These included Kajjansi United Football Club games and the University Quiz Challenge. The business also contributed to the Kabaka Birthday Run and the Uganda French Friendship Week. The total contribution was to the tune of over UGX25 million.

Delivery to stakeholders

The company's sustainability is largely driven by the motive of achieving stakeholders' interests. Since one of the company's corporate goals is to become a UGX72 billion business by 2023, a great relationship with shareholders, customers, colleagues and suppliers is central to all our operations and attainment of our goal. In 2019, we purposed to deliver value to stakeholders in the most socially and environmentally sustainable manner. This was done through continuous engagements with all stakeholders. We continued to build a safe and supportive work environment for our human capital, ensuring customer loyalty and satisfaction through offering great customer service and experience.

Our Staff

We have the vision to build on tomorrow by growing the business to a UGX72 billion company and ensure continuous increase in shareholders' value. The business is growing in that direction and we continue to structure our workforce as per these demands. We aim to attract and retain the best talent and to ensure that it is engaged. The company adopted a Human Resource Business model to ensure the achievement of the strategic objectives. The model allows for better understanding Of the business, quick response to challenges and ensures high performance.

Staff Numbers

Through its Human Resources and Support Services, the Company continued to employ right the numbers of staff during the period.
The company employed a total of 289 employees in the year 2019. We registered a decrease of 5.5% in the period compared to the previous year (2018).

2019	289
2018	305
2017	316

We believe that like their male counterparts, women have the potential to deliver and contribute tremendously to the business. In all our recruitments, we ensure that there is equal opportunity for both male and female applicants. The trend of having more female employees has increased steadily since 2017.

Gender Distribution

Year	Male	Female
2017	91%	9%
2018	89.8%	10.2%
2019	88%	12%

Staff Retention

Retention of productive employees took center stage not only in the previous years but in 2019 also. The business through its Management, ensured better governance, equal treatment of all employees and assured staff of job security. The company continued to pay averagely competitive salaries and offered other benefits like Providend Fund, Insurance and medical care. As a result there has been less expenditure on recruitments of new staff to replace leavers, staff turnover has been capped under 5%, and overall, there has been improved company performance. The average number of years served by staff at UCL is more than nine years. In this year's annual report, we celebrate four long-serving employees in one of our critical departments – Production – who have been with us for 30 years. These include;

- George Masumbuko – 31 Years
- Pascal Sesente – 31 Years
- Christopher Byakatonda – 30 Years
- James Musaazi – 30 Years

Staff Training and Development

Training and staff development have a lasting impact on employee performance in that they not only motivate staff but also enable the business to create a highly skilled workforce. Through its Human Resources and Support Services department, the business was able to invest over UGX84 million to enhance knowledge and skills to 78% of its staff.

Through its strategic partnerships. The company plans to partner with both local and international training institutions aimed at equipping all our staff with the requisite skills and knowledge, geared towards achieving our strategic goals and objectives.

In 2019, a total of UGX84 million was spent on employee training, the objective was to empower staff with optimum skills to deliver a great performance that positively impacts the business.

Performance Culture

At UCL, the customer is king. The quality of products and customer service rendered is our number-one priority. To drive high performance, which in the long run, gives value to our customers, the company recognised high performers during the period. Staff that exceedingly performed in the year 2019 were recognised and rewarded. Among those recognised were: Best Employee of the Year at both Kajjansi and Kamonkoli factories. .

Employee Communication

Because sharing of information and ideas between the management of an organization and employees and vice versa is essential for an organization's success, the business continued maintaining open channels of communication with members of staff. The business has established several communication channels to encourage employees to communicate including the intranet, print, and face-to-face communication.

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Staff Wellbeing

At UCL, a safe and healthy work environment is not a luxury but a must for every member of staff. Every employee at UCL, their registered spouse and four of their biological or legally adopted children below 18, are entitled to free medical care. During the period – 2019, the company invested UGX193 million in employee wellbeing, compared to UGX164 million in 2018.

Medical Expenditure

	2019	2018	2017
Medical Investment (UGX millions)	193	164	186

The company also offers insurance to all its staff. For example, the business has ensured that every staff is ensured under Group Personal Accident (GPA). This policy covers an employee 24 hours. Insurance Expenditure on company employees and property

	2019	2018	2017
Insurance (UGX, millions)	391	332	446

The company offers 60 working days as maternal leave to all female employees that become mothers. Male employees are given five working days as paternal leave. In addition, all antenatal bills relating to female employees or registered wives of employees are the responsibility of the Company. The business also appreciates saving. We continued to encourage a saving culture among staff during the period. During the financial year 2019, gratuity savings grew from UGX642 million to UGX656 million.

Economic Contribution

Uganda Clays is not only the oldest but also the largest clay products manufacturer since 1950. The business contributes significantly to Uganda's economy through payment of taxes like Value Added Tax, Corporate tax, Pay As You Earn (PAYE), Local Service Tax, Withholding Tax and Property Tax. In 2019, the company paid a total of UGX6.2 billion in taxes to the Government. In 2019, the company distributed a total of UGX900 million in dividends to its shareholders as a return on their investment.

Still in 2019, the business invested over UGX10 billion in treasury bills compared to UGX5 billion in 2018. The Company through activities also contributes to Uganda's economy in that it provides both direct and indirect employment to and beyond communities in which it operates. The salaries and wages earned are used by employees to access goods and services required. This expenditure contributes to the economy. During the year 2019, the company paid a total of UGX 7.5 billion in salaries, wages and benefits, compared to UGX5.6 billion in 2018.

	2019	2018	2017
Salaries, Wages & Allowances (UGX, Bn)	7.59	5.66	5.35

Shareholders

UCL remains committed and accountable to its shareholders – the business owners. During the year 2019, the Company gave dividends to its shareholders worth UGX900 million. The company has crafted a strategy that will see the business increase its revenue each year and at the same time lower its cost of production through leveraging on technology and improvement in its production processes. This will improve shareholder value and share price on the Uganda Securities exchange.
Member engagement is key; once a year, members come together to interact and discuss matters concerning their business. Last year (2019), over 300 members attended the 2018 Annual General Meeting to receive performance results and also discuss matters arising such as future plans to ensure business growth.

Customers

Due to the fact that the customer is king, customer satisfaction with our products, engagement with our brand and relationship with us is very vital for the sustainability of the business. During the year 2019, the business through utilization of cost effective strategies continued to widen its distribution network. The business operates three outlets in Kampala Metropolitan Area - at Lugogo and Ntinda. In western Uganda, there is Mbarara sales outlet. In addition to outlets, the business continues to work with different agents to ensure customer accessibility to our products. Today, the business is represented by sixteen agents. Those located in Kampala greater metropolitan include; Kyaliwajjala, Natete, Gayaza, and Bujuuko. Outside Kampala, we have Jinja and Hoima agencies. These distribution channels are points of convenience to our esteemed customers.

Given the business dynamics, the business put a stop to customers paying physical cash at our factory and sales outlets. At first, this was an inconvenience but management through the Finance Department came up with other safer payment options. These include; the Point of Sale (POS) option and the MTN mobile money platform. These two options have made payment more secure and convenient for our customers. Meeting our customers' needs is primary to us. We plan to ensure that at least one customer satisfaction survey is done every year to ascertain satisfaction levels and come up with recommendations and actions to ensure higher customer satisfaction levels. We also aim at ensuring better customer relations through vigorous process handling of customer complaints effectively and getting feedback from every customer that visits any of our factories, outlets and agents.

Engagement with Regulators

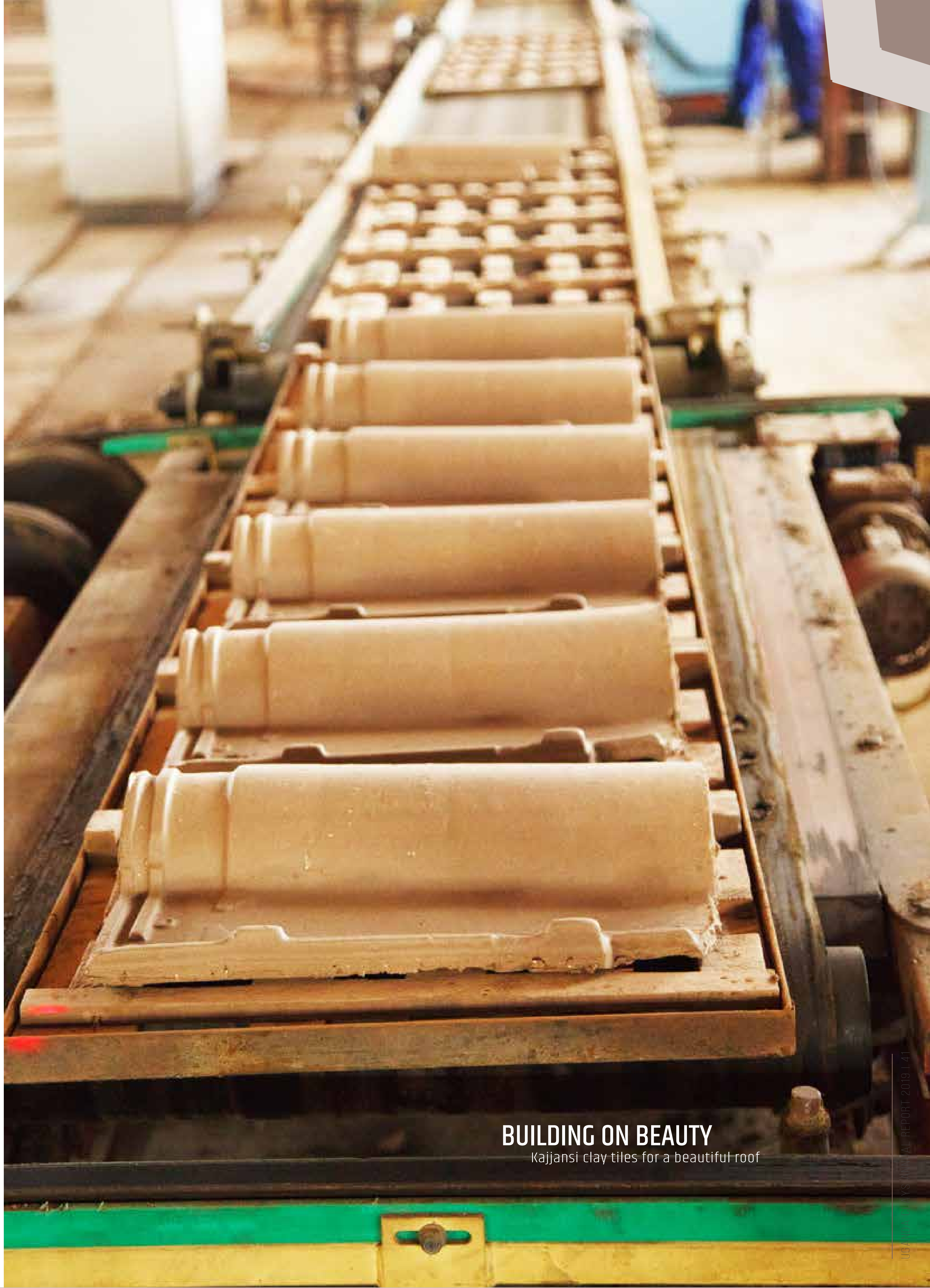
At Uganda Clays Limited we are committed to full compliance with all applicable legal requirements enforced by our regulating authorities such as the National Social Security Fund, Uganda Retirement Benefits Regulatory Authority, Capital Markets Authority, Uganda Securities Exchange, Ministry of Gender, Labour and Social Development, the Parliament of Uganda, National Environment Management Authority, Uganda National Bureau of Standards and Uganda Revenue Authority.

Throughout the financial year 2019, we generally ensured utmost compliance to all regulators rules, policies, standards, specifications and laws. The business continued to ensure that all our operations were in compliance with the existing legal and regulatory requirements through constant and timely reporting and auditing of all our operations.

Sustainable Value Chain

The company has a procurement manual that guides our procurement process. The business also borrows a leaf from the PPDA Act to ensure compliance with procurement rules and regulations. Through a prequalification exercise, the Procurement Unit evaluates all suppliers on an annual basis to ensure that all our suppliers meet set standards. We always ensure that all suppliers comply with Government rules and regulations like payment of taxes and having valid trading licenses.

The business continues to support local businesses, on a scale of one to ten, eight suppliers of goods and services to Uganda Clays are local entities. Use of local suppliers is one way in which the business supports the "Buy Uganda Build Uganda" campaign. It is also important that the company supports local businesses to set base for impactful strategic partnerships.



BUILDING ON BEAUTY
Kajjansi clay tiles for a beautiful roof

Environmental Sustainability

Responding to the Global Call for Environmental Sustainability

Apart from ensuring Staff and Community wellbeing, UCL is undertaking strategies to assure a healthier planet by reducing carbon emissions in all its operations.

Greenhouse gas (GHG) emissions are driving climate change and its impacts around the world. According to climate scientists, global greenhouse gas emissions must be cut by as much as 72% below 2010 levels by 2050 to have a likely chance of limiting the increase in global mean temperature by 2 degrees Celsius above pre-industrial levels (IPCC 2014). Every degree Centigrade increase in temperature will produce increasingly unpredictable and dangerous impacts for people and ecosystems leading to floods, long dry spells, unpredictable rains, etc. As a result, there is an urgent need to accelerate efforts to reduce GHG emissions.

Uganda Clays Ltd has responded to this global call by shifting from using furnace oil for firing/baking products at its Kamonkoli factory to coffee husks, which have a very low carbon emission (cleaner renewable energy). There are other ongoing trials, which are so far producing excellent results, with use of coffee husks blended with rice husks in product baking/firing processes. Although we are not yet conducting carbon footprint monitoring and reporting, strategies undertaken to reduce total carbon emissions (metric tons) in line with Inter-Governmental Panel for Climate Change (IPCC) 2014, are commendable.

We continue to take all possible strides to avoid any possible negative effects of our business to the society. We are driven by the safety principle: "If you think it is not safe, don't do it."

Similarly, the company is undertaking quarry restoration at both Kajjansi and Kamonkoli factories. This among others, involves a tree-planting project, which will absorb carbon (Carbon sequestration) into sinks (carbon pool) through the process of photosynthesis. The artificial driers are connected to kiln tunnels through a duct, to extract heat, which would otherwise be lost into the atmosphere, therefore optimally /efficiently utilising the energy resources in the production processes.

Uganda Clays Ltd has built video conferencing facilities at both Kajjansi and Kamonkoli factories so as to reduce carbon footprint generated by their staff through travels (vehicle fuel combustions) to attend meetings. These services have seen reduction in staff travels by over 40%, thus indirectly helping to mitigate greenhouse gas emission and possible effects on climate change.

Occupational Health and Safety

Uganda Clays Ltd continues to pursue its commitment to ensuring that all risks are identified and controlled to avoid any possible danger to our employees. The Company has established health and safety committees at all levels, to conduct daily operational risk assessment. The employees are provided with site specific Personal Protective Equipment (PPE) to reduce on occupational risks exposure and to minimise the would-be impact in case of accidents.

The company conducts monthly sectional health and safety awareness and/or sensitisation sessions for their employees. In relation with the approved Waste Management Policy, the company wastes are appropriately disposed of to avoid pollution and possible community health infections. The Company provides health promotion services, treatment and care for employees and their dependants and; emergency services to the community when the need arises.

Quarry Restoration

Uganda Clays Ltd for the last 70 years of existence has embraced sustainable business practices including quarry restoration, which among others, involves backfilling, levelling and re-purposing the excavated clay pits (ponds). In 2019, three acres of land was backfilled. This includes one acre in Bulambuli and two acres at Kajjansi (Lweza B Cell). The company has also partnered with Private Developers (Construction Companies) to dump their overburden soils in our quarries. These include AC Feng Construction Ltd and China State Construction and Engineering Company Ltd. This will help to reclaim barrow pits, land scape to prevent possible safety risks of falls in the pits. The company continues to exhibit corporate duty of care to the society throughout its business operations. We continue to take all possible strides to avoid any possible negative effects of our business to the society. We are driven by the safety principle: "If you think it is not safe, don't do it."

Production staff producing Mangalore Tiles

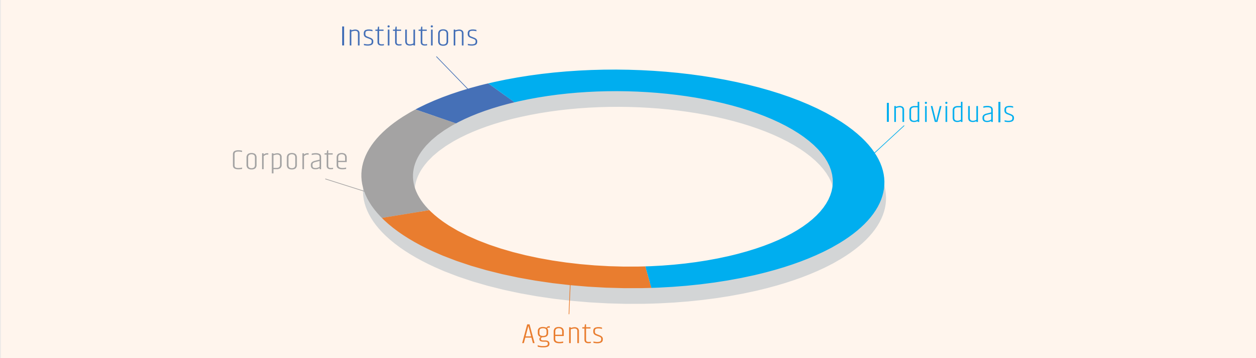
Building on Tomorrow

Through Times of Uncertainty

By putting in place strategic partnerships with various stakeholders countrywide, UCL is set to consolidate its position as the leading brand for building solutions.
The year 2019 was filled with challenges, from an unstable economy, high inflation rates of over 6%, in addition to fierce competition in the market. Nevertheless, we have found an opportunity to serve you. We do pledge to build on tomorrow to elevate your vested interests in Uganda Clays Limited.

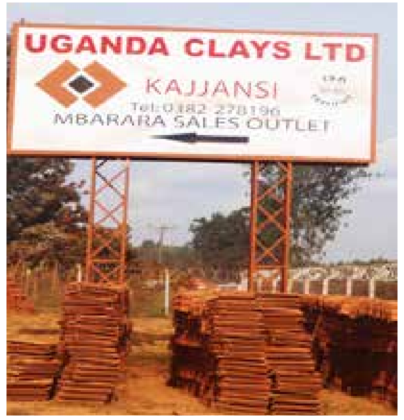
UCL Customer Is King

The year 2019 closed with sales revenue of UGX30.8 Billion. This performance was delivered from serving our customers who are broadly categorised as Individuals, Agents, Corporates, Exporters and Institutions. Below is a representation of the UCL customer contributions by category in 2019.



Distribution Channels

Over 2,200 individuals walked in and out of our premises as our customers for Roofing tiles, Bricks, Floor tiles, Walling blocks, Partitioning blocks, Suspended floor units, Ventilators or Decorative grilles. Mangalore tiles were the customers' favourite product, closely followed by half bricks. In terms of sales revenue, Mangalore tiles collected the most revenue in 2019.
A total of 16 UCL agents in various Districts were instrumental to bringing UCL products and services closer to our customers all over Uganda. The Districts are: Kampala, Wakiso, Hoima, Fort Portal, and Kabale. The others are: Arua, Gulu, Lira, Soroti, Mbale, Mityana, and Jinja. The agents in Kampala contributed over 65% of the agents' sales revenues, with Kiky's and Stevelynns being at the forefront of serving UCL customers in the areas of Gayaza, Kyaliwajjala and surrounding areas.
In addition to agents, customers had the option to buy directly from UCL-run sales outlets located in Kajjansi, Lugogo, Ntinda, Mbarara and Kamonkoli. Kajjansi and Ntinda sales outlets represented over 70% of sales at UCL outlets



Customer Engagement

The year 2019 saw UCL form strategic partnerships with various partners. A key issue to note is that UCL formally entered into a partnership with Housing Finance Bank to provide financing solutions to its agents. This partnership will grow the finance base of UCL agents and enhance product stocking, which is key in ensuring that UCL customers are in position to be served as and when they would like. A total of ten agents met a delegation from Housing Finance Bank at the Head Office and they are optimistic that this partnership would greatly improve their ability to serve customers in the years to come.

In addition to that, Engineers' workshops were organised by UCL to strengthen its bond with influencers in the construction industry.
In Mbale and Mbarara, UCL met engineers, roofers, masons, and students at tertiary level among others. During the engagements at the engineers' forums, UCL shared expert knowledge on product usage and application, sales order processes and quality assurance. We also provided an avenue for customers to network and interface with UCL Management at a more personal level.

Personalisation of customer products to their unique tastes. UCL was well-placed to add value to unique customer requests using our technology, capacity and technical capabilities. Working with its customers, UCL produced several customised products, to great satisfaction of the customers. We are happy that these products have gone on to be key elements in some of the most iconic building projects in Uganda.

As a compliant entity, UCL tried to be a good member of the community and building on tomorrow.

For example, we partnered with the Kajjansi Football Club, which is the Kajjansi community football team. This football club gives a platform to youth in the Kajjansi community to explore and put their footballing talents to good use while also offering the UCL brand an opportunity to leverage on the large football audience in Uganda.

Going forward

Despite the challenges of 2019, we have proved that not all can be lost. UCL is grateful to its Shareholders for the trust and faith they continue to give us. We are indebted to our customers for their continued loyalty, and the Staff for their tireless endeavours. The future is indeed bright and the promise to build on tomorrow by being the leading brand for building solutions remains stronger than ever.

Uganda Clays products last for generations

that's durability you can rely on!

Corporate Governance

The Board of Directors

The Board of Directors is composed of qualified and experienced members and is multi-skilled.

Eng. Martin Kasekende
Chairman of the Board of Directors.

Appointed 24 August 2012. He acted as Managing Director of the Company from May 2013 to August 2014. He is the former Minister of Lands, Agriculture and Environment in the Buganda Government and the current Chairman of Buganda Land Board. He is a registered engineer. He is a former General Manager of National Housing and Construction Corporation. He is a former Board Member of NSSF, Housing Finance Bank Ltd, and Private Sector Foundation of Uganda.

Mr Richard Byarugaba
Director and Chairman of the Board Finance Committee.
Appointed on 17 October 2014 and re-appointed on 9 December 2015. He is the Managing Director of the National Social Security Fund, a former Managing Director of Nile Bank and Global Trust Bank. He is a member of the Institute of Certified Public Accountants of Uganda.

Mr Joseph Tukuratiire
Director and Chairman of the Board Audit and Risk Committee.
Appointed 30 August 2013. He is a financial consultant. He was formerly Principal Assistant City Treasurer at Kampala City Council. He has taught finance courses at Uganda Management Institute and Acclaim Africa as Associate Consultant. He is an active dealer in company stocks, Government securities and money markets.

Mrs. Florence Namatta Mawejje
Director and Chairperson of the Board Administration and Technical Committee.
Appointed 9 December 2015. She is a member of the Board of Directors of the National Social Security Fund (NSSF). She is currently the General Manager Human Resources, Centenary Bank. She has qualifications and wide expertise in human resource management, corporate governance, and management of retirement and pension funds.

Mr Bayo Folayan
Director
Appointed 9 December 2015. He is the Managing Director of the National Insurance Corporation Ltd. He is an insurance professional with a number of qualifications and wide experience in the insurance industry. He also has broad experience in corporate governance, having held top positions in a number of corporate entities in Nigeria prior to his current position in NIC.

Mrs. Marion Adengo Muyobo
Director
Appointed 9 December 2015. She is currently the Head of Social Affairs at Total E&P Uganda. She is a marketing professional with substantial experience in strategy development and execution, communication and marketing.

Mr Henry Ngabirano
Director
Appointed 23 July 2019. He is a member of the Board of Directors of National Insurance Corporation Ltd and the Chairman of Heritage Coffee Company Ltd. He is a former Managing Director of Uganda Coffee Development Authority. He has wide experience in managing business and has won several regional and international awards in the coffee sector.

Mrs. Peninnah Tukamwesiga
Director
Appointed 9 December 2015. She is a member of the Board of Directors of the NSSF. She is an Advocate of the High Court of Uganda. She is the Head Legal Aid at Central Organization of Free Trade Unions (COFTU). She is a panel member of the Industrial Court.

Dr Tom Mutyabule
Director
Appointed 23 July 2019. He is a leading dentist, practising at Pan Dental Surgery. He has won several international accolades in his profession. He is a very astute businessman who has applied technology and professionalism to grow his practice. He has been the Chairman of the Stanbic Business Forum and President of the Uganda Dental Practitioners Association.

Mr George Inholo
Director and former Managing Director of the Company
Resigned 10 March, 2020.

Role of the Board of Directors

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 executed this role satisfactorily through the regular Board meetings. The Board held quarterly meetings and special meetings whenever the need arose. During the year under review, the Board of Directors of Uganda Clays Ltd held a total of five Board meetings. The attendance of members at Board meetings was as follows:

Name of Director	No. of Board meetings attended	% of attendance of Board meetings
Eng. Martin S Kasekende	5/5	100%
Mr. Richard Byarugaba	5/5	100%
Mr. Joseph Tukuratiire	5/5	100%
Mrs. Florence N. Mawejje	5/5	100%
Mr. Bayo Folayan	5/5	100%
Mrs. Marion Adengo Muyobo	5/5	100%
Mrs. Peninnah Tukamwesiga	5/5	100%
Mr. Henry Ngabirano	2/2	100%
Dr. Tom Mutyabule	2/2	100%
Mr. George Inholo	5/5	100%

The three Committees of the Board; namely the Board Audit & Risk Committee, Board Administration and Technical Committee and the Board Finance Committee. These Committees execute specific mandates according to their respective terms of reference.

Board Administration and Technical Committee

The role of the Board Audit & Risk Committee is to oversee all technical, human resources and administrative matters in the Company, including production, sales and marketing, procurement, information technology, and environmental activities.

In the course of the period, the Committee put in place a number of policies and manuals to improve governance, reviewed production processes and outputs, sales and marketing activities, handled a number of human resources matters and monitored the implementation of the Company's strategy.

During the year under review, the Committee members were:

Mrs. Florence N. Mawejje Chairperson
Dr Tom Mutyabule Member
Mr. George Inholo Member

The Committee met regularly to execute its mandate.

Board Audit & Risk Committee

The role of the Board Audit and Risk Committee is to provide oversight over internal controls, risk management, and maintaining an appropriate relationship with the external auditors.

During the period, the Committee executed its mandate by reviewing the effectiveness of the internal controls and risk management systems in the Company, reviewing the effectiveness of the internal audit function and monitored the external auditor's independence and objectivity, and the effectiveness of the audit process, and also reviewed the effectiveness of the Company's compliance levels with relevant laws and regulations.

During the year under review, the Committee members were:

Mr. Joseph Tukuratiire Chairman
Mrs. Peninnah Tukamwesiga Member
Mr. Bayo Folayan Member
Mr. Henry Ngabirano Member

The Committee met regularly to execute its mandate.

Board Finance Committee

The broad mandate of the Board Finance Committee is monitor the integrity of the financial statements of the company, including its annual and interim reports, preliminary results announcement and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain, to review the Company's annual budget and monitor its performance, and to monitor the implementation of the Company's strategy. During the year under review, the Committee reviewed financial statements of the Company, considered and approved a number of policies and manuals relating to financial matters, and monitored the implementation of the Company's budget against the strategy.

During the year under review, the Committee members were:

Mr. Richard Byarugaba Chairman
Mrs. Marion Adengo Muyobo Member
Mr. George Inholo Member

Management team deliberating on strategic plans

Management Team

1. Jacqueline Kiwanuka
   Ag. Managing Director
2. Francis Kintu
   Ag. Head of Human Resources and Support Services
3. Patrick Mukasa
   Head of Internal Audit
4. John Gita
   Ag. Head of Production
5. Jones Muhumuza
   Ag. Head of Finance
6. Rogers Mawanda
   Ag. Head of Sale, Marketing and Distribution

Managing Risk

Ensuring a Prosperous Tomorrow

Our Internal Audit Department is independent, conforms to International Standards, and is aligned to the strategic objectives of the organisation. Internal audit is an objective assurance and consulting activity designed to add value to and improve on an organisation's operations. It helps the organisation achieve its strategic objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, controls and governance processes.

Internal audit operates under a Charter approved by the Board of Directors. The internal audit Charter provides the framework that guides internal audit activities. The Audit Charter defines the internal audit activity's purpose, authority and responsibility.

In order to enhance the independence of the internal audit function at UCL, the Head of Internal Audit reports functionally to the Board (Board Audit Risk Committee) and administratively to the Managing Director.

The Board Audit and Risk Committee (The BARC) is charged with the responsibility of ensuring that robust mechanisms of enterprise risk management, internal controls, governance and fraud prevention to the extent that they impact on financial reporting, compliance and overall organisational sustainability, are maintained.

UCL Internal Audit Department helps the BARC and Management to better manage enterprise risk. The department ensures that the UCL Risk management and quality control is complaint, effective and maintained.

The work of Internal Audit is aligned to the strategic objectives of UCL. Annually, a risk-based audit plan is developed in consultation with management, reviewed and approved by BARC to ensure that appropriate assessments and considerations are given to all pertinent risks.
The Internal Audit Department generally conforms to the International Standards for the Professional Practice of Internal Auditing (IIA), Code of Ethics and standard audit best practices.
In order to meet the above objective, Internal Audit uses a risk-based approach in evaluating UCL operational effectiveness, financial system controls and compliance with internal SOPs, policies, laws and regulations. The risks and audit findings (from both the internal and external auditors) are communicated to the relevant levels of management in a timely manner. The team also follows-up on action plans on the significant risks reported. It is worth noting that with support of management, the control environment is improving though not as fast as would be expected.

Risk Management

UCL is in the process of implementing a robust enterprise risk management framework, and a Risk Register identifying all key risks and mitigation plans has been developed. Further work needs to be done, but the process of recognising and managing risk is becoming well-embedded across the business given that managing risk is part of the day-to-day roles of all staff. Oversight over risk management and Internal Audit activities and maintaining external auditor relationship sits with the Board Audit and Risk Committee, which reports directly to the Board of Directors.

Our Principal Risks

To ensure systematic and comprehensive identification and documentation of risks facing UCL, we categorise risks as follows: Operational Risk | Strategic Risk | Governance Risk | Compliance Risk | Information Technology Risk | Credit Risk | Liquidity Risk .

How we have responded to the key identified risks:

No.	Risk Category	Risk Description	Risk Response
1	**Customer Risk**	Customer service and marketing failing to meet customer expectations	We are continuously improving our customer experience through establishment of a customer management system.
2	**Continuity Risk**	Possibility of absence of business resilience and potential inability to prevent or minimise the impact of major disruptions	The Company established another factory in Kamonkoli
3	**Adverse Legal and Regulatory Changes**	Risk of changes to laws and regulations that may impact adversely on the financial position, continuity of operations and/or result in competitive disadvantage to UCL	1)Internal Audit regularly conducts compliance checks and the identified gaps are closed immediately 2)Key decisions are reviewed for compliance with laws and regulations before implementation
4	**Information Technology Risk**	Company information technology systems not meeting internal and customer requirements	We have established and put in place a business continuity plan and crisis management plan
5	**Competition Risk**	Risk of inability to remain profitable amid increased competitive activity	We perform market intelligence activities to ensure that our prices and the quality of our products remain competitive
6	**Credit risk**	Possibility that debtors may not meet their obligations as per the agreed terms and conditions, which may lead to incremental collection costs, bad debts and a reduction in cash flows.	1) We are developing strategic partnership with banking institutions to provide customers with secured credit to enable purchase of our products on a cash basis. 2) We conduct credit worthiness assessments on customers, before granting credit, as per the accounts receivable management policy. 3) We request the provision of cash securities or bank guarantees from credit customers.
7	**Stock outs of finished products**	Possibility of delays in serving customer orders, which may lead to loss of competitive advantage and unrealised targeted revenue.	1) We have set and do maintain minimum reorder levels for fast- moving products at all sales locations. 2) Regular reviews of production targets are carried out in order to respond to our customers' changing needs. 3) Pending order schedules are being maintained at all locations so as to serve customer fairly considering the dates of requests.
8	**Seasonality of coffee husks**	Possibility of stock outs during off seasons and increased costs, consequently affecting operational performance	1) We have carried out research on alternative fuels to substitute coffee husks 2) We have commenced on the journey of the construction of a fuel store to accommodate bulk purchases during seasons of plenty. 3) We have developed proper plans to ensure constant supply and availability.

2019 ANNUAL REPORT

Financial Statements

Directors' Report

The Directors submit their report together with the financial statements for the year ended 31 December 2019, which disclose the state of affairs of Uganda Clays Limited ('the Company').

Principal activities

The principle activities of the Company are the production and sale of a wide range of clay building products. The main products according to contribution to total turnover are Roofing tiles, Maxpans and Half bricks.

Results

The Company posted a net loss of Ushs 88,463,000/= for the year. (2018: net profit of Ushs 1,987,364,000/=).
The directors do not recommend payment of a dividend because the Company made a loss. (2018: Ushs 1 dividend per share).

Directors and their Emoluments

The directors who held office during the year and up to the date of this report were:

Eng. Martin Kasekende	-	Chairman
Mr. Richard Byarugaba	-	Non-Executive Director
Mr. Joseph Tukuratiire	-	Non-Executive Director
Mrs. Florence N Mawejje	-	Non-Executive Director
Mr. Bayo Folayan	-	Non-Executive Director
Mrs. Marion Adengo Muyobo	-	Non-Executive Director
Ms. Penninah Tukamwesiga	-	Non-Executive Director
Mr. Henry Ngabirano	-	Non-Executive Director
Dr. Tom Mutyabule	-	Non-Executive Director
Mr. George Inholo	-	Managing Director (Resigned 10 March, 2020).

In accordance with Article 69 of the Company's Articles of Association, all the Directors hold office until the Annual General Meeting, at which half of them shall retire but are eligible for re-appointment.

During the year under review, other than as disclosed in pages 65 to 93 to the financial statements, no Director has received or become entitled to receive any benefit other than directors' fees and retainer, and monthly emoluments in the case of the Managing Director.

The total amount of emoluments of the Directors for the year is disclosed in note 24 to the financial statements.

Company Secretary

The name and address of the Secretary to the Company are as follows:

Lex Uganda Advocates, Solicitors
8th Floor Communications House
Plot 1 Colville Street
P.O. Box 22490, Kampala - Uganda
Tel: 0414 - 232733/ 344172
Fax: 0414 - 254721
E-mail: partners@lexuganda.com
Website: www.lexuganda.com
A member firm of TERRALEX

Auditors

The Company's auditors during the year were PKF Uganda, and have expressed willingness to continue in office.

Issue of Financial Statements

The financial statements in this report were authorised for issue by a resolution of the Board of Directors passed on 14 July, 2020.

The directors submit their report and the audited financial statements for the year ended 31 December 2019 which disclose the state of affairs of the Company.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of production and sale of wide range of baked clay building products.

RESULTS	2019 Shs'000	2018 Shs'000
(Loss)/profit before tax	(804,310)	2,495,806
Tax credit/(charge)	715,846	(508,442)
(Loss)/profit for the year	(88,464)	1,987,364

SHARE CAPITAL

The authorised, issued and paid up share capital is Shs. 900,000,000 (2018: Shs 900,000,000) representing 900,000,000 (2018: 900,000,000) ordinary shares of Shs. 1 each.

DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2018: Shs 1 per share).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 48 to 49.
Mr. George Inholo retired by rotation in accordance with the company's Articles of Association.

INDEPENDENT AUDITOR

PKF Uganda was appointed the Company's auditors in accordance with the Companies Act, 2012. The directors monitor the effectiveness, objectivity and independence of the auditor.

BY ORDER OF THE BOARD

COMPANY SECRETARY
KAMPALA

14/7/2020

Statement of Directors' Responsibilities

The Uganda Companies Act, 2012 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; and that disclose, with reasonable accuracy, the financial position of the Company and that enables them to prepare financial statements of the company that comply with the International Financial Reporting Standards and the requirements of Uganda's Companies Act, 2012. The Directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Uganda Companies Act, 2012. They also accept responsibility for:

- designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates and judgments that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Ugandan Companies Act, 2012.

In preparing these financial statements the Directors have assessed the Company's ability to continue as a going concern as set out in Note 1(a) to the financial statements. The Directors are of the opinion that the Company will remain a going concern for at least the next twelve months from the date of this statement based on the factors described in Note 1(a).

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 14/7/2020 and signed on its behalf by:

DIRECTOR **DIRECTOR**

Report of the independent auditor to the members of Uganda Clays Limited

Opinion

We have audited the financial statements of Uganda Clays Limited set out on pages 65 to 93, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the Company's financial position as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Ugandan Companies Act, 2012.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of financial instruments

Uganda Clays Limited is implementing the new standard on financial instruments for the first time. Being a very complex standard, requiring significant judgment of the estimates of forward looking information, the audit of the impairment was a key audit matter. We covered this by:

i. Obtaining the impairment model and critiquing it.
ii. Examining the relevant data used to feed into the model. iii) Enquiring from staff who had been trained on the model.
iv. Examining the appropriateness of the assumptions factored into the forward looking information.
v) Observing the integration of the risk management framework with the finance function.
vi. Re-performing the impairment assessment to check the accuracy of data captured in the accounting records.
vii. Evaluating the data, methodology and assumptions used in the impairment model for reasonableness and to identify whether there were any indicators of management bias.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report, the schedule of cost of sales and expenditure but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Responsibilities of directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and the requirements of the Ugandan Companies Act, 2012, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the Ugandan Companies Act, 2012 we report to you, based on our audit, that:

i. 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;
ii. in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii. the Company's statement of financial position and statement of profit or loss are in agreement with the books
iv. of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Frederick Kibbedi - P/No - P0242

Frederick Kibbedi [P0242]
Engagement Partner

PKF Uganda

Certified Public Accountants Kampala

24/08/2020
Ref: FK/U087/0192/20

STATEMENT OF PROFIT OR LOSS

	Notes	2019 Shs'000	2018 Shs'000
Revenue from contracts with customers	2	30,736,629	30,064,148
Cost of sales		(21,282,056)	(19,404,016)
Gross profit		**9,454,573**	**10,660,132**
Other operating income	3	857,084	553,341
Selling and distribution expenses		(1,469,616)	(1,693,435)
Administrative expenses		(8,234,831)	(6,047,065)
Other operating expenses		(1,351,865)	(804,379)
Operating (loss)/profit		**(744,655)**	**2,668,594**
Finance costs	6	(59,655)	(172,788)
(Loss)/profit before tax		**(804,310)**	**2,495,806**
Tax credit/(charge)	7	715,846	(508,442)
(Loss)/profit for the year		**(88,464)**	**1,987,364**
Earnings per share Basic earnings per share	9	(0.10)	2.21
Dividend:	**8**	-	**900,000**

The notes on pages 69 to 93 form an integral part of these Financial Statements.

Report of the independent Auditor - Page 62 to 64.

*Restated refer to Note 29 on page 91.

STATEMENT OF FINANCIAL POSITION

	Notes	2019 Shs'000	*Restated 2018 Shs'000	2018 Shs'000
EQUITY				
Share capital	10	900,000	900,000	900,000
Share premium	10	9,766,028	9,766,028	9,766,028
Revaluation reserve	11	4,930,609	6,290,033	6,290,033
Retained earnings		15,483,733	14,212,773	17,116,515
Proposed dividend	8	-	900,000	900,000
Equity attributable to the owners of the entity		**31,080,370**	**32,068,834**	**34,972,576**
Non-current liabilities				
Borrowings	12	20,592,838	20,592,838	20,592,838
Deferred tax	13	6,134,250	7,970,224	7,970,224
Retirement benefit obligation	22	73,775	76,021	76,021
		26,800,863	28,639,083	28,639,083
		57,881,233	**60,707,917**	**63,611,659**
REPRESENTED BY				
Non-current assets				
Property, plant and equipment	14	40,542,313	43,679,992	43,679,992
Right-of-use assets	15	918,610	1,025,083	1,025,083
		41,460,923	**44,705,075**	**44,705,075**
Current assets				
Inventories	16	4,719,680	8,787,128	9,669,403
Trade and other receivables	17	1,860,935	1,668,977	3,690,444
Cash and cash equivalents	18	3,130,863	2,195,314	2,195,314
Fixed deposits	19	10,499,236	6,332,094	6,332,094
Staff advances	20	114,005	130,416	130,416
Current tax receivable		451,682	1,420,122	1,420,122
		20,776,401	**20,534,051**	**23,437,793**
Current liabilities				
Trade and other payables	21	4,356,091	4,527,844	4,527,844
Rent tax payable		-	3,365	3,365
		4,356,091	4,531,209	4,531,209
Net current assets		**16,420,310**	**16,002,842**	**18,906,584**
		57,881,233	**60,707,917**	**63,611,659**

The financial statements on pages 65 to 93 were approved and authorised for issue by the board of directors on 14/7/2020 and were signed on its behalf by:

DIRECTOR

DIRECTOR

The notes on pages 69 to 93 form an integral part of these Financial Statements.

Report of the independent Auditor - Page 62 to 64.

*Restated refer to Note 29 on page 91.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019	Notes	Ordinary share capital Shs'000	Share premium Shs'000	Revaluation reserve Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
At start of year							
As previously stated		900,000	9,766,028	6,290,033	17,116,515	900,000	34,972,576
Prior year adjustment	25	-	-	-	(2,903,742)	-	(2,903,742)
As restated		900,000	9,766,028	6,290,033	14,212,773	900,000	32,068,834
- loss for the year		-	-	-	(88,464)	-	(88,464)
Year ended 31 December 2019							
Total comprehensive income for the year		900,000	9,766,028	6,290,033	14,124,309	900,000	31,980,370
Transfer of excess depreciation	11			(1,942,034)	1,942,034	-	-
Deferred tax on excess depreciation transfer	11	-	-	582,610	(582,610)	-	-
Dividends:							
- Final for 2019 (paid)	8	-	-	-	-	(900,000)	(900,000)
- Final for 2019 (proposed)		-	-	-	-	-	-
At end of the year		**900,000**	**9,766,028**	**4,930,609**	**15,483,733**	**-**	**31,080,370**
Year ended 31 December 2018							
At start of the year		900,000	(9,766,028)	7,649,457	12,051,185	900,000	31,266,670
Prior year adjustments		-	-	-	-	-	-
Paid up dividends		-	-	-	-	(900,000)	(900,000)
NSSF Loan				-	2,618,542		2,618,542
As restated		900,000	,766,028	7,649,457	14,669,727		32,985,212
Profit for the year		-	-	-	1,987,364	-	1,987,364
Proposed dividends		-	-	-	(900,000)	900,000	-
Transfer of excess depreciation	11	-	-	(1,942,034)	1,942,034	-	-
Deferred tax on excess depreciation transfer	11	-	-	582,610	(582,610)	-	-
At end of year		**900,000**	**9,766,028**	**6,290,033**	**17,116,515**	**900,000**	**34,972,576**

The notes on pages 69 to 93 form an integral part of these Financial Statements.

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*Restated refer to Note 29 on page 91.

STATEMENT OF CASH FLOWS

	Notes	2019 Shs'000	2018 Shs'000 *Restated
Operating activities			
Cash from operations	23	6,497,606	7,048,556
Tax paid		**(155,053)**	**(1,774,056)**
Net cash from operating activities		**6,342,553**	**5,274,500**
Investing activities			
Cash paid for purchase of property, plant and equipment	14	(339,862)	(1,517,960)
Cash paid for the purchase of prepaid operating lease rentals	15	-	(420,000)
Proceeds from the disposal of property, plant and equipment	15	-	336,547
Cash paid for the purchase of fixed deposits	19	(4,167,142)	(2,356,728)
Net cash used in investing activities		**(4,507,004)**	**(3,958,141)**
Financing activities			
Dividends paid: - ordinary shareholders	8	(900,000)	(900,000)
Net cash used in financing activities		(900,000)	(900,000)
Increase in cash and cash equivalents		**935,549**	**416,359**
Movement in cash and cash equivalents			
At start of year		2,195,314	1,778,955
Increase		35,549	416,359
At end of year	18	**3,130,863**	**2,195,314**

The notes on pages 69 to 93 form an integral part of these Financial Statements.

Report of the independent Auditor - Page 62 to 64.

*Restated refer to Note 29 on page 91.

NOTES

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements comply with the requirements of the Ugandan Companies Act, 2012. The statement of profit or loss represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

a). Basis of preparation

The financial statements have been prepared under the historical cost convention below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into consideration into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36 - Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Transfer between levels of the fair value hierarchy are recognised by the directors at the end of the reporting period during which the change occurred.

Going concern

The financial performance of the Company is set out in the Director's report and in the statement of profit or loss. The financial position of the Company is set out in the statement of financial position. Disclosures in respect of risk and capital management are set out in Notes 26 and 27 respectively.

Disclosure in respect of principle risks and uncertainties includes the overall business environment which continues to remain challenging and as a result has an effect on the overall demand for the entities products. The Company's strategic focus is to enhance sales growth whilst maintaining profit margin, the success of which remains dependent on overall market conditions and factors such the impact of coronavirus outbreak. Whilst at this stage it is too early to predict the full potential impact of the outbreak on the Company operations, the directors continue to monitor the situation closely with a view to assessing and mitigating its impact on the Company.

Based on the financial performance and position of the Company and its risk management policies, the Directors are of the opinion that the Company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

New and amended standards adopted by the Company

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2019 have been adopted by the Company. Of those, the following has had an effect on the Company's financial statements:

Other standards and amendments

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the Company's financial statements.

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.

- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.

- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.

- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

- Amendments to IFRS 3 'Definition of a Business' (issued in October 2018) applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

- Amendments to IAS 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The Company plans to apply the changes above from their effective dates.

b) Critical accounting estimates and judgement

In the application of the accounting policies, the Directors are required to make the judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The assumptions and judgments do not consider the full potential impact of the recent coronavirus outbreak as it is too early at the stage to predict the full potential impact of this on the financial statements of the Company.

- Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing Company of similar financial assets for the purposes of measuring ECL.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions.

For trade receivables, the Company has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

Useful lives of property and equipment: management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

c) Revenue recognition

The Company recognises revenue from direct sales of clay products. The Company recognises revenue as and when it satisfies a performance obligation by transferring control of a product or service a customer. The amount of revenue recognised is the amount the Company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

i) Direct sales of clay products

Sales of clay products are recognised upon delivery to, and acceptance by, the customer. Having accepted the goods, customers do not have the right to return them. There is no variable element to the contract price, and payment, less any deposit already paid, is typically due within 30 days of delivery.

Other income

- Rental income from operating leases is recognized on a straight-line basis over the period of the lease.
- Interest income is accrued by reference to time in rlation to the principal outstanding and the effective interest rate applicable.

d) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Uganda Shillings (the functional currency), at the rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

e) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditures initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.
Freehold land is not depreciated.

Depreciation is calculated on the straight line method to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Buildings	2%
Plant and machinery	10%
Furniture, fittings and computer equipment	10%
Motor vehicles	25%
Capital work in progress	NIL

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

f) Financial instruments

Financial instruments are recognised when, and only when, the Company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Company commits itself to the purchase or sale.

- Financial assets

The Company classifies its financial assets into the following categories:

i) Amortised cost;

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

Derecogntion/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the group has no reasonable expectations of recovering the asset.
When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment

The Company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognised on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

- Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

- All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

- Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost (WAVCo) method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and financial assets with maturities of less than 91 days.

i) Share capital

Ordinary shares are classified as equity.

j) Dividends
Proposed dividends are disclosed as a separate component of equity until declared.
Dividends are recognised as a liabilities in the period in which they are approved by the Company's shareholders
.

k) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the other comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income and equity.

Current tax
Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.
For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale.

l) Accounting for leases

The Company as lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option.

The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Leasehold land is subsequently carried at revalued amounts, based on accumulated impairment losses. All other right-of-use assets are subsequently measured at accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are recognised in profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the retained earnings to revaluation surplus reserve.

NOTES
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

The above accounting policy has not been applied from 1 January 2019 as it is not applicable to the Company. Note 1 (a) sets out the equivalent policy applied in the previous year and the impact of the change in accounting policy.

The Company as Lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Assets leased to third parties under operating leases are included in property and equipment in the statement of financial position.

m) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions for future operating losses are not recognised.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The amount recognised as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre-tax rate that reflects the current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in profit or loss under finance costs.

n) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

o) Retirement benefit obligations

The Company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The Company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2. Revenue from contracts with customers

	2019 Shs'000	2018 Shs'000
Roofing tiles	18,879,283	17,988,567
Half Bricks	1,611,619	1,849,843
Maxpans	7,213,636	6,604,387
Ridges	1,532,769	1,191,831
Bricks	684,849	1,725,908
Other Products	814,473	703,612
Total revenue from contracts with customers Recognised at point in time	**30,736,629**	**30,064,148**

3. Other operating income

Rental income	12,070	296,962
Income from other collections	845,014	-
Profit on disposal of property, plant and equipment	-	256,379
Total other operating income	**857,084**	**553,341**

4. Operating (loss)/profit

The following items have been (credited)/charged in arriving at the operating (loss)/profit:		
Depreciation on property, plant and equipment (Note 14)	3,477,541	3,677,891
Depreciation on right-of-use assets (Note 15)	106,473	96,364
Directors' emoluments	219,383	171,137
Audit fees current year	50,500	40,000
Repairs and maintenance	3,093,763	2,514,338
-Staff costs	10,000,367	9,846,547

5. Staff costs

Salaries and wages	7,339,232	7,446,716
NSSF company contribution	644,826	679,155
Gratuity and pension costs	656,458	642,338
Leave transport and allowance	221,689	170,563
Staff medical expenses	193,571	115,076
Staff welfare expenses	492,857	391,622
Staff termination pay	107,468	203,361
Staff training costs	84,810	51,958
Wages and allowance costs	257,776	143,264
Staff uniforms	1,680	2,494
Total staff costs	**10,000,367**	**9,846,547**

NOTES

6. Finance costs

Realised exchange loss	-	172,788
Unrealised exchange loss	59,655	-
Total finance costs	59,655	172,788

7. Tax

Current tax	1,116,506	686,878
Rental tax	3,621	11,265
Deferred tax credit (Note 10)	(1,835,973)	(189,701)
Tax (credit)/charge	**(715,846)**	**508,442**

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows:

	2019 Shs'000	2018 Shs'000
(Loss)/profit before tax	(804,310)	2,495,806
Tax calculated at a rate of 30% (2018: 30%)	(241,294)	748,742
Tax effect of:		
- expenses not deductible for tax purposes	104,437	331,045
- rent tax	3,621	11,265
- Adjustment to indexation on revalued assets not recognised	(582,610)	(582,610)
Tax (credit)/charge	**(715,846)**	**508,442**

8. Dividends

The Directors do not recommend a declaration of a dividend for the year (2018: Shs 1 per share) amounting to a total of Nil (2018: Shs 900,000,000). The total dividend for the year is therefore Nil (2018: Shs 1 per share) amounting to a total of Nil (2018: Shs 900,000,000).

In accordance with the Ugandan Companies Act, these financial statements reflect this dividend payable which is accounted for in the shareholders' funds as an appropriation of retained profits in the year ended 31 December 2019. Payment of dividend is subject to a withholding tax at the rate of 10% for residents and 15% for companies. Payment of dividends to shares held by a Company resident in Uganda from a local subsidiary or associated company in which it controls (directly or indirectly) 25% or more of the shareholding are exempt from withholding tax.

9. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2019 Shs'000	2018 Shs'000
(Loss)/profit attributable to equity holders	(88,464)	1,987,364
Weighted average number of ordinary shares	900,000	900,000
Basic earnings per share	(0.10)	2.21

10. Share capital

Authorised, issued and fully paid:		
900,000,000 (2018: 900,000,000) ordinary shares at Shs 1 each	900,000	900,000
Share premium	**9,766,028**	**9,766,028**

11. Revaluation reserve

	2019 Shs'000	2018 Shs'000
Property, plant and equipment		
At start of year	6,290,033	7,649,457
Transfer of excess depreciation for the year	(1,942,034)	(1,942,034)
Deferred tax on the transfer of excess depreciation	582,610	582,610
At end of year	4,930,609	6,290,033

12. Borrowings

The borrowings are made up as follows:

Non current		
Borrowings from related parties (Note 24 (iii))	20,592,838	20,592,838
Reconciliation of liabilities arising from financing activities:		
At start of year	20,592,838	23,211,380
Prior year adjustment	-	(2,618,542)
At end of year	20,592,838	20,592,838
Borrowings (continued)	%	%
Weighted average effective interest rates at the reporting date were: Borrowings from related parties	0.15	0.15

The loan from National Social Security Fund was obtained on the 27th day of December the year 2017 for a period of 10 years from the first disbursement. The loan amounting to Shs 11,050 million was obtained for the purposes of financing working capital i.e. 950 million was for procurement of spare parts for the Borrower's factory in Kajjansi, 3,000,000 million for the procurement and installation of the Kiln extension at the borrower's factory on Kamonkoli to be disbursed in 2 instalments being 900 million in the first and 2,100,000 million in the second, 160 million to be applied to the payments of existing creditors of the Borrower as shall be reviewed by the parties and approved by the Lender, 3,320 million to be applied to the repayment of a bridge finance loan provided by Standard Chartered Bank Uganda Limited and 3,620,000 million to the retirement of the outstanding loan arrears due to standard chartered bank Uganda Limited. The loan attracts an interest of 15% p.a. The loan is unsecured and is denominated in Uganda Shillings.

Interest amounting to Shs 10 billion split as follows; Shs 2.07 billion, 2.22 billion, 3.04 billion and 3.508 billion for the years 2012, 2013, 2014 and 2015 respectively was accrued as per the board resolution and agreement with the lender dated on the 16th day of December the year 2015 which was waived off.

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	2019 Shs'000	2018 Shs'000
Over 5 years	**20,592,838**	**20,592,838**

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant
The carrying amounts of the Company's borrowings are denominated in Uganda shillings.
Maturity based on the repayment structure of non-current borrowings(excluding finance lease liabilities) is as follows:

	2019 Shs'000	2018 Shs'000
Over 5 years	20,592,838	20,592,838

13. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2018:30%). The movement on the deferred tax account is as follows:

	2019 Shs'000	2018 Shs'000
At start of year	7,970,224	8,159,925
Credit to profit or loss	(1,835,973)	(189,701)
At end of year	**6,134,250**	**7,970,224**

Deferred tax liability in the statement of financial position and deferred tax credit to profit or loss are attributable to the following items:

Deferred tax liabilities	At start of year Shs'000	Credit to profit or loss Shs'000	At end of year Shs'000
Property, plant and equipment			
Accelerated tax depreciation	7,714,240	(460,137)	7,254,103
Revaluation	2,384,514	(582,611)	1,801,903
	10,098,754	**(1,042,748)**	**9,056,006**
Deferred tax assets			
Unrealised exchange losses	-	(17,900)	(17,900)
Provision for impairment of trade recievables	(208,742)	(775,325)	(984,067)
Unpaid interest	(1,919,789)	-	(1,919,789)
	(2,128,530)	**(793,225)**	**(2,921,756)**
Net deferred tax liability	**7,970,224**	**(1,835,973)**	**6,134,250**

14. Property, plant and equipment

Year ended 31st December 2019

Cost	Land Shs'000	Buildings Shs'000	machinery Shs'000	fittings Shs'000	vehicle Shs'000	work Shs'000	Total Shs'000
At start of year	14,748,638	-	63,107,102	1,399,375	3,688,435	2,288,252	85,231,802
Reclassification	(12,343,520)	12,343,520	-	-	-	-	-
Additions	-	-	81,201	143,966	-	114,695	339,862
At end of year	2,405,118	12,343,520	63,188,303	1,543,341	3,688,435	2,402,947	85,571,664
Depreciation							
At start of year	3,177,963	-	34,102,304	945,678	3,325,865	-	41,551,810
Reclassification	(3,177,963)	3,177,963	-	-	-	-	-
Charge for the year	**-**	**274,738**	**2,938,284**	**204,787**	**59,732**	**-**	**3,477,541**
At end of year	**-**	**3,452,701**	**37,040,588**	**1,150,465**	**3,385,597**	**-**	**45,029,351**
Net book value	**2,405,118**	**8,890,819**	**26,147,715**	**392,876**	**302,838**	**2,402,947**	**40,542,313**

Cost	Land Shs'000	Buildings Shs'000	machinery Shs'000	fittings Shs'000	vehicle Shs'000	work Shs'000	Total Shs'000
Year ended 31 December 2018							
At start of year	14,738,459	-	62,124,337	1,300,551	3,539,541	2,050,541	83,753,429
Additions	49,766	-	982,765	98,824	148,894	237,711	1,517,960
Adjustment for lease land	(35,003)						(35,003)
Disposals	(4,584)	-	-	-	-	-	(4,584)
At end of year	**14,748,638**	**-**	**63,107,102**	**1,399,375**	**3,688,435**	**2,288,252**	**85,231,802**
Depreciation							
At start of year	2,895,556	-	31,055,885	811,011	3,111,467	-	37,873,919
Charge for the year	282,407	-	3,046,419	134,667	214,398	-	3,677,891
At end of year	**3,177,963**	**-**	**34,102,304**	**945,678**	**3,325,865**	**-**	**41,551,810**
Net book Value	**11,570,675**	**-**	**29,004,798**	**453,697**	**362,570**	**2,288,252**	**43,679,992**

15. Right-of use assets

	2019 Shs'000	2018 Shs'000
Cost		
At start of year	1,359,877	939,877
Additions	-	420,000
At end of year	**1,359,877**	**1,359,877**
Depreciation		
At start of year	334,794	238,430
Charge for the year	106,473	96,364
At end of year	441,267	334,794
At end of year	918,610	1,025,083

16. Inventories

Spares and consumables	3,435,063	3,187,396
Work in progress	1,006,387	1,151,450
Finished goods	185,819	4,324,751
Goods in transit	92,411	1,005,806
	4,719,680	9,669,403

17. Trade and other receivables

	2019 Shs'000	*Restated 2018 Shs'000
Current		
Trade receivables	4,379,651	3,700,253
Less: expected credit losses	(3,280,222)	(2,717,274)
Net trade receivables	1,099,429	982,979

Trade and other receivables Continued

Prepayments	445,341	367,596
Amount due from fund administrator	-	313,542
Other receivables	316,165	4,860
Total trade and other receivables	**1,860,935**	**1,668,977**

Total trade and other receivables	2019 Gross amount Shs'000	2019 ECL allowance Shs'000	2019 Carrying amount Shs'000	2018 Gross amount Shs'000	2018 Loss provision Shs'000	2018 Carrying amount Shs'000
Trade receivables	4,379,651	(3,280,222)	1,099,429	3,700,253	(2,717,274)	982,979
Prepayments	445,341	-	445,341	367,596	-	367,596
Amount due from fund administrator	-	-	-	313,542	-	313,542
Trade receivables	316,165	-	316,165	4,860	-	4,860
	5,141,157	**(3,280,222)**	**1,860,935**	**4,386,251**	**(2,717,274)**	**1,668,977**

The carrying amounts of the Company's other receivables are denominated in Uganda Shillings

18. Cash and cash equivalents

	2019 Shs'000	2018 Shs'000
Cash at bank and in hand	3,130,863	2,195,314
For the purpose of the statement of cash flows, the year-end cash and cash		
equivalents comprise the above.		
The carrying amounts of the company's cash and cash equivalents are		
denominated in the following currencies:		
Uganda Shillings	2,689,274	1,772,222
US Dollars	406,688	335,711
Other currencies	34,901	87,381
	3,130,863	2,195,314

19. Other investments

Fixed deposits	10,499,236	6,332,094

The other investments include the fixed deposits held with Standard Chartered Bank Uganda Limited at an interest rate of 11% per annum. The company placed treasury bills of Shs. with Stanbic Bank Uganda Limited at an interest rate of 11.2% per annum with a maturity rate of 29/09/2020

20. Staff advances

Staff advances comprise of the following:		
At the start of the year	130,416	120,928
Gross staff advances	387,134	9,488
Repayments made during the year	(403,545)	-
	114,005	**130,416**
All staff advances are not secured and due within 1 year from the reporting		
date. The weighted average interest rate on staff advances was 5%.		

21. Trade and other payables

Current		
Trade payables	1,435,158	1,475,618
Advances from customers	2,183,582	2,122,534
Accruals	78,523	272,645
Other payables	658,828	657,047
Total trade and other payables	**4,356,091**	**4,527,844**

In the opinion of the directors, the carrying amounts of other payables approximate to their fair value.
The carrying amounts of the Company's other payables are denominated in Uganda Shillings.

The maturity analysis of company's trade and other payables is as follows

Year ended 31 December 201	0 to 1 Months Shs'000	2 to 3 Months Shs'000	4 to 12 Months Shs'000	Total Shs'000
Trade payables	761,987	399,133	274,038	1,475,618
Advances from customers	-	3,302	2,180,280	2,183,582
Accruals	78,523	-	-	78,523
Other payables	658,828	-	-	658,828
	1,499,338	**402,435**	**2,454,319**	**4,356,091**
Year ended 31 December 2018				
Trade payables	1,268,541	42,687	164,390	1,475,618
Advances from customers	2,122,534	-	-	2,122,534
Accruals	272,645	-	-	272,645
Other payables	657,047	-	-	657,047
	4,320,767	**42,687**	**164,390**	**4,527,844**

22. Retirement benefit obligations

The Company has a defined contribution gratuity scheme for all permanent and contract employees who qualify as a defined benefit scheme. Under the plan, the computation of the benefits payable to the employees for each completed year of service is as follows;

- Effective 1st June 2016, the Board reviewed the Company contribution to 10% of gross salary and employees of gross monthly salary for all employees.

	2019 Shs'000	2018 Shs'000
At start of year	76,021	83,316
Contributions for the year	936,350	476,805
Payments for the year	(938,596)	(484,100)
At end of year	73,775	76,021

23. Cash used in operations

	2019 Shs'000	2018 Shs'000
Reconciliation of profit before tax to cash used in operations:		*Restated
Profit before tax	(804,310)	2,495,806
Adjustments for:		
Depreciation on property, plant and equipment (Note 14)	3,477,541	3,677,892
Amortization of prepaid operating lease rentals	106,473	96,364
Gain on disposal of property and equipment	-	(296,961)
Provision for expected credit losses	(2,021,467)	-
Changes in working capital:		
- inventories	4,067,448	(71,790)
- trade and other receivables	1,829,509	103,738
- staff loans	16,411	(9,488)
- retirement benefits obligation	(2,246)	(7,295)
- trade and other payables	(171,753)	1,060,290
Cash from operations	6,497,606	7,048,556

24. Related party transactions and balances

The Company is controlled by National Social Security Fund incorporated Uganda, which owns 32.5% of the Company's shares. The remaining 19% and 49% of the shares are the National Insurance Corporation and 2,664 other shareholders respectively.

i) Key management compensation (including directors' remuneration)	2019 Shs'000	2018 Shs'000
Short term employee benefits	1,145,839	1,278,649
Termination benefits	107,468	203,361
	1,253,307	1,482,010

The Key management personnel include the Managing director, Head of internal Audit, Head of finance, Head of Human Resource and Support Services, Head of Sales and Marketing and Head of Production.

ii) Directors' benefits and other remuneration

Salaries	94,333	93,000
Other benefits	125,050	78,137
	219,383	171,137
iii) Borrowings from related parties		
At start of year	20,592,838	23,211,380
Prior year adjustment	-	(2,618,542)
At end of year	20,592,838	20,592,838

25. Notes to the reconciliations

i) International Financial Reporting Standards (IFRS 9): Financial Instruments

IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at the inception of a contract; this requires judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-month ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognised from inception.

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The company did not early adopt IFRS 9 in previous periods. As per the provisions of IFRS 1, the Company elected to restate comparative figures. Therefore the adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in opening retained earnings.
notes and disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes and disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in significant accounting policy (a).

ii) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		FRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets				
Cash and cash equivalents	Amortised cost	3,130,863	Amortised cost	3,130,863
Trade and other receivables	Amortised cost	1,668,977	Amortised cost	1,860,935
		4,799,840		4,991,798

iii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1
January 2019:

	IAS 39		IFRS 9	
	Carrying amount 1-Jan-18 Shs'000	Re classification Shs'000	Re measurement Shs'000	Carrying amount 31/12/2019 Shs'000
Cash and cash equivalents				
Balance under IAS 39	3,130,863	-	-	3,130,863
Re-measurement: ECL allowance	-	-	-	-
	3,130,863	-	-	3,130,863
Trade and other receivables				
Balance under IAS 39	4,379,651	-	-	4,379,651
Remeasurement: ECL allowance	-	-	(3,280,222)	(3,280,222)
	4,379,651	-	(3,280,222)	1,099,429
Balance under IFRS 9	7,510,514	-	(3,280,222)	4,230,292

26. Risk management objectives and policies

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and
seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

(a) Market risk

- Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposure primarily with respect to the US Dollar. The risk arises from future transactions, assets and liabilities in the statement of financial position date. The table below summarises the effect on post-tax loss and components of equity had the Uganda Shilling weakened by 10% against the US Dollar, with all other variables held. If the Uganda shilling strengthened against each currency, the effect would have been the opposite.

NOTES

	2019 Shs'000	2018 Shs'000
Effect on loss - increase	340,024	325,781

A 10% sensitivity rate is being used when reporting foreign risk internally to key management personnel and represents managements assessment of the reasonably possible change in foreign exchange rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:
- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Basis for measurement of loss allowance As at 31 December	2019 Shs'000	losses 2018 Shs'000
Trade receivables	4,379,651	3,700,253
Other receivables	316,165	4,860
Cash at bank	3,130,863	2,195,314
Gross carrying amount	7,826,679	5,900,427
Loss allowance	(3,280,222)	(2,717,274)
Exposure to credit risk	4,546,457	3,183,153

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

- financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;

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- financial assets that are credit impaired at the balance sheet date;
- trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

Basis for measurement of loss allowance	Cash and cash equivalents Shs'000	Trade receivables Shs'000	Total Shs'000
Year ended 31 December 2019			Shs'000
At start of year	-	(695,807)	(695,807)
Changes relating to assets	-	(2,584,415)	(2,584,415)
At end of year	-	(3,280,222)	(3,280,222)
Basis for measurement of loss allowance (continued)			
Year ended 31 December 2018	**Cash and cash equivalents Shs'000**	**Trade receivables Shs'000**	**Total Shs'000**
At start of year	-	(695,807)	(695,807)
Changes relating to assets	-	-	-
At end of year	-	(695,807)	(695,807)

(c) Liquidity risk

Cash flow forecasting is performed by the finance department of the Company by monitoring the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants on any of its borrowing facilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Note 12 and 21 discloses the maturity analysis of the borrowings and trade payables respectively.
The table below discloses the undiscounted maturity profile of the Company's financial liabilities:

Year ended 31 December 2019	Interest rate %age	Between 1-3 months Shs'00	Between 3-12 months Shs'00	More than 5 years Shs'000	Total Shs'000
	15%	-	-	23,681,764	23,681,764
	-	1,499,338	2,856,754	-	4,356,091
	15%	-	-	23,681,764	23,681,764
	-	4,320,767	207,077	-	4,527,844

27. Capital management

Internally imposed capital requirements

The Company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to comply with the capital requirements set out by the Company's lenders;

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- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business, and
- to maintain an optimal capital structure to reduce the cost of capital.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt. Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as a of Net debt/capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital, share premium, revaluation reserve, proposed dividends and retained earnings).

The gearing ratios at 31 December 2019 and 2018 were as follows:	**2019 Shs'000**	**2018 Shs'000**
Total borrowings (Note 11)	20,592,838	20,592,838
Less cash and cash equivalents (Note 19)	(3,130,863)	(2,195,314)
Net debt	17,461,975	18,397,524
Total equity	31,080,370	32,068,834
Gearing ratio	0.56	0.57

nternally imposed capital requirements (continued) Externally imposed capital requirements. The Company's bankers have established certain guidelines for the management of capital and working capital. These are dividend pay-outs and any changes in the capital structure of the Company must first be approved in writing by the bankers.

28. Segment information

For management purposes, the company is organised into two business units based on the factory location and has two reportable operating segments that is Kajjansi and Kamonkoli factory. No operating segments have been aggregated to form these reportable operating segments.

Management monitors the operating results of its operating units separately for the purpose of making decisions about resource allocations and performance assessments. Segment performance is evaluated based on operating profit or loss in the financial statements.

The segment results for the year ended 31 December 2019 and 2018 were as follows;

Statement of profit or loss 31 December 2019	**Kajjansi factory Shs'000**	**Kamonkoli factory Shs'000**	**Total Shs'000**
Revenue from contracts with customers	20,607,000	10,129,629	30,736,629
Cost of sales	(11,803,515)	(9,478,541)	(21,282,056)
Gross profit	**8,803,485**	**651,088**	**9,454,573**
Other operating income	855,000	2,084	857,084
Selling and distribution expenses	(1,329,843)	(139,773)	(1,469,616)
Administrative expenses	(7,264,411)	(970,420)	(8,234,831)
Other operating expenses	(1,081,597)	(270,268)	(1,351,865)
Operating profit	**(17,366)**	**(727,289)**	**(744,655)**
Finance costs	(59,655)	-	(59,655)
Profit before tax	**(77,021)**	**(727,289)**	**(804,310)**

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Segment information Continued

Statement of profit or loss 31 December 2019	**Kajjansi factory Shs'000**	**Kamonkoli factory Shs'000**	**Total Shs'000**
31 December 2018			
Revenue from contracts with customers	22,206,380	7,857,768	30,064,148
Cost of sales	(11,239,221)	(8,164,795)	(19,404,016)
Gross profit	**10,967,159**	**(307,027)**	**10,660,132**
Other operating income	529,741	23,600	553,341
Selling and distribution expenses	(1,494,874)	(124,717)	(1,619,591)
Administrative expenses	(1,964,810)	(334,156)	(2,298,966)
Other operating expenses	(4,001,833)	(624,489)	(4,626,322)
Operating profit	**4,035,383**	**(1,366,789)**	**2,668,594**
Finance costs	(172,788)	-	(172,788)
Profit before tax	**3,862,595**	**(1,366,789)**	**2,495,806**
Statement of Financial Position			
31 December 2019			
Equity	2,169,525	(32,460,952)	(30,291,427)
Non-current liabilities	(37,605,352)	10,221,875	(27,383,477)
Non-current assets	20,157,761	21,303,162	41,460,923
Current assets	18,736,516	1,833,554	20,570,070
Current liabilities	(3,458,450)	(897,639)	(4,356,089)
31 December 2018			
Equity	4,536,012	(36,604,846)	(32,068,834)
Non-current liabilities	(37,365,115)	8,726,032	(28,639,083)
Non-current assets	20,918,355	23,786,720	44,705,075
Current assets	16,214,948	4,319,103	20,534,051
Current liabilities	(4,304,200)	(227,009)	(4,531,209)

29. Prior year adjustments

Inventories At the start of year	**2018 Shs'000**
As previously stated	9,669,403
Prior year adjustments **	(882,275)
As restated	8,787,128
The prior year adjustment relates to restatement to correct the inventories that were wrongly	
valued due to the change in the costing methods used.	
Provisions for bad debts	
At the start of year	
As previously stated	(695,807)
Prior year adjustments (Expected credit loss provisions)**	(2,021,467)
As restated	(2,717,274)

The prior year adjustment is to correct the expected credit loss provision that was to be recognised in the prior year.

30. Presentation currency

The financial statements are presented in Uganda Shillings (Shs) rounded off to the nearest thousand (Shs 000).

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SCHEDULE OF COST SALES

1.	COST OF SALES	2019 Shs'000	2018 Shs'000
	Opening stock of finished goods and work-in-progress	5,476,201	6,179,049
	Purchases	2,832,301	4,069,385
	Production costs (1.1)	14,165,760	14,631,783
	Closing stock of finished goods and work-in-progress	(1,192,206)	(5,476,201)
	Total cost of sales	21,282,056	19,404,016
1.1	**Production costs**		
	Electricity and generator expenses	1,779,002	1,951,976
	Repairs and maintenance	2,927,435	2,380,903
	Transportation expenses	954,141	817,609
	Loading and offloading costs	337,552	298,353
	Sales outlet expenses	73,206	203,583
	Salaries and wages	4,164,961	4,464,607
	NSSF company contribution	296,385	313,340
	Staff pension and gratuity	292,589	305,625
	Staff welfare	160,808	208,006
	Insurance	241,396	212,282
	Depreciation of property, plant and equipment	2,938,285	3,475,499
	Total production costs	14,165,760	14,631,783

SCHEDULE OF EXPENDITURE

1.	SELLING AND DISTRIBUTION EXPENSES	2019 Shs'000	2018 Shs'000
	Business promotion expenses	316,126	956,962
	Donations	14,933	20,355
	Bonus costs	103,101	73,847
	Repairs and maintenance	108,331	122,191
	Public relations and entertainment expenses	3,028	493
	Sports and recreation costs	2,150	16,613
	Transport expenses	599,835	125,756
	Commission expense	309,699	360,530
	Subscriptions expenses	8,861	12,030
	Research and development	3,552	4,658
	Total selling and distribution expenses	**1,469,616**	**1,693,435**
2.	ADMINISTRATIVE EXPENSES		
2.1	**Employment:**		
	Salaries and wages	3,174,271	2,982,109
	NSSF company contribution	348,441	365,815
	Gratuity and pension costs	363,869	336,713
	Leave transport and allowance	221,689	170,563
	Staff medical expenses	193,571	115,076
	Staff welfare expenses	332,049	183,616

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Schedule Of Expenditure Continued

	Staff termination pay	107,468	203,361
	Staff training costs	84,810	51,958
	Wages and allowance costs	257,776	143,264
	Staff uniforms	1,680	2,494
	Total employment costs	**5,085,624**	**4,554,969**
2.2	**Other administrative expenses**		
	Directors' remuneration	219,383	171,137
	Annual general meeting expenses	122,673	133,326
	Audit fees - current year	50,500	40,000
	Legal and professional fees	626,379	300,912
	Consultancy fees	272,454	106,795
	Travel expenses	302,013	323,359
	Printing and stationery expenses	161,720	49,619
	Other expenses	15,420	36,096
	Bank charges	67,375	82,734
	Telephone and communication costs	221,800	248,118
	Write offs	526,542	-
	Expected credit losses	562,948	-
	Total other administrative expenses	3,149,207	1,492,096
	Total administrative expenses	**8,234,831**	**6,047,065**
3.	OTHER OPERATING EXPENSES		
	Establishment		
	Rent and rates	144,544	101,985
	Repairs and maintenance	166,328	133,435
	Insurance	149,656	120,687
	Utilities	-	1,314
	Software licence expenses	82,846	4,732
	Security expenses	162,762	143,470
	Depreciation on right-of-use assets	106,473	96,364
	Depreciation on property, plant and equipment	539,256	202,392
	Total other operating expenses	**1,351,865**	**804,379**
4.	FINANCE COSTS		
	Realised exchange loss	-	172,788
	Unrealised exchange loss	59,655	-
	Total finance costs	**59,655**	**172,788**

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