Integrated Report 2020

Turning The Corner

Uganda Clays Ltd.

About

This Report

Uganda Clays is proud to present its inaugural integrated report, for the financial year 2019/2020. Herein, we clearly outline how our strategy, governance, performance and prospects led to, or will lead to, value creation in the short, medium and long term

We explore the material themes affecting our ability to create value and we detail the 6 capitals that enable us to deliver stakeholder value. We shall demonstrate how in thoughtfully navigating all these factors, we have managed to turn a corner.

Turning the corner; we felt was a fitting theme for this year's report.

We entered the new decade with an eye on recovery, on being better than we have ever been before. Although we did not exceed our expectations, due to both internal and external factors that we share in this report, we made great strides towards this goal and we did that by thoroughly examining our 70 years' history and translating our strategy into calculated steps.

In marking this Jubilee, we were conscious of the changed national, and indeed global landscape and were determined not to become anachronistic. This balance, an appreciation of our experience and an eye on our future, has resulted in the reduction of loss and the increment of value to all stakeholders.

In a year filled with ups and unprecedented downs, we remained agile and adaptable, qualities that helped us sight growth, development and profitability.

This integrated report presents an accurate picture of business operations and our financial standing. Furthermore, it clarifies the non-financial position and outlook of Uganda Clays.

Forward Looking Statements

This Annual Report contains certain forward-looking statements with respect to the operations, strategy, performance, financial condition and growth opportunities of Uganda Clays Limited. By their nature, these statements involve uncertainty and are based on assumptions and involve risks, uncertainties and other factors that could cause actual results and developments to differ materially from those anticipated.

The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and, other than in accordance with its legal and regulatory obligations, the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Table Of

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 2020 will be convened and held by electronic means on Wednesday 30 June 2021 at 2:30 pm.

AGENDA

Ordinary Business

1. To receive and confirm the minutes of the meeting held on 8 October 2020.
2. To receive, consider and approve the Directors' report and audited financial statements for the year ended 31 December 2020, together with the report of the auditors.
3. To consider, approve and declare a final dividend of UGX 1.35 per share for the year ended 31 December 2020.
4. To rotate and elect Directors in accordance with the Articles of Association of the Company and determine their remuneration.
5. To consider, and if deemed fit, appoint PKF Uganda as external auditors of the Company for the year ending 31 December 2021 and authorize the Directors to fix their remuneration.

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

i. Notice of the AGM

ii. Minutes of the AGM held on 8 October 2020

iii. The Annual Report

iv. Audited Financial Statements for the year ended 31st December 2020

v. Proxy form

vi. Letter of No Objection issued by the USE.

2. Virtual AGM
The AGM will be held virtually because several Rules and restrictions imposed by the Government of Uganda under Public Health Act, Cap. 281, to curb the spread of the corona virus in Uganda, are still in force. The measures include a ban on large public meetings and social distancing. The Company has also taken cognizance of the resurgence of Covid-19 infections with new strains of the virus which are more deadly.

In the AGM of the Company held on 8 October 2020, the Company's Articles of Association were amended to provide for virtual and hybrid meetings.

The Company has put in place an execution plan for the virtual Annual General Meeting 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:

i. Dial the USSD code *284*32# from a mobile telephone on any Ugandan mobile network and follow the various prompts in the registration process.

ii. 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.

iii. 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. 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.

7. 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.

8. 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.

PROXY FORM

The Company Secretary
Uganda Clays Limited
P. O. Box 3188
Kampala

Annual General Meeting Of Uganda Clays Limited

I/We, the undersigned being a shareholder(s) in the above-mentioned Company hereby appoint .... of address .... as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at the .... on...................................... or at any adjournments thereof.

Signed: ....

Name: ....
Address (full contact details i.e. Postal address, telephone, and e-mail)
....
Date: ....

Notes:

1. This proxy is to be delivered to the Company Secretary at the registered office as shown on the notice, or emailed in pdf to secretary@ugandaclays.co.ug at least forty eight (48) hours before the time appointed for holding the meeting and, in default, the instrument of proxy shall be treated as invalid.
2. In case of a corporation, the proxy must be under its common seal.
3. Where a shareholder has been assisted in filling this form, the details of the person assisting should be indicated (state capacity and full name).
4. The completion and lodging of this form or proxy does not prevent the relevant ordinary shareholder from attending the Annual General Meeting of the proxy.
5. The Chairman of the Annual General Meeting may accept or reject any proxy form which is completed and/or received other than in compliance with these notes.
6. Where there are joint holders of ordinary shares, any one holder may sign the proxy form.


UBH 675N
SEM

Our Business

In This Section

2020 Financial
Performance

Revenue

UGX 29.7B

2020: UGX 29.7B
2019: UGX 30.7B
2018: UGX 30.1B

Asset size

UGX 68.9B

2020: UGX 68.9B
2019: UGX 62.2B
2018: UGX 65.2B

EBITDA

UGX 9.67B

2020: UGX 9.67B
2019: UGX 2.84B
2018: UGX 6.44B

Dividend Declared

UGX 1.2B

2020: UGX 1.2B
2019: UGX 0
2018: UGX 0.9B

Net Profit

UGX 4.87B

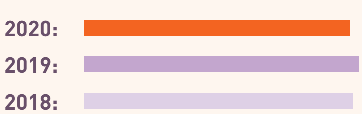
2020: UGX 4.87B
2019: (UGX 0.09B)
2018: UGX 1.99B

Earnings per share

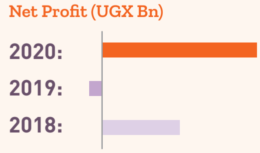
UGX 5.4

2020: UGX 5.4
2019: (UGX 0)
2018: UGX 2.2

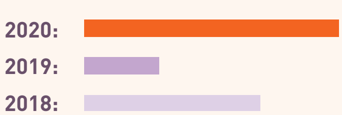
Revenue (UGX Bn)



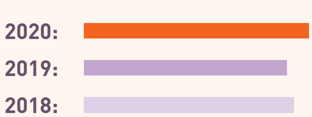
Net Profit (UGX Bn)



EBITDA (UGX Bn)



Asset Size (UGX Bn)



Top 5
Reasons to Invest

Growing earnings and dividends

Strong asset and financial management help ensure balanced capital and income growth, supporting a progressive dividend policy

Dividend Declared
UGX 1.2B

Uganda Clays share price is currently at its lowest

Irregular results in the past have negatively affected our perception and share price. but with earnings and dividends on the rise, the current share price offers the best entry point

Share Price
UGX 5p.s

Indegenous Company with International Quality Products

We are Uganda's only baked-clay building products manufucturer with ISO 9001 certification

Beauty to last. A great use of our products by Infinity Courts Apartments, Kololo

Chairman's Statement

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

Our 70th anniversary affords us an opportunity to reflect on the great achievements and milestones registered

Platinum Jubilee

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

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

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

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

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

Headwinds of 2020

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

Eng. Martin Kasekende, Chairman Board of Directors addressing shareholders at the first ever Virtual AGM in June 2020

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

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

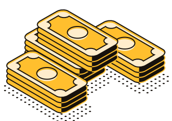
Following the declaration of the national lock down in March 2020, the Board took a bold decision not to close down all operations.

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

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

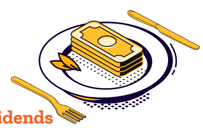
Net Profit

UGX 4.87Bn



Sales Revenue

UGX 29.7Bn



Dividends

UGX 1.21Bn

Performance Overview

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

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

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

Dividend

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

Management Changes

At the beginning of March 2020, the Board of Directors took a bold decision to make changes in the top management of the Company that affected the Managing Director, Head of Production and Head of Human Resources and Support Services. The holders of those management positions left the Company by resignation or through termination with effect from 6 March 2020.

In addition to the above departures, the Company had earlier parted ways with the Head of Sales and Marketing. The Board was convinced that these departures were necessary to address the stagnation in the Company's performance over the past several years.

The Board appointed Ms Jacqueline Kiwanuka, the Head of Finance, as the acting Managing Director of the Company and immediately commenced a recruitment process to fill the vacant positions with suitable people. In spite of these changes, the Company continued to operate normally, save for the lock down.

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

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

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

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

Governance

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

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

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

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

Outlook for the Future

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

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

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

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

Appreciation

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

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

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

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

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

Eng. Martin Kasekende
Chairman Board Of Directors

Ag. Managing Director's Statement

2020 was an unprecedented year. Internally, we experienced a significant change in the management team with the exit of the Managing Director, the Head of Human Resources and Support Services, and the Head of Production.

Externally, we were facing a global pandemic of an unprecedented nature. This all in the first quarter of the year.

The Board instated me to oversee the business operations as the recruitment of the replacements of these officers was ongoing. Due to the external pressures of the COVID pandemic, this temporary period extended to 12 months.

Internal responses

The immediate task following the management team exits was to reassure the rest of the staff team that these changes would neither have an impact on the business operations nor would it jeopardize their job security.

This involved having face time with staff at our factories in Kajjansi and Kamonkoli and our sales outlets to explain the situation, allay any fears and respond to their concerns. This was a critical step because as we inculcate a performance culture as underpinned in our 5 year strategy, open communication shall be a key factor in fostering it. Management committed to fostering a culture of teamwork with collaboration and freedom of thought and this dialogging was a step in that direction.

Ms. Jacqueline Kiwanuka, Ag. Managing Director (from 05 March 2020 to 30 May 2021) in her Kajjansi office

Because of the critical nature of the production function, the Board approved the request to recall the former Production Manager – John Gita from his retirement to momentarily oversee the production operations as recruitment of the Head of Production was ongoing. This response speaks to our organizational culture because he willingly returned to guide processes in both factories in order to stabilize production.

The National Social Security Fund also seconded its staff to provide support in the Human Resources and Finance functions – Francis Kintu and Jones Muhumuza respectively.

External responses

The same assurances had to be extended to our external stakeholders i.e. Uganda Securities Exchange, financial institutions, major creditors and other business partners. These transparent conversations let our stakeholders know that the changes in governance were in a bid to improve business and as always, deliver value to shareholders. By so doing, we were able to mitigate the risk of misinformation in the market.

COVID 19-A difficult and unique time

Like all businesses in Uganda and indeed the world, we were not spared the effects of the pandemic. We were forced to learn and grow. At the start of the outbreak, the staff numbers physically present at the factory was significantly reduced so that we could reduce the exposure risk.

Subsequently, during the mandatory Government lock down in April, we scaled down operations particularly in the production and sales functions. Our priority at the time was the wellbeing of our staff.

I am also pleased to report that no employee lost their job as a result of the pandemic. In addition, all salaries were paid for the year.

However, to meet this commitment, we staggered salaries and cut back on benefits that staff are ordinarily entitled to, such as trainings and a few other salary related allowances.

We also made sure that all Government Standard Operating Procedures (SOPs) on Covid 19 prevention were fully implemented.

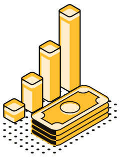
Equipment such as temperature guns, hand washing facilities, masks and registers were procured and provided at all company locations. An internal task force was set up, overseen by the health and safety committee to monitor the enforcement of the SOPs.

A response plan was also put in place, in the event of identification of a COVID-19 case/s amongst staff. Fortunately, we have not had to use this plan to date.

This emphasis on safety permeated all our operations; in dealing with our customers the same prudence was exercised. They too were required to follow the same guidelines and SOPs. All our business partners especially suppliers and third party transporters were also required to follow the same guidelines.

Ms. Jacqueline Kiwanuka inspecting the clay bank area at the Kajjansi factory

Whereas the deadly pandemic presented anything but chaos, it also forced us to become more pragmatic about our spending which inadvertently resulted into savings



UGX 1B

in sales was made the first week after lock down was lifted

Opportunities from a difficult time

Whereas the deadly pandemic presented anything but chaos, it also forced us to become more pragmatic about our spending which inadvertently resulted into savings. Because we had an eye on survival in the short term and profitability in the mid and long term, we became very cautious.

We realized savings on overhead costs, including administration and staff costs. This emanating from a one month's break without full operations and cutting back on expenditure. Activities of advertising and promotions were foregone during the period because they were not a priority at the time.

During the lock down month of April, we were able to catch up on and meet demand. During 2019, we experienced challenges that resulted in a lag in completion of customer orders. We also had the opportunity to start on the refurbishing process of both the Kajjansi and Kamonkoli factories to improve their drying and firing efficiency.

Financial Performance

The year 2020 was the second year of implementation of the company's five year strategic plan for the period 2019 to 2023. The execution of the 2020 initiatives was however negatively impacted by the Covid-19 pandemic.

Total assets grew by 11%; closing the year 2020 at UGX 68.8bn from a value of UGX 62.2 B at close of 2019.

The total revenue reduced from UGX 30.7bn in 2019 to UGX 29.7bn in 2020. The largest contributor to this revenue was the roofing tiles contributing 64%. An increase was also realized in the other incomes from UGX 845Million in 2019 to UGX 1.8bn in 2020 related to interest from investment in Government securities.

The gross margin for the year improved compared to 2019 (2020: 46%, 2019: 31%). The total overheads dropped from UGX 11.1bn in 2019 to UGX 9.3bn in 2020 as a result of cost management measures put in place during the period.

The business posted a net profit of UGX 4.8bn, registering a significant improvement from the prior year loss of UGX 88Million.

Our promises last year

In 2019 we made specific promises to shareholders. While our progress was stymied by the pandemic, I am happy to report strides in a few key areas.

A part of our strategy (see more on strategy on < pages 40-47 > was targeted at providing convenience for customers. In the second half of the year, we were able to commence work on a project to; enhance our website, develop our mobile app, and to create an online shop. Beta testing for the website was conducted in January 2021 with an expectation of a roll out in the first quarter of 2021.

We promised to make our production process lean with high quality standards. We utilized a portion of the cash reserves for capital expenditure for machinery to improve both factories. A significant amount was not disbursed as preparatory works were still in progress by the close of the year, however disbursements were later made in the first quarter of 2021.

Unfortunately, Europe - where our major providers are located was hit hardest by the pandemic with national lock downs and restricted international travel. This had a ripple effect and thereby affected delivery timelines.

We reported the issue of inconsistent power supply that has continuously resulted in high expenditure on generator use. I am happy to report that UCL has initiated a strategic partnership with UMEME, and we are on the way to solving this.

We have sought approval from the Electricity Regulatory Authority to connect the Kamonkoli factory to the Kapchorwa industrial park power line. At the same time, UMEME has accepted to set up a substation for the Kajjansi factory

In conclusion

My tenure as the Acting Managing Director came to a close in February 2021 as I handed over to Reuben Byaruhanga Tumwebaze.

Together with the expertise with which he comes, the preparatory work that was made in 2020 for various improvements, and a dedicated workforce, I have the utmost confidence that he will deliver value to all stakeholders and ultimately the shareholders.

I wish to appreciate the support provided to me during this period. First and foremost, to the Board of Directors who provided guidance. Secondly, to the UCL staff team who demonstrated resilience in a year that was crowded with serious challenges. They braved working at a time when the Covid scare was at its highest with the production team isolated from their families for a whole month while the factory remained closed to the public but also the sales team who even with one month of no sales still generated a revenue close to that of 2019. Lastly, I thank our customers who have always showed their loyalty and still chose UCL as their preferred supplier of clay products. I salute you all.

Ms. Jacqueline Kiwanuka

Ag. Managing Director

A picturesque view of our fully stocked yard at our Kajjansi factory

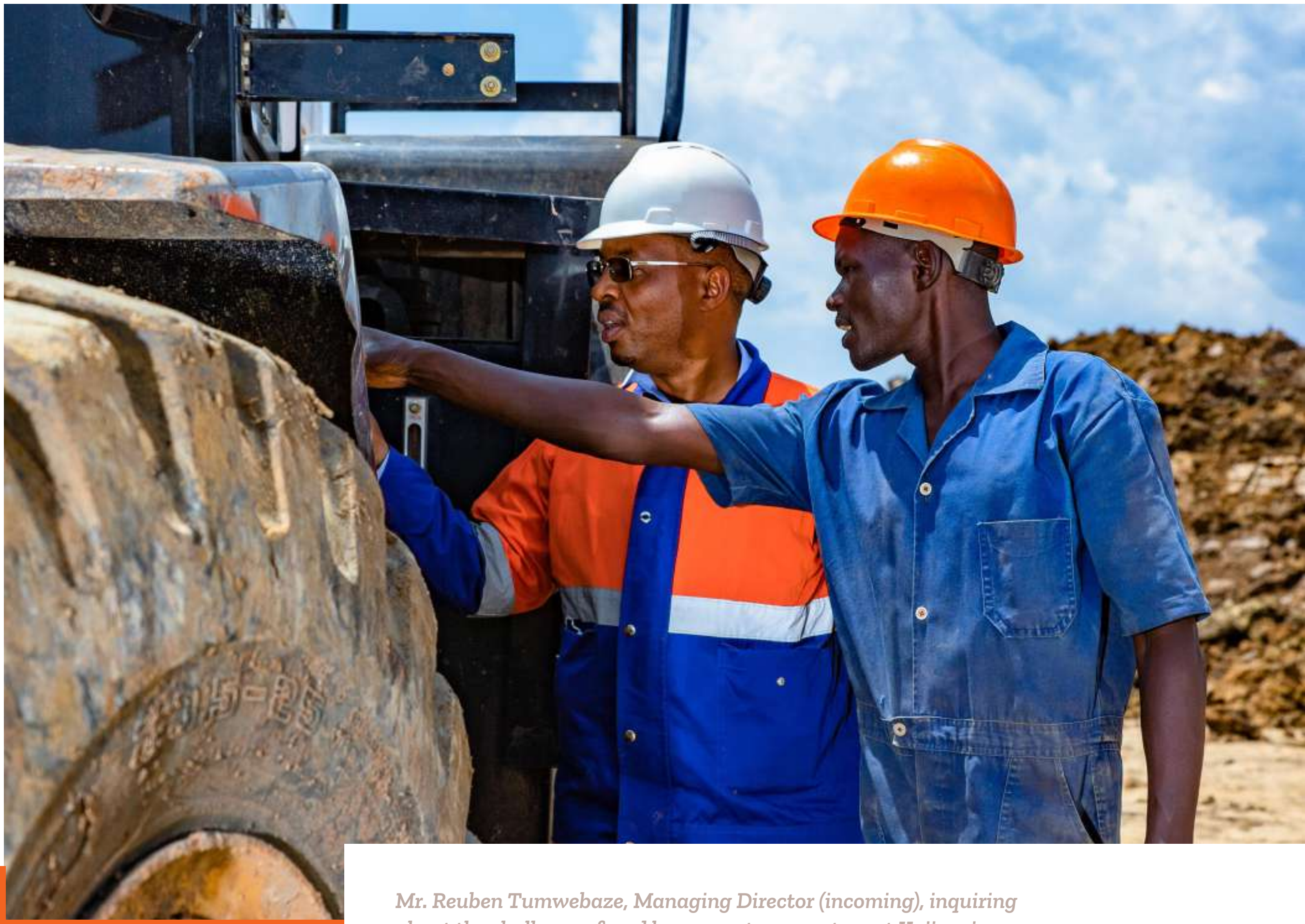
(Incoming) Managing Director's Statement

2020 was, by any measure, a testing year. However, I am pleased to report that, while the company had to contend with many unexpected difficulties in the year, it was also a period of continued strategic progress for Uganda Clays Ltd.

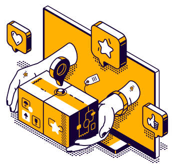
The COVID-19 pandemic, whilst presenting challenges for the business and impacting on trading, especially in the first half of the year, also acted as a catalyst for change, prompting us to take decisive action to protect and upgrade the business. This included a re-engineering of our cost base, ensuring we are fit for the future and in a strong position to capitalize on continued improvement in our markets.

Our agile approach and our unwavering commitment to serve our customers allowed us to address COVID-19 issues effectively resulting in a smooth continuous production.

While COVID-19 restrictions inevitably threatened the company's performance in the year, it is encouraging to note that underlying market fundamentals remained robust, supported by demand for secure investments like housing.



Mr. Reuben Tumwebaze, Managing Director (incoming), inquiring about the challenges faced by excavator operators at Kajjansi



NPS = 90%

Revolutionize the UCL customer experience

Revenue = UGX72B

Grow the business exponentially through a wide portfolio of services, products and lean production.

Waste < 5%

Automate manufacturing and embrace the lean production model.

Engagement = 80%

Establish a high-performance culture & support system

Our strategy has three pillars: Enhance the demand fulfillment capability i.e. volume growth, Innovate and Grow the market. The strategic mindset will continue to focus on these three core pillars within the environment of a fully engaged staff and efficient processes. With a stronger platform in place, we have a range of attractive growth opportunities with the potential to create significant value for our stakeholders over the medium term.

Company 5-year Strategic Plan

In 2019, the Board of Directors made a critical decision to pursue a new direction of change for the company. A 5-year turn-around strategy was established to address the much needed performance of the company. The strategy entails transforming Uganda Clays Ltd from a product-focused company into a customer-focused company, so that rather than sell tiles and bricks, we now sell solutions to building problems.

The new approach allows Uganda Clays to:

- Access a larger market
- Diversify its portfolio and revenue (offering services & solutions rather than strictly products

The foundation of the strategic plan is built on 4 focus areas:

1. Customer focus with a strategic objective of creating ubiquitous sales and marketing channels, and a convenient technology platform to revolutionize the customer experience. This should lead to a customer satisfaction rate of 90%.
2. Revenue focus with a strategic objective of having the business growing exponentially as a result of a wide portfolio of services & products, and lean production. As a result, revenue would be expected to grow to UGX 72 Billion.
3. Business Process focus with a strategic objective of automating manufacturing and progressively leverage Plant & Machinery, to focus on business development. This should lead to an allowable industry wastage of only 5%.
4. Organizational Capacity focus with a strategic objective of establishing a high-performance culture & supporting system. This should lead to staff satisfaction and engagement rate of 80%.

We are glad to report that we are right on track to achieve the 5- year objectives.

A clear, long-term investment case

We have a strong business with market-leading positions in sectors of the market which benefit from positive structural growth trends.

Our business, which is comprised of our market-leading roofing tiles and floor tiles, that is, Quarry tiles, delivers structurally high margins and strong free cash flows. We benefit from a significant and diversified asset base, and an attractive range of future growth opportunities. As we go through the period of peak pandemic and its impact, we are re-focusing on the initiatives and actions that will drive sustainable growth and value creation for all our stakeholders.

Mr. Reuben Tumwebaze, Managing Director (incoming) reacts to proceedings in a management meeting

Our significant cash generation capability enables us to outperform our markets through active, intelligent and disciplined investment. Looking ahead, our investments for growth will be focused in two areas:

1. Capacity, efficiency and sustainability enhancement to optimize the performance of our renewed business; and
2. Innovation and extension into new markets, to diversify our revenue base within the regional building envelope.

In developing and extending our business, we are focused on the two key trends that we believe will transform our industry over the long-term:

1. An increasing focus on the social and environmental impacts of all construction activity;
2. A new wave of industrialization redefining the way that residential as well as commercial buildings are constructed.

Our strategy has three pillars: Volume Increase, Innovate and Grow.

Driving sustainable performance through Volume growth

As a scale industrial business, sustainable high performance is at the heart of what we do. We are focused on three priorities:

1. Health and safety
2. Operational excellence
3. Sustainability and our social impact

Health and Safety

In addition to the measures implemented to ensure all sites were COVID secure, significant progress was made within many other areas of the health and safety road map and more specifically the Board approved an Occupational Health, Safety and Environment policy.

Looking forward, we will implement a new health and safety management system over the next 12 months, in order to drive enterprise-wide standards and promote more effective sharing of best practice. We will also be placing further focus on contractor safety, enabling all partners working at our facilities to operate at the high standards we expect at all times.

Operational excellence

Our ambition is to establish a coherent and standardized process flow of management activities in order to boost plant's performance and reach the best levels of industrial excellence.

For us to achieve this operational excellence, we will be working on an industrial frame work that delivers the following key outcomes:

- Reaching promptly the best possible performance in a safe and sustainable way
- Setting ambitious targets to continuously improve and establishing a clear accountability for all teams
- Ensuring people's development and empowerment
- Being agile to easily adapt to the changing business environment
- Fostering cross departmental and cross-functional collaboration

Sustainability and social impact

To sustain our operation and catch up with anticipated demand in the region, the board has approved an ambitious capital development plan to grow the volumes and raw material reserves.

We have embarked on growing our regional markets as part of our growth strategy. With our strong brand, our regional market is expected to deliver significant results in the next one year.

We have remodeled our distribution channels and route to market system and a strong customer engagement initiatives are beginning to yield significant results.

Our Turnaround Time (TAT) has improved, and this has improved our net promoter index.

I would like to thank my predecessor Ms Jacqueline Kiwanuka and the resilient team she worked with during the difficult yet rewarding 2020 for an incredible job well done.

I want to thank our Board of Directors for the excellent work and the stellar caliber professionals they are.

To our patient shareholders, thank you for trusting us with you investment and we promise you value for your money.

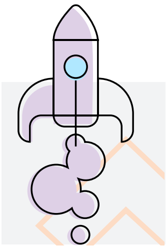
Thank you!

Mr. Reuben Tumwebaze
Managing Director (Incoming)

A Brief History Of

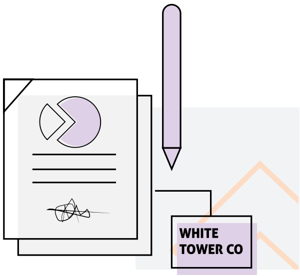
Uganda Clays

Uganda Clays is a manufacturer and seller of baked clay construction products including; roofing and floor tiles, suspended blocks, bricks, and decorative products.



Incorporation

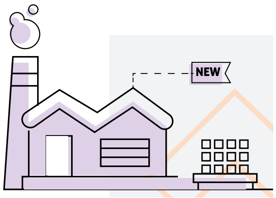
The company was incorporated in 1950 as a Private Limited Liability Company by the Georgiadis Greek Cypriot family.



White Tower Chapter

Followed by another transfer to White Tower Corporation in 1996.

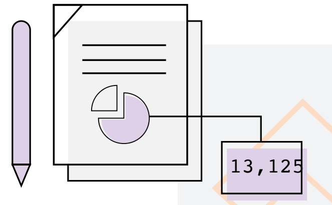
1996



Kamonkoli Factory Opening

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,

2007

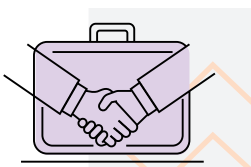


NHCC Chapter

Then a transfer of 13,125 shares to National Housing and Construction Company (out of 17,500 total shares) in 1977,

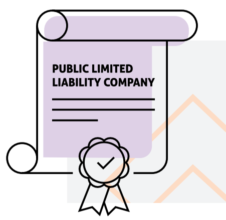
~1969

~1977



Change in Ownership

Through the years, the Company changed ownership; first, to Westmont Engineering and Construction Company in 1969,



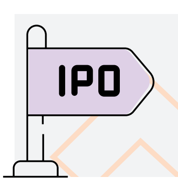
PLLC Status

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,

1998

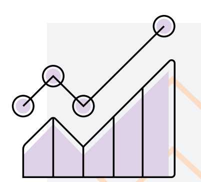
1999

2000



Initial Public Offering

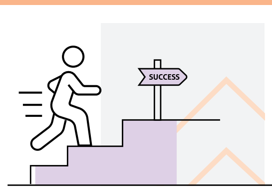
In 1998, the Government of Uganda decided to divest its interest in the company; for its 375,000 shares out of 500,000 to be sold to the general public and company employees upon the company being listed on the Uganda Securities Exchange (U.S.E.).



A Listed Security

and in 2000 Uganda Clays Ltd became the first equity to be listed on the Exchange.

2020



Turning the Corner

Overview Of

Uganda Clays

Beauty to last. A great use of our products by New Apartments on Impala Avenue, Kololo

Uganda Clays is a manufacturer and seller of baked clay construction products including; roofing and floor tiles, suspended blocks, bricks, and decorative products.

Our main business is to satisfy the 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 stages.

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.

Our Quality Policy

Uganda Clays is committed to manufacturing and selling quality baked clay products that satisfy and exceed customer requirements. This shall be achieved through; focusing on customer needs and all stakeholder interests. We shall use a process approach and teamwork, while aiming at continual business improvement in conformance with applicable legislation and regulations.

Our Values

Customer First:
We exist to wow the customer, not once, not twice, but always.

Quality:
We will set the quality bar for people, products, and processes irritatingly high.

Bold:
We will pursue radical changes to the business

Teamwork:
Innovation is built on collaboration and freedom of thought. This is how we will define the work environment.

Accountable:
We will not make excuses for inaction. We will be responsible for outcomes– good or bad.

Integrity:
The business we run depends on trust and we shall strive to maintain it with all stakeholders.

Snapshot Of Our

Most Popular Products

Roofing Tiles

Mangalore

Finish:	A Aged

Features + Benefits

These are made of peculiar Basel Mission pattern with suitable projections so that they interlock with each other when placed in position.

Portuguese

Finish:	A Aged

Features + Benefits

This tile has a curvature greater than that of the other roofing tiles. This shape yields a bent tile appearance once the roof is completed. The way the tiles are joined creates improved tightness and slippage features. The tile also has a high resistance to cold.

Marseilles

Finish:	A Aged

Features + Benefits

These were the first interlocking tile to be given a rib in the centre of the tile. The central rib strengthened tile installation and made maintenance easier.

Blocks + Bricks

Ridge

Finish:	A Aged

Features + Benefits

The Ridge tile is a tile used to cover where two planes of a roof meet together.

A flat top ridge tile evolved through innovation from a v-shaped ridge tile. After commercialization, the v-shaped ridge tile lost market as customers preferred the flat top ridge tile due to its attractive arched profile and its improved interlocking pattern.

MaxPans

Finish:	A Aged

Features + Benefits

- Load reduction to nearly half as compared to a similar solid complete slab of the same volume.
- The perforation (openings) 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
- Have grooves on top and bottom faces which improve bondage on concrete and plaster. It is less costly & faster to plaster grooved surfaces compared to smooth surfaces thus the customer spends less in terms of material and labour.

Quarry Tiles

Finish:	A Aged

Blocks & Bricks (Continued)

Facing Bricks

Finish: S Smooth G Grooved

Features + Benefits

These bricks exist in different colours, sizes and orientations and can be used in construction to achieve different beautiful surface designs. UCL Facing Bricks are used to improve the beauty of a structure.

Selected Bricks

Finish: S Smooth G Grooved

Features + Benefits

- Hard and durable
- High Compressive strength
- Different orientations and sizes give different surface textures
- Very low maintenance cost is required
- Demolishing of brick structures is very easy, less time consuming and hence economic
- Reusable and Recyclable
- Highly fire resistant

Fire Bricks

Finish: A Aged

Features + Benefits

- Hard and durable
- High Compressive strength
- Different orientations and sizes give different surface textures
- Very low maintenance cost is required
- Demolishing of brick structures is very easy, less time consuming and hence economic
- Reusable and Recyclable
- Highly fire resistant

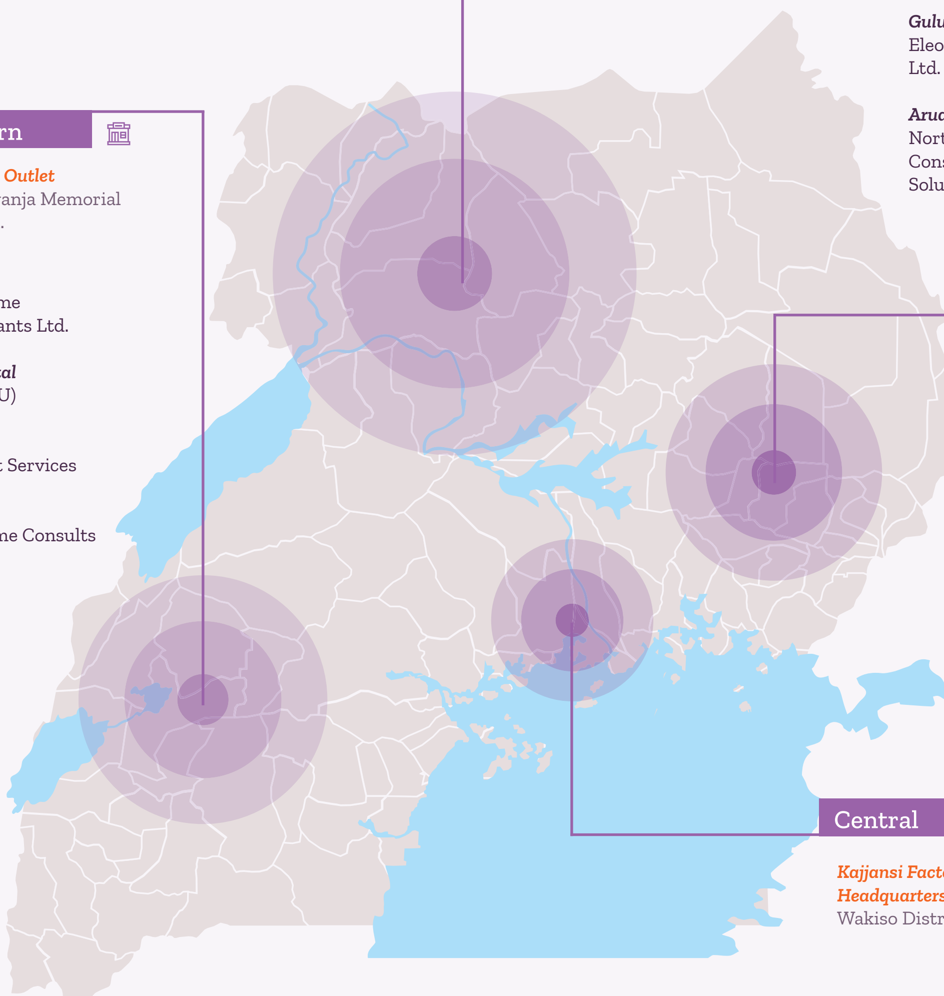
Our Agents &

Distribution Network

KEY

Factory

Agent



Northern

Lira
Awonenga General Hardware

Gulu
Eleora Investments Ltd.

Arua
Northgate Construction Solutions

Western

Mbarara Outlet
Bef. Mayanja Memorial Hospital.

Kabale
Fast Home Consultants Ltd.

Fort Portal
Komas (U)

Kasese
MIJ Fort Services

Hoima
Multidime Consults Ltd.

Eastern

Kamonkoli Factory & Sales Outlet
Budaka District

Jinja
Bagasha Hardware Ltd.

Mbale
Bonny Construction Company

Soroti
New Super Enterprises

Central

Kajjansi Factory & Headquarters
Wakiso District

Ntinda Outlet
Plot 71 -72 Semawata Rd.

Lugogo Outlet
UMA Grounds

Ggaba Road
Akajuma Agencies Ltd.

Nateete
Kampala Construction & Shelter Ltd.

Kyaliwajjala
Kiky's Building Solutions Ltd.

Lubowa
Muscle Group

Gayaza
Stevelyn's Investments Ltd.

Mityana
Uganda Builders & Hardware Deals

Agents

Sales Outlets

Uganda Clay's

Business Model

1. Inputs

Natural Capital:
We transform clay and water into high quality products that deliver long term value to all stakeholders. As custodians of the environment, we are deliberate in our choice to use green fuel like coffee husks.
.

	2019	2020
Clay (mT)	89 512	85 096
Husks (mT)	14 128	14 002
Electricity consumed (TWh)	4,802,064	4,574,502
Water intake(Ml)	6,714	4,721

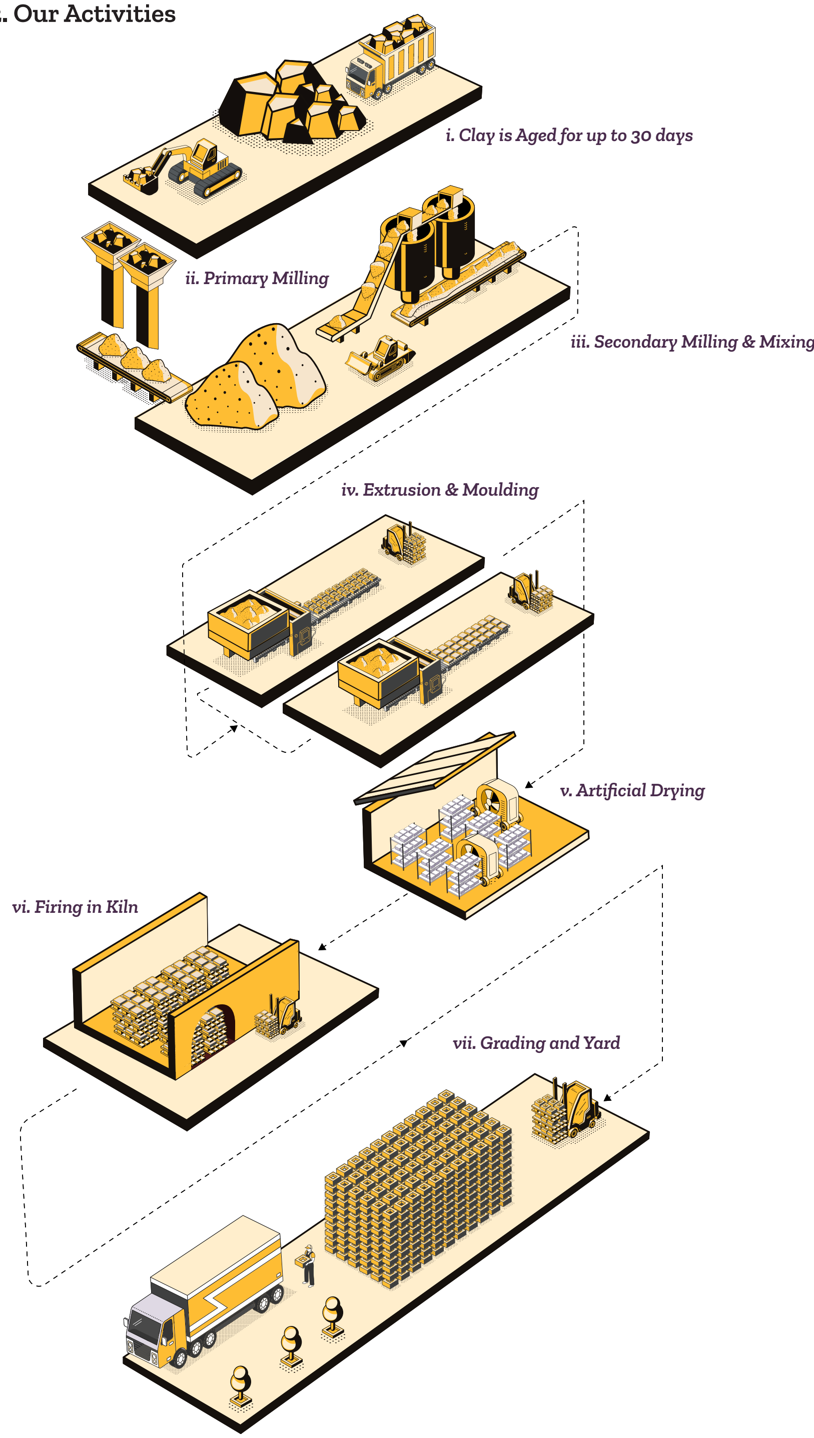
Human & Intellectual Capital:
We hire highly skilled, diverse people who innovate and create solutions, while working as one team. Our human capital is split into two; Administration, which is charged with streamlining operations and Production, who are charged with manufacturing our clay based products.

	2019	2020
Employees	292	284
Hired labour	336	304
Training spend (UGX)	190.5 M	86.2 M
Salaries & wages (UGX)	6.24 B	5.52 B

Financial Capital:
Through prudent decisions by management and with board oversight, we use funds from sales, shareholders and debt to finance operations and grow the business while adhering to strategic objectives.

	2019	2020
Capital expenditure (UGX)	0.339 B	1.792 B

2. Our Activities



3. Yields Outputs

Financial Capital:

	2019	2020
Net Profit	(88.4) M	4.873 B

Manufactured Capital:
We transform clay and water into high quality products that deliver long term value to all stakeholders. As custodians of the environment, we are deliberate in our choice to use green fuels like coffee husks.

.

	2019	2020
Roofing Tiles (units)		
Portuguese	0.67 M	1.09 M
Mangalore	5.76 M	8.79 M
Marseilles	0.79 M	0.74 M
Ridges	0.49 M	0.6 M
Blocks & Bricks (units)		
Maxpans	2.5 M	2.7 M
Quarry Tiles	0.04 M	0.07 M
Facing Bricks	2.34 M	3.75 M
Selected Bricks	0.251 M	0.295 M
Fire Bricks	0.012 M	0.04 M

Social Capital:
From our communities to stakeholders and regulators, we strive to maintain mutually beneficial relationships that are underpinned by transparency. Through communication and engagement we are able maintain an environment that fosters growth and value delivery.

.

	2019	2020
Procurement spend	16.6 M	14.7 M
CSR spend		3.5 M
Taxes	7.7 M	6.4 M

4. That overtime become the Value we create for for our Stakeholders

Creating a safe and high performing workplace:
Staff are supported because we encourage execution as well as health and safety discipline thus facilitating an innovation culture.

Leading the way in product innovation, quality & delivery:
We have lean production processes that reduce wastage and ensure high quality products and efficient delivery systems.

Solve customers' building problems.
Customers are empowered to make easy purchase decisions and are readily willing to recommend us.

Building a sustainably profitable business
We offer and deliver goods to large markets at low cost, continuously grow our customer base and thus positively impact revenue year on year.

5. This Assurance comes from a competent Board of Directors that sets our purpose i.e ...

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.

Our Values

Put Customer-first
Be Bold
Be Accountable
Stand for Quality
Teamwork
Integrity

6. and provides mechanisms of oversight

Principal Risks and Uncertainties

R1/ Operational Risk
R2/ Digital & Technological Risk
R3/ Credit Risk
R4/ Compliance Risk
R5/ Information & Cyber Security Risk
R6/ Litigation Risk

Material Matters

Customer Focus
People, Culture & Performance
Operational Efficiencies
Distribution Efficiencies
Health & Safety of Our People
Environmental Responsibility

Our Tradeoffs in

Managing the 6 Capitals

Our ability to deliver value to stakeholders is reliant on the interplay of these 6 capitals:
Financial capital, Human capital, Manufactured capital, Natural Capital, Intellectual capital, Social capital.

- *Human Capital*
- *Social Capital*
- *Financial Capital*
- *Manufactured Capital*
- *Intellectual Capital*
- *Natural Capital*

Table 1: Trade-offs in Managing Our 6 Capitals

Situation
Human Capital
• Implemented balanced score card to ensure all staff are aware of their roles, their goals and the overall company goal. • Restructured employees on the management team. • Carried out road shows to give employees space to dialogue directly with Management. • No Uganda Clays employee lost their job as a result of COVID 19
Social Capital
• COVID-19 made it hard to reach out to our communities as we would have desired. • Tree planting initiatives in the communities we partner with were postponed. (We offered scrapple to fill up the bad roads) • The Annual General Members' Meeting was held virtually
Financial Capital
• Despite an 11month year due to the lock down, revenue was UGX 29.7 B • Acquired land with clay beds at x amount • Capital expenditure totaled UGX 1.8 B • We changed the buy on credit facility we had with our agents to an order with cash basis. This enabled us to reduce our credit risk and increase our cash flow.
Manufactured Capital
• Completed the renovation of the kiln at the Kajjansi factory • Repairs at the Kajjansi factory are on-going. • We installed new machines at the Kajjansi factory, making the processes less manual.
Intellectual Capital
• BETA testing on the new website was carried out. • Building of the app to help ease the customer purchasing journey was started. • We doubled down on customer focus by giving all employees customer care training • Forewent a number of regular staff trainings • Made an investment of x in innovation training for all staff from Outbox Uganda
Natural Capital
• A geologist's expertise were employed to ascertain the soil quality of the 43 acres of land we purchased. • We use coffee husks that are more environmentally friendly as fuel.

Trade-off	Outlook
• We had to carry out operations with a much smaller management team. • The head of finance temporarily took on the role of MD • To fill the gap of the Production head, the retired head of production was called back in the interim. • Salaries were staggered so that employees did not receive salaries as regularly expected during the month of the lock down.	• We recognized a need to continue to hire multi skilled and dynamic staff. • The importance of employee engagement stood out. Our employee value proposition is strong enough that current staff are agreeable to taking on roles in times of change. Likewise, it is lasting enough that former employees are willing to return in these times. • We however recognized a need to further develop the capacities of our staff at all department levels and implement succession plans. • Going forward, members of management will be inducted with a primer on the functioning of all departments. • There is a need to create a more substantial disaster preparedness budget to cushion the impact of such unforeseen periods. We will endeavor to safeguard our employees' compensation against such occurrences.
• We were seen to be present for some of our communities but the assistance we offered was not always targeted to the current situation.	• Going forward, we need to formulate a deliberate, robust and yet responsive CSR plan.
• This had a negative effect on some of our agents who were relying on the credit facility.	• Agents will continue to receive a 10% discount on all purchases in excess of UGX100M. In this way we can still continue to support our valued partners.
• The slow progress of the renovations at Kajjansi led to an over reliance on the factory in Kamonkoli. This in turn slowed completion of works at Kamonkoli. • The expenditure on mechanisation will increase production efficiency and safety standards.	• With the kiln repaired, we shall be able to ensure faster drying and deliver product to market in less time.
• Strong investment in digital, R and D and innovation reduces financial capital in the short term but we project efficiencies in the long run. • Foregoing staff training allowed us to more comfortably pay staff salaries during the pandemic.	• There needs to be a continued investment in digital technology and the security that comes with operating in that space. • Digital initiatives are projected to appeal to a different customer demographic and thus widen our customer base. • Improved brand presence • Improved service delivery
-	• As we expand production, we need to access more and different renewable fuel sources. • We will continue to champion conservation of trees by staying away from charcoal and wood as sources of fuel and relying on alternate and renewable energy sources.

Our stakeholders &

How we engage them

Uganda Clays is immensely proud to be the first and oldest manufacturer of clay based building products in the country. We did not arrive here by accident and if we are to continue to build our legacy, we must continue to be deliberate with our sustainability practices and undertake initiatives that have positive rewards for our people and communities.

One of the ways we plan to do that is by keeping our partners, the different stakeholders in mind. In 2020, our stakeholder engagement was guided by our company values.

Table 2: How we Engage Our Stakeholders

Stakeholder Group	What they need from us	How we Engaged them in FY 2019/20
Our People		
	• Growth opportunities and job security • Safe working premises • Competitive wages and benefits • Communication and transparency about the business • Freedom of thought and expression	• With an aim to update employees about the business, the MD did 6 Road shows at both the Kajjansi and Kamonkoli factory. These face to face interactions allowed for healthy dialogue. 95% of staff were in attendance. • After social distancing came into effect, all communications to staff were done using email, notice boards and through team leaders • To improve operations, new policies such as the Health and Safety Policy were drafted and approved by the board. • During the Covid-19 lock down, 70% of staff stayed at home with some working from home. The skeletal staff were facilitated to camp at the factory so that operations could continue. • All employees were paid salary even during lock down period • The factory workers that worked through the pandemic received shopping vouchers as a handshake from the MD for having continued serving diligently despite the covid-19 tough times. • To improve company performance, a Balanced Scorecard system was introduced. In 2020, it was cascaded to departments and sections. • Staff were engaged in customer service training. The aim was to ensure every employee understands both internal and external customers, what they want, how they should be treated and how they should be served. • Innovation is now top of our agenda, in 2020 key staff were trained in innovation by Outbox.

Stakeholder Group	What they need from us	How we Engaged them in FY 2019/20
Our Customers		
	• Quality products • A smooth buying journey, from ordering to delivery • The option to choose from a wide range of quality products • Easy access to the products they want to buy • Timely communication and fulfilling of orders • Timely delivery • flexible payment options • Partnerships with financial institutes that enable customers to access credit to purchase products	• We embarked on digital sales and online order processing to fulfill the business continuity promise to our customers. • Customer focus was amplified by streamlining internal processes to eliminate pains in the buying journey. • We exercised flexibility by accepting requests from customers to make special products not on our product list. These included Bbisa bricks and Canaanze bricks. • We adopted new customer focused KPIs and redesigned core processes to become more transparent and collaborative. We look forward to greater rewards with this strategy. • Customer service standards were put in place to guide interactions with customers whether it is speaking in person, on phone or on social media. • Leaning further into our customer focused approach, we carried out NPS and Customer Satisfaction surveys to get insights on business process improvement needs. • Aside from phone interactions, we plan to utilize digital platforms like email, the revamped website, SMS, social media automated surveys to communicate with customers. • We value the relationships we have built with customers over years and we plan to implement a loyalty program where customers accumulate redeemable points. • Digital initiatives that feature automated service channels that manage customer orders, manages customer relationships, manage complaints and monitor waiting time of customers were put in place. • To make service delivery convenient and simple, we initiated an online platform where customers can place orders, track progress and receive their products, all from their mobile phones or computers.
Our Partners & Suppliers		
	• Transparency with bidding and selection process • Timely payment • Clear and timely communication	• Pre-qualification is when we advertise in the newspapers and invite different suppliers to come and show interest in working with Uganda Clays. It is a bidding process and we do it to update our supplier list. The last of which was done in September 2019 • We interface with them and have inception meetings for contracts • We carry out evaluation meetings where we sit together and discuss our different roles. • We do due diligence surveys for us to know more about a company how they have been operating with past customers.

Stakeholder Group	What they need from us	How we Engaged them in FY 2019/20
Our Agents		
	• Business opportunities • Training and coaching • Strategic partnerships	• In conformance with corona virus precautions, UCL reached out to its agents on phone, e-mail and WhatsApp among other digital platforms. Physical visits to agent sites commenced in the second half of 2020 to bolster the digital engagements.
Our Shareholders		
	• Transparency in governance • Timely payment of dividends • Clear and timely communication	• Meeting with shareholders at our Annual General Meeting, • Our chairman routinely meets with institutional shareholders and reports their views to the Board.
Our Local Communities		
	• Comply with relevant legislation. • Contribute to improving the quality of people's lives through; infrastructure development support; supporting access to basic services; and employment opportunities. • Enable sustainable economic participation • Manage operations in a responsible way and minimise environmental impact. • Ethical, honest and open engagement on issues of mutual interest. • Visible leadership. • Clear, consistent and easy to understand communication	• Kajjansi police station was given 1,000 partitioning blocks to help them increase their office space. • Scrapple was also given to the community in Lumuli cell to help them fix their roads. • We donated 2m to Sanyu Babies home as part of our COVID-19 relief effort. • We donated 980,000UGX to Teresa House Najjjanankumbi orphanage. • A donation of 600,000UGX was made at a fundraising dinner for St Paul's Church of Uganda. • 2 Million shillings was donated to Ggwanika lya Buganda(The Buganda Kingdom Treasury)
Our Government & Regulators		
	• Comply with relevant legislation. • Run safe and stable facilities in an environmentally responsible manner. • Create jobs and offer workplace with attractive opportunities. • Hire from and support local communities. • Promote sustainable development and innovation. • Deliver on promises. • Clear, consistent and easy to understand communication. • Observe SOPs and follow regulations	• There were regular meetings held between the Chairman of the board and the Uganda Securities Exchange leadership


Uganda Clays Ltd
Celebrating 70 years of Positive impact on the lives of the people of Uganda.
Quality. Durabillity.
Beauty to Last.


UBH 675N

Strategic Report

In This Section

Uganda Clays'
Strategic Priorities

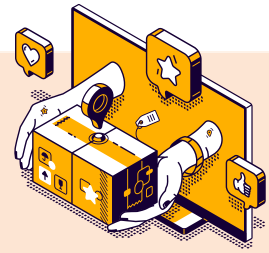
In August 2019, the Board of Directors approved the 5-year(2019-2023) Strategic Plan for Uganda Clays. In this plan, four strategic priorities and corresponding targets were set. We believe that these will deliver growth and value creation over the next 5 years.

Strategic Priorities

Our four strategic priorities drive performance and create value for all our stakeholders

Our strategic priorities are supported by:

Governance that is aligned to performance and our culture that is overseen by the Board.



Customer Focus:

Solve Customers' Building Problems

Our 5-Year Vision:

To empower customers to make easy purchase decisions. We are committed to solving customers' building problems, and bring innovative solutions to the building space

Target:

90% NPS Score

Key Measures:

- *Brand Health Survey rating*
- *Customer Satisfaction Index Score*

People & Systems Orientation:

Create a high performance culture

Our 5-Year Vision:
To support staff by encouraging execution discipline & facilitating an innovation culture. We believe purpose-driven staff increase company productivity.

Target:

80% Staff Engagement

Key Measures:

- *Enhance knowledge & skills*
- *Develop performance culture*
- *Protect the health & safety of our people*

Operational Excellence:

Embrace Lean/Agile Manufacturing

Our 5-Year Vision:
To create a lean and agile business compared to the high inventory model we currently use. We want lean manufacturing, and exponential channels for customer acquisition.

Target:

Inventory Waste < 5%

Key Measures:

- *Turnaround time for delivering product/services to customers*
- *Turnaround time for delivery of goods and services to internal customers*
- *Increased factory utilization capacity*

Revenue Generation:

Build a sustainably Profitable Business

Our 5-Year Vision:
To offer and deliver goods to large markets at low cost, grow our customer base and thus positively impact revenue. We believe this will get the business back into real growth and consistently deliver stakeholder value.

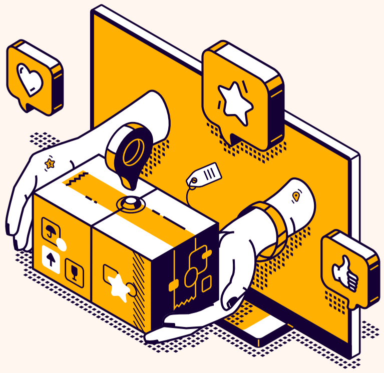
Target:

UGX 72Bn Turnover

Key Measures:

- *Average monthly revenues*
- *Earnings per share*
- *Total costs as a percentage of revenue*

Solve Customers' Building Problems



5-year Target:

NPS Score of 90%

2020 Progress:

NPS = 16%

CSI = 66%

Stakeholders impacted

Capitals impacted

Material issues

Through a series of customer care training exercises and customer engagement initiatives, we are focused on reaching an NPS score of 90% by 2023. A 2020 survey of sections of our different customers revealed that while customers were pleased with product quality, they faced delays in receiving orders.

We have already implemented steps to address the concerns our customers raised. Details of this can be found in stakeholder engagement on < *page 36* >

What we have done and what we will continue to do

All employees at Uganda Clays received customer care training in an aim to make the company more customer focused. Should a customer approach any of us, we should be able to offer adequate assistance before referring the customer to someone who is specialized in handling a specific area.

The customer app will offer customers information about all products and allow them to make orders without having to make the trip to the factory.

In a bid to bring products closer to our customers, we intend to increase the agent network and spread out further in different areas of the country. Customers will be made aware that they still get the factory price at the agent locations, with the ability to pay directly to the Uganda Clays account.

In addition to consuming our products, customers are our biggest advocates. Informed and well taken care of customers directly affect our ability to hit revenue targets.

Create a high performance culture

5-year Target:

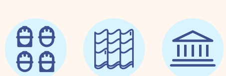
80% Employee Engagement

2020 Progress:

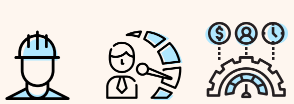
Engagement = 70%

Stakeholders impacted

Capitals impacted



Material issues



Uganda Clays understands that the biggest part of our success lies with our employees. Without their collective skills and efforts, we wouldn't enjoy the position we do as a market leader. This year we were unable to measure employee engagement due to the distractions presented by the pandemic and the structural changes that were happening at management level.

Nevertheless we are proud that, in the midst of remote work, a first for us, and a skeleton staff, we were able to keep employees motivated.

What we have done and what we will continue to do

We put our staff first and forewent the option to freeze salaries or to lay off staff during the pandemic.

In 2020, we prioritized communication. We found it prudent to lead with transparency and this lead to bringing down any walls that existed between management and staff. This was driven by our values of Teamwork and Integrity. In the road shows carried out with the MD, staff were able to engage directly with management.

A Balanced Scorecard was implemented to help us focus on the growth of employees, efficiency of business processes, our customers' perspectives and our finances. It was implemented in phases, from top management, trickling down to every single employee at the beginning of 2021. In addition to it being a measuring tool, it acts as a guide for every member of staff, clarifying what they need to do individually and collectively in the quest to deliver value to all stakeholders.

What shall we continue to do/ future plans?

Motivation of employees through rewards and recognition shall be a focus going forward. With the Balanced Scorecard in place, it will be easy to identify top performers. However, rewards will not only be tied to performance against the BSc.

Embrace Lean/ Agile Manufucturing

5-year Target:

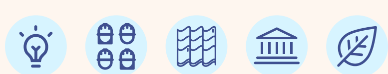
Inventory Waste < 5%

2020 Progress:

Waste = 35%

Stakeholders impacted

Capitals impacted



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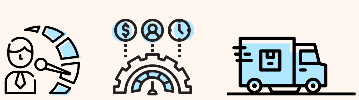


In the production process, it is inevitable that there will be loss, unintended waste and breakages. However, in recent years, we observed that it was at a high enough rate as to affect our ability to deliver efficiently to customers.

Inventory loss signalled a misuse of our raw materials. We had to mitigate the production of lower grade or secondary products which slowed progress in meeting our revenue targets.

Inventory loss is also demoralizing to employees; for them to continuously invest 100% of their energy and to yield less than what is expected is discouraging.

What we have done and what we will continue to do

Production is the backbone of our operations so to achieve this objective, we employed a 3 part approach.

1. Mechanise operations

The majority of operations at our Kajjansi factory remained manual as of 2019.

This changed in 2020 when the board approved capital expenditure to support the mechanization initiative but progress was stalled by the closing of borders due to the COVID-19 pandemic. When business returned to relative normalcy and machines were imported we were able to proceed with the initiatives and bring the factory closer to optimum capacity.

2. Train staff

There was a need to re-equip our production team with the skills and knowledge to do their part in delivering value. With the presence of new equipment, training them on how to safely use it was undertaken.

3. Refurbish factory

With a new Health and Safety policy, we needed to bring our Kajjansi factory to standard, not only for the sake of production but for the safety of our staff.

The streamlining of processes and improved safety are key steps towards providing value and we shall continue to seek ways to optimise them.

Build a sustainably profitable business

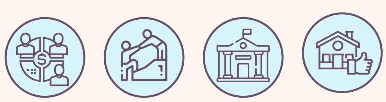
5-year Target:

UGX 72 Billion Turnover

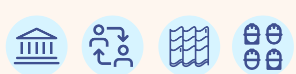
2020 Progress:

Reenue = UGX 29.7 B

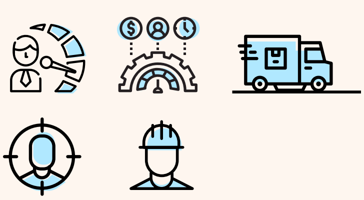
Stakeholders impacted



Capitals impacted



Material issues



As a publicaly traded company, we owe it to our shareholders to take prudent decisions that ensure a return on their investment. Profitability is important enough that it affects all stakeholders; we are unable to incentivize staff, support our communities, agents and suppliers and to meet our obligations to shareholders and regulators without being profitable.

Failure to generate adequate revenue affects our ability to invest in innovation and grow our business. And it is important for us to innovate in order to beat competition and provide a diversified product lines for our customers.

We believe our target of UGX 72 Billion will allow us to do all the above and move from surviving to thriving.

What we have done and what we will continue to do

- We are happy to announce that our sales revenue this year was at UGX 29.7 Billion.
- One of the risks that can threaten our value creation process is the depletion of our clay beds. We addressed this by buying 43 acres of clay rich soil. We plan to do more of this in coming years.
- By October 2020, the shipment of machines had arrived and the process to refurbish the Kajjansi factory commenced. This will increase output and enable us to meet demand while maintaining the quality we are known for.

Sustainability Report

In This Section

There is always a supervisor on hand to help guide the casual labourers in their day to day operations

Sustaining Our

Resources & Relationships

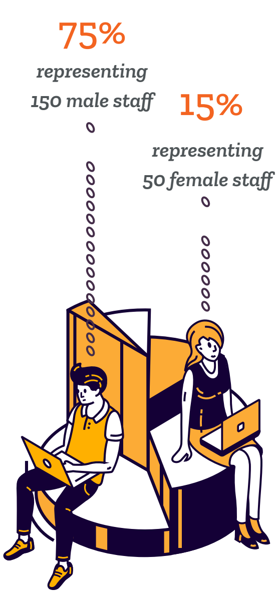
Management of the company's key resources and relationships is considered necessary to successfully deliver Uganda Clay's business model and strategy.

Our stand on sustainability is informed by the knowledge that our activities have an impact on our environments and stakeholders. We share a symbiotic relationship with both, this means that when we grow they grow and vice versa. This is a dynamic we want to maintain for years to come.

Our Workforce

Our staff provide the human and intellectual capital, help create the manufactured and financial capital, engage with our social capital and oversee the management of our environmental capital.

As such, it is important that we recruit the right talent and support their growth.



Employees are the drivers of value for all other stakeholders. We rely on the skilled labour they provide to make and sell our products. They are also our first customers and ambassadors. To that end, our mandate to be "a building solutions provider" extends to our staff as well and we support them by providing a staff discount on all our products.

Leadership, Diversity & Inclusion

Even before the UN SDGs were adopted in 2015, Uganda Clays was keen on gender equality in the workplace. We do not discriminate based on gender and there is no wage gap between male and female workers.

We are yet to achieve a 50/50 gender distribution at Uganda Clays, but we are deliberate about supporting female employees: Apart from honouring the national mandated maternity leave and encouraging female candidates to apply, we ensure that for every 5 candidates interviewing for a position, 3 are women.

We then hire the best fit regardless of sex. The manufacturing industry is male dominated and there is a cultural perception backing that up. There is a need to edit this perception and this is our way of addressing that.

We follow best practices and listen and understand the special situations that our female staff might experience from time to time.

"Having been here for some time, I tell women who have just joined to do simply their work to the best of their ability. Women are treated fairly."

Florence Lubega,
Factory worker for 3 years at Kajjansi factory

Employee Training & Development

In order to drive value and increase job satisfaction, our staff need to be supported to grow. This is catered for in our strategy-we give focus to enhancing knowledge and skills and developing a performance culture.

This year, we carried out several staff wide trainings to support this objective. For instance, a training on innovation encouraged staff to come up with new products and solutions.

Communication and Feedback

There are several ways for management to talk to staff, we believe it is equally important for staff to speak to management with ease. Staff can approach a supervisor, come directly to HR or straight to the MD. There is also a confidential whistle blowing channel in place.

As an inclusive employer, we know that not all our staff are formally educated and computer literate. Nor do they all speak English.

6
Road Shows

were held with all staff and the MD across Kajjansi and Kamonkoli

We are blessed with an abundance of ethnicities and while we cannot cater to each individual language, we make it a point to translate communications into a local language so that no member of staff is disenfranchised when it comes to receiving communications in the work place. We have a translator if there is a big staff gathering.

Like any workplace, Uganda Clays works like a mini society, one in which staff are allowed to interact and form associations. For instance several departments have formed mini Savings and Credit Cooperatives.

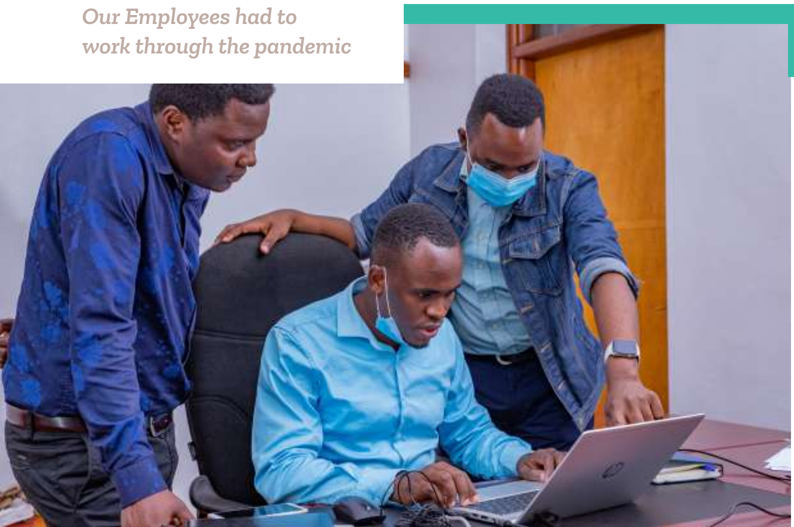
Staff wellbeing

Uganda Clays has an on-site clinic at both the Kajjansi and Kamonkoli factories. However, staff can also make use of other hospitals with the knowledge that Uganda Clays will reimburse the cost of treatment.

Working through the pandemic

The Health and safety report on < page 72 > details our initiatives to keep our people safe during the pandemic, but it bears repeating that since we rely on production to deliver value to our stakeholders, the production team were situated on site for 5 weeks to make sure business continued.

Our Employees had to work through the pandemic



We could not thank them enough for foregoing their own comfort and staying away from their families during this tense period in the country. Management gave each of these employees a token of appreciation.

Those who continued to work remotely were given modems, ICT person support, airtime and laptops

Remuneration & Benefits

Our people are motivated by a salary package that includes all the entitlements mandated by the law, that is; Social security, Maternity, sick and annual leave.

This year we went a step further and drafted a rewards and benefits policy to broaden the culture of appreciation so that it is not done only annually.

It will see those who excel rewarded on quarterly basis as well as on spot recognition. Other forms of recognition will include, amongst others, performance based rewards and a feature in the staff newsletters.

This appreciation was exhibited on Labour day and Independence day when all staff received a gift from management and on women's day when our female staff were celebrated with a gift. We believe this will work to motivate our staff.

Outlook

Uganda Clays has a renewed commitment to our staff and the strategy is guiding us in living up to it. Staff are encouraged to perform and management's role is to create an environment that facilitates that. We would like to put more effort into up skilling people to enable them to grow within the organization. Succession planning needs to be looked at and made agile enough to accommodate lateral moves.

Our Customers

Our customers consume our products and provide revenue necessary for us to run the business. Customer satisfaction, engagement and building long term relationships is key for business sustainability.

Uganda Clays has a wide range of customers, with different demographics, and socio-economic statuses.

These include.

- ***Corporate customers***
- ***Individual customers***
- ***Agents***
- ***Institutions***

These customers have a number commonalities, key of which are; their desire for quality availabile products and top of the range customer experience.

This year, with the guidance of the strategy, we put a strong emphasis on the latter. An external consultant was brought in to help improve the customer experience.

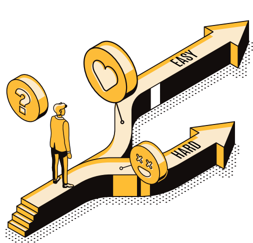
In order to make improvements where they were most needed, we wanted to rely on hard data and not on assumptions. To assess the situation as it stood, a customer satisfaction index and NPS survey were carried out with a sampling of our customers.

The results from this backed our initiatives to make our processes more customer oriented.

Shareholders during the Q&A session at the last physical Annual General Meeting held in June 2019

66%

was our Customer Satisfaction Index Score



21days

is the current order turn around time

A few takeaways from the NPS

- Customers are satisfied with the quality of our products
- Customers feel that our staff are friendly and informed
- Customers feel that we offer specific solutions for their unique needs
- Customers are frustrated by the inflexible payment systems
- Customers are frustrated by waiting times
- Customers would like to be rewarded for their loyalty
- Customers would appreciate a clear complaint resolution process

We were focused on looking for ways to ease customers' pain points while enhancing the positive feedback we received.

Making customer care everyone's business

This involved taking the staff, even those who do not directly interface with customers through customer service training.

This was an interactive process which involved staff going through the customer journey to see where they found challenges and proposing how they could be solved.

We are aware that customer service training isn't a one off affair and plan to make these more regular.

At the same time, we learnt that there is a need for a dedicated service quality staff to manage feedback from customers.

A committed resource was identified to be the 'voice' of the customer, to carry out frequent customer engagement and to get more real time feedback.

This communication will be two way as well. Customers will be able to reach us via email, social media as well as through the regular channels: phone calls and face to face interaction.

For every digital channel, there will be a feedback form automatically shared to get information from the customer on their experience with us. This will serve to help the customer better.

Digital initiatives will be leaned on for communication, transacting and complaints management and their timely resolution. We already relied on digital to engage with our customers as was the case at the 2019 Virtual AGM

To underscore our commitment, a customer service improvement committee was set up and trained on effective communication with customers. A beautifying committee was set up to oversee the maintenance and sprucing up of offices and buildings. Buildings have been painted, roofs cleaned and flowers planted.

We want our external look to reflect the renewed mandate to our customers. We want them to feel welcome.

Easing the customer journey

We learnt that while customers had gone through several steps to choose us from competitors, they faced a major hurdle in the form of delayed order deliery.

To limit the time it takes at the factory, we envision an order process that doesn't necessitate customers to come to the factory at all.

What we want the new order process to look like

You don't have to come to UCL offices to make an order.

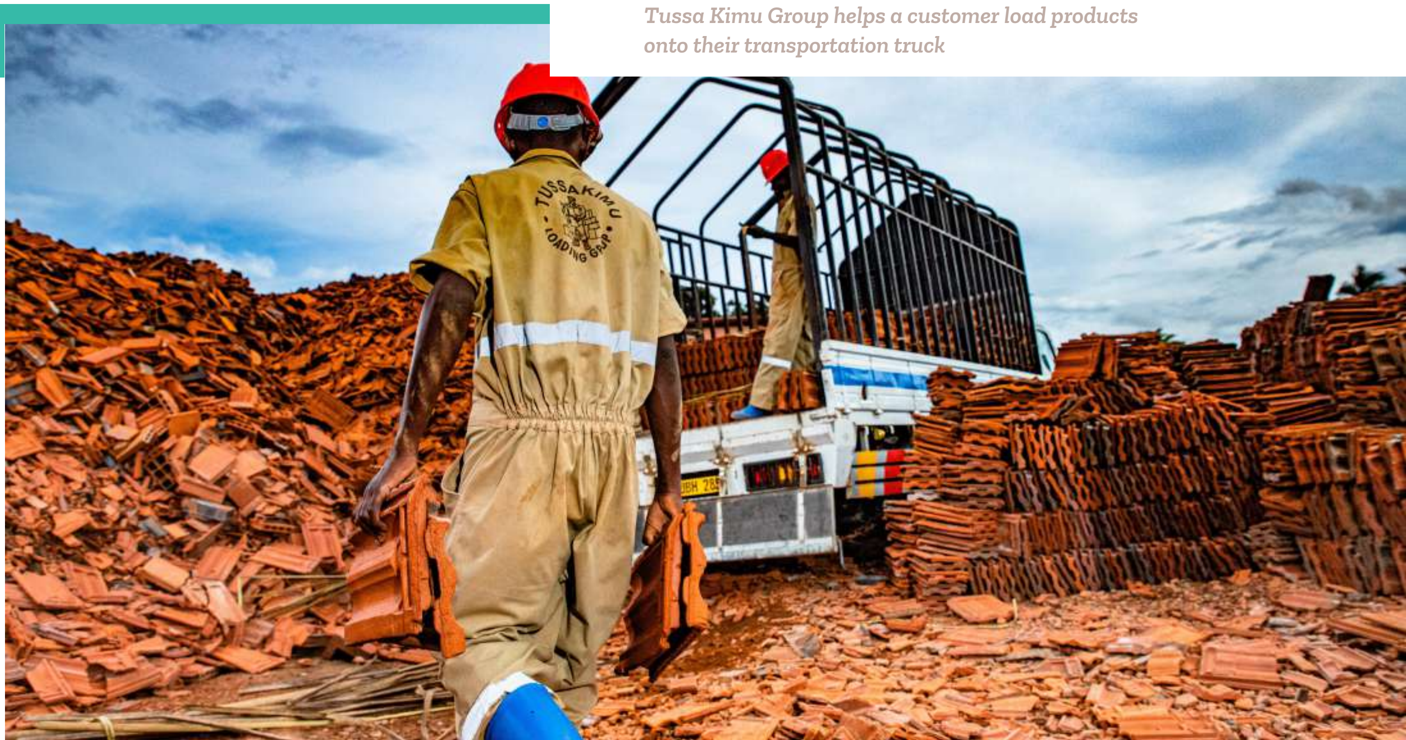
Place an order from home-Get a quotation-make payment at your convenient location-attach deposit slip to the app or e shop-we receive/verify payment-instruct us on where you'd like to pick up your product (outlet or agent location closest to you)-we arrange for a transporter and share their contact- you negotiate with them(if you don't have your own transporter), we then proceed to load your products.

We want to have an API with banks so that we can receive an automatic message from the bank once payment is made so that there is no need to attach documents.

This will make the process faster for the customer, reduce paper work as well as reduce paper waste which fits in with our desire to support and undertake environmentally conscious processes.

Last but certainly not least, our customers were right, we could be doing more to reward them. To that end we are embarking on a customer loyalty program to thank all our customers for their continued support.

Tussa Kimu Group helps a customer load products onto their transportation truck



Our Suppliers

We value suppliers as integral parts of our business operations and as such we take care to ensure that our dealings with them are transparent and fair.

Procurement

We couldn't have as much interaction with our suppliers because procurement, like most departments, was affected by the pandemic.

Prices of commodities went up because of the increased cost of operation that our suppliers were facing, this affected us as well. Similarly, items that were normally delivered to us by suppliers had to be picked because transportation around the country was stymied.

The most desirable mask for protection for those who do the firing in our factories was the N95. We saw the price of a mask go from UGX 1,800 to above UGX 15,000 and yet a person uses an average of 2 per week. Nevertheless, Uganda Clays had committed to providing protective material for staff and we continue to do so.

Procurement has its own Balanced Score Card that factors into the main scorecard and while all strategic objectives are relevant to us, our major perspective is Finance and the strategic objective is cost reduction. Procurement is measured on budget alignment, cost saving and negotiation.

When formulating negotiation teams, we consult with the finance department to confirm compliance and transparency. The aim is to realize value for money on the acquisitions we make.

Strong supplier bonds

All our suppliers are local. The only spares we import are for our specialized machinery from Italy.

With some suppliers, we have relationships spanning as far back as 20 years. These relationships were indispensable when the company had financial constraints and was unable to pay suppliers on time.

Furthermore, we have situations where suppliers keep items off shelf for us or stock items specifically for Uganda Clays. When a machine breaks down, to wait 2 weeks for a spare to be imported would be detrimental to us.

Technical suppliers support us by giving supplementary items, substitutes or compliments to use in our production lines.

Responsible supplier sourcing

In September 2019, we carried out a supplier pre-qualification, however the process was not smooth because of the COVID-19 constraints. In the first half of 2020, we started communications to let bidders know who was awarded what. It was unfortunate to learn that some had gone out of business as a result of the pandemic.

We could only confirm a few suppliers in key areas that we needed to keep the business running. This was because we couldn't take the steps that are necessary to start off certain supplier relationships. For instance, we couldn't do due diligence or inspect sites as required by UNBS.

Our main suppliers of labour Tusa Kyimu Group helps provide manual labour at our factories

Our Government & Regulators:

Uganda Clays is able to make a valuable contribution to the economy by giving high quality construction materials to customers, salaries to our employees, payments to our suppliers and tax revenue to the government.

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 , salaries to workers, payment of local suppliers and payment of dividends to its shareholders.

In 2020, the company paid a total of UGX6.4 Million in taxes to the Government.

Mr. Paul Bwiso , CEO of Uganda Securities Exchange gives a speech at the Uganda Clays 20th Listing Anniversary

Our Local Communities

1000
partitioning blocks were donated to Kajjansi Police Station

Uganda Clays is a proud member of the communities we operate in. As responsible neighbors, we believe it is our mandate to support those next to us in their growth and in managing challenges. .

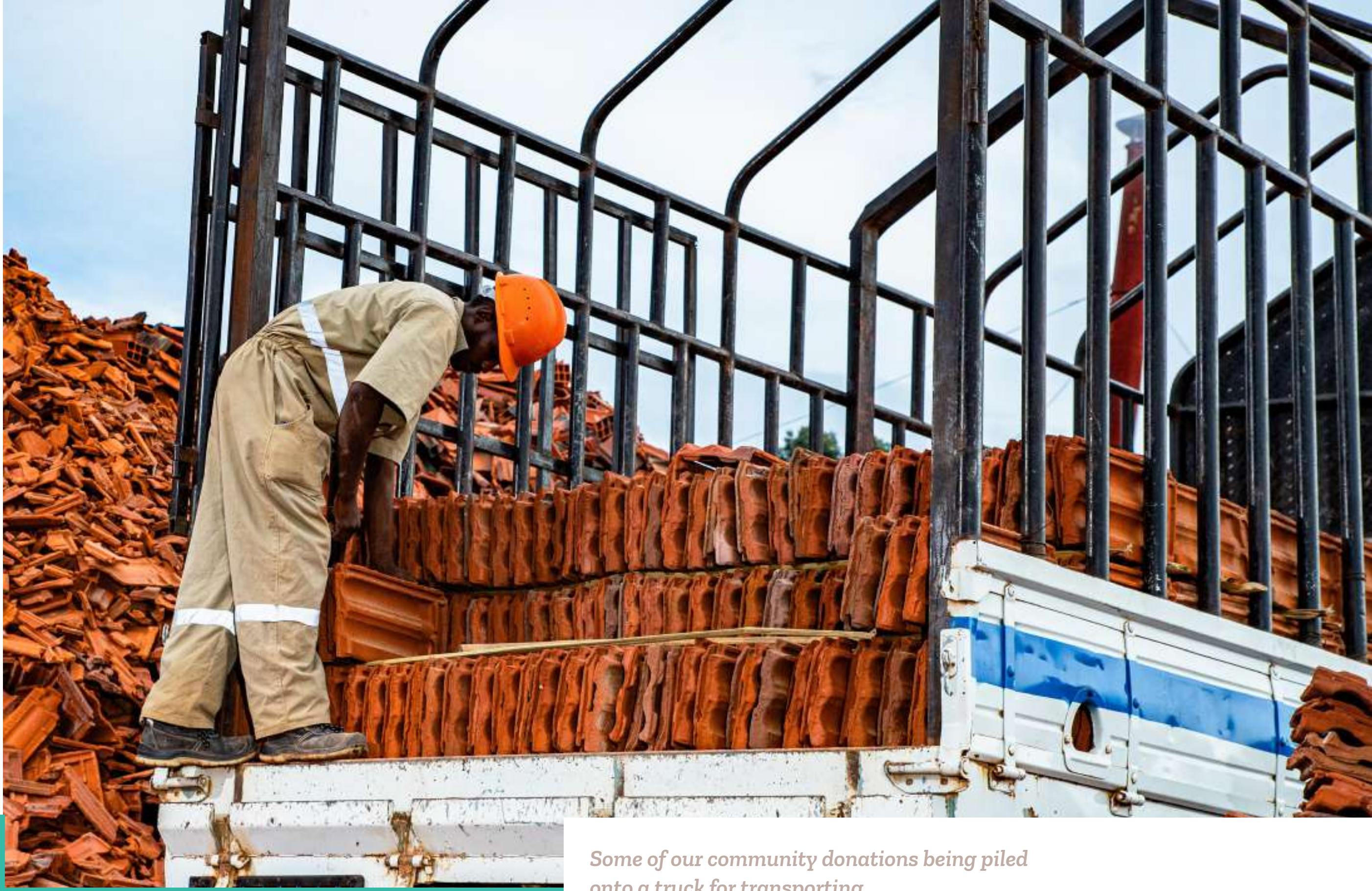
Community Support

Kajjansi police station was given 1,000 partitioning blocks to help them increase their office space. They were handed over by the Acting MD in the presence of the Acting Head of Sales and Marketing. Products were received by OC – CID and OC Kajjansi Police Station.

Scrapple was also given to the community in Lumuli cell to help them fix their roads.

All broken or damaged products are piled together and sold as "Scrap" and "Scrapple"

We donated 0.8 tonnes of Scrapple to a local community in Lumuli to help them fix their roads



Some of our community donations being piled onto a truck for transporting

UGX 3.58 M

in cash was donated as part of our COVID-19 relief aid to different organizations

Our COVID-19 Relief Efforts

As part of our COVID-19 relief effort we donated UGX 2 Million to Sanyu Babies Home. This contributed towards the drive to repair the roof of the main babies' dormitory a big step towards providing better housing for up to 50 orphaned/ abandoned babies.

We donated UGX 980,000 to Teresa House Najjjanankumbi orphanage.

A donation of UGX 600,000 was made at a fundraising dinner for St Paul's Church of Uganda.

Proud to be part of Gwanika lya Buganda

2 Million shillings was donated to Ggwanika lya Buganda(The Buganda Kingdom Treasury) and was received by the Deputy Katikiro of Buganda

Moving Forward

Our CSR efforts were greatly limited by the COVID-19 pandemic. Going forward, we plan to intensify our contributions towards solving community problems.

Sustaining Our
Environment

Improving the environmental performance of our products and operations is of paramount importance to us as a business.

Environmental conservation and management

As a company whose raw material is the earth itself, we are very prudent with our conservation efforts.

We do not undertake any activity without considering the environmental effect and the legal requirements. We follow these steps

- Environmental Audit
- Environmental Impact Assessment
- Environment Restoration such as back filling

We had an environmental audit at both Kajjansi and Kamonkoli and we were given environmental certification letters.

In 2018 the Ministry of Gender, department of OSH inspected Uganda Clays and found us to be highly compliant.

Energy Management

UCL seeks to optimize the use of valuable natural resources by reducing fuel consumption of our firing kilns, through the use of coffee husks as alternate fuels and conserving electricity use at all our factories and facilities.

UCL is committed to continual improvement in it's Energy preservation through prevention of energy wastage by compliance to national and international energy legislative and regulatory requirements.

Water Management

Eliminating waste and exploring different ways to reuse water is a priority across our factory sites. This is due to a combination of a greater understanding of how we use water and building awareness and engagement of water efficiency amongst our employees.

During 2020 around 30% of the water used in production was supplied by National Water; and we are delighted to report that 70% came from our on-site water reservoirs.

Table 3: Electricity & Water Consumption in FY 20

	2019	2020
Electricity consumed (TWh)	4,802,064	4,574,502
Water intake(Ml)	6,714	4,721

Waste management

We generally don't have hazardous waste and our waste in some cases is a resource we can recycle. Our broken clay can also be sold, or used to renovate roads for our community.

As the organization grows, we are planning to get a garbage collector licensed to collect garbage on a weekly basis

Domestic waste from the kitchen is picked daily by farmers who use it as food for some of their livestock.

Clinical waste is picked up by a licensed medical waste collector for proper disposal.

Management Report & Analysis

In This Section


YTLG LTD

Ag. Head of Finance's
Financial Review

2020 was an outstanding year for Uganda Clays Limited (UCL), in which we reached numerous notable milestones, notwithstanding the effect of the COVID-19 pandemic on the economy

Our performance for the year was significantly impacted, particularly during the first six months of the year. The impact of national lock downs and restrictions on all the businesses in the country led to a material reduction in both our own production activity and the volumes of our products supplied to customers. Over the course of the second half of the year, trading conditions steadily improved, and sales revenues increased throughout the second half, reaching 28% higher than the first half of the year.

Analysis of Financial Performance

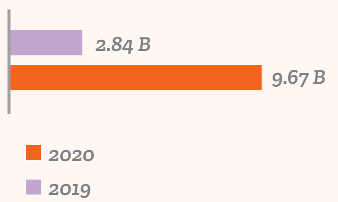
The company's performance significantly improved as the net profit improved to UGX 4.9 Billion from a net loss of UGX 88 Million in the previous year. This was despite a 3% decline in revenue generated in the period from UGX 30.7 Billion in 2019 to UGX 29.7 Billion.

As a result of continuous operational improvements, EBITDA grew by 240% to UGX 9.7 Billion. This shows that we again succeeded in combining value-creating growth with strict financial discipline. We intend to further pursue this strategy in the years to come and broaden our existing production capacity and quality of products.

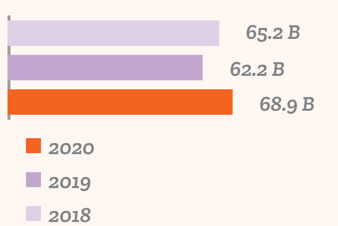
Based on the strong performance of UCL and the positive outlook for 2021, the dividend to be paid out in 2021 for the business year 2020 is UGX 1.35 per share, amounting to a total of UGX 1.2 Billion dividend payout.

Performance Highlights

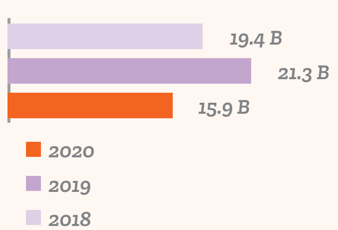
EBITDA (UGX) ↑ 240%



Asset Size (UGX) ↑ 11%



Cost Of Sales (UGX) ↓ 11%



Mr. Jones Muhumuza, Ag. Head Of Finance

Managing Costs

Expenses (cost of sales and operating expenses) largely decreased as a result of cost saving initiatives put in place by management. The decisive management actions taken at the outset of the pandemic to manage costs and preserve cash, meant that we closed the year with a strong balance sheet and EBITDA. The initial actions taken to protect the business included: curtailing non-essential discretionary spend; halting recruitment of all but essential new staff; re-prioritizing capital commitments and closely monitoring and managing working capital.

Taxes

As a result, profit before taxation for the company was UGX 5.9 Billion (2019: loss of UGX 88 Million). The taxation charge was primarily a result of the higher taxable income generated in the period. The underlying effective tax rate for the 2020 year was 18% (2019: -96%), reflecting modestly lower levels of non-deductible expense as a proportion of underlying taxable profits.

Earnings Per Share

Earnings per share of the company increased to a gain of UGX 5.4 in the year to 31 December 2020 (2019: loss of UGX (0.1)). A full reconciliation of our adjusted EPS measure is included in Note 9 of the audited financial statements.

Financial Position

Total Assets for the period stood at UGX 68.9 Billion, 11% better than 2019 at UGX 62.2 Billion. The increase in cash equivalents for the year was UGX 14.8 Billion compared to UGX 0.9 Billion in 2019. This was mainly attributed to cash invested in government treasury bills and bonds from which interest of UGX 1.8 Billion was earned.

However, due to the lock down, the company was not able to invest heavily in capital investments as had been expected. There was no change in debt. The NSSF loan still stands at UGX 20.59 Billion.

The Company remains committed to delivering sustainable, profitable growth over the medium term. As we enter 2021, we are well positioned to take advantage of both continued improvement in production, markets and future growth opportunities.

Looking Ahead

In 2021 and 2022 we expect to start on the massive capital investment of about UGX 16 Billion in the construction of a tunnel kiln and tunnel dryer at both Kajjansi and Kamonkoli plants. These interventions are expected to double the current production capacity, improve quality of products and significantly reduce turnaround time for product availability.

Related party transactions are disclosed in Note 25 of the financial statements. During the current and prior year, there have been no material related party transactions. Except for the above item and the proposed dividend, there have been no subsequent events requiring further disclosure or adjustments to these financial statements that have been identified since the balance sheet date.

Going concern

The Directors are required to assess whether it is reasonable to adopt the going concern basis in preparing the financial statements.

In arriving at their conclusion, the Directors have given due consideration to whether the funding and liquidity resources are sufficient to accommodate the principal risks and uncertainties faced by the Company and the potential on-going impact of the COVID-19 pandemic.

Forecast scenarios have been prepared comparing two cases: a) an operating case; and b) a low case to assess how the virus could impact the Company in the period to 31 December 2021. In determining these cases, the Company considered macro-economic and industry wide projections as well as matters specific to the Company.

Having considered the findings of this work, the Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company will have adequate resources to continue in operational existence for at least twelve months from the date of signing these accounts. Further information is provided in < *note 1 (a)* > of the financial statements.

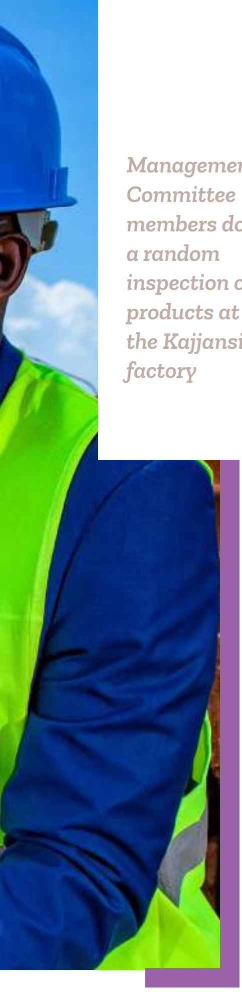

Uganda Clays Ltd
Lubowa Housing Estates
Get your dream home.
Live your dream life.
Quality. Durabillity.
Beauty to Last.

Head Of Production's
Production Review

Uganda Clays produces products at two factories; Kamonkoli and Kajjansi. The Kamonkoli factory has two production lines; a tile line and a brick line while the Kajjansi factory has tile, block and brick lines.

Our labour force

Uganda Clays has been able to remain in production for 70 years in large part because of its labour. It is therefore imperative that they are continually trained and that qualified people are recruited. Part of the human resource in the factory are former ceramics students from colleges around the country. They start out as apprentices, those with potential are selected for permanent positions and given training as they work.



Management Committee members doing a random inspection of products at the Kajjansi factory

2020: An Unprecedented Year

The year was challenging, but in such situations there are always two options. Either you allow the challenge to put you down, or you step up.

At the beginning of 2020, the board asked me to step in as interim Head of production during a time of transition. Just a week after I was instated, the lock down was put in place and this caused a number of distractions. One of these was the requirement to have a limited number of workers at factories. This meant that some operations would come to pause. However, the kiln at Uganda Clays has not stopped burning since 1986 and we were determined that we would not be the team that would see it happen. We fully embraced the idea to keep a skeleton staff at the factory in order to keep production going.

The first order of business was to select the skeleton team. No one had a specialized position; we needed an agile crew where one who worked at the kiln would, if need be, very quickly move to the dryer.

The factory during lock down

Because we couldn't go home and people couldn't see their families, there was a bonding of the staff. We became like a family. My own home is 5 minutes from the Kajjansi factory but I decided to stay at the factory to set an example and emphasize the need to work together.

The acting MD also acted as a unifying factor. She would drive to the factory from time to time to see the workers and check on their needs. Everybody felt taken care of and this was important for team morale in such a new and difficult time.

The lock down became a blessing in disguise because we adopted a mindset of zero failure. Because of the strict safety guidelines, the discipline at the factory was like being in boot camp where every instruction and all the SOPs had to be followed to the letter.

This rigor translated into the work and it served us well. If we set a target for 1000 Max pans in a given time frame, we had to do it. We were only operating one of the three production lines at a time. If one line broke down, we would move to the next line, ensuring that work never came to a standstill. The excuse that work had to stop because a line was down, was eliminated.

This momentum carried on even after the lock down was lifted. The workers who came to join the team after the lock down was eased fell into step with us. This was the case at both the Kajjansi and Kamonkoli factories.

During and even after the lock down, we were focused on maintaining quality. One of the highlights from 2020 is that we empowered Quality Management to stop production if they felt it necessary. When they found an issue with the clay, they were able step in and course correct. We agreed that Production and Quality Management should work to complement each other. As a result, the quality of our products was impeccable.

Our major target at both factories was one-to step up production because we had a deficit. We were able to meet this target while maintaining quality.

In summary, we realized the following benefits in 2020

- Increased team bonding
- Disciplined work
- Commitment
- Increased inventory
- Adherence to Quality

Mr. John Gita, Head Of Production (outgoing)

Setbacks

Despite the positives that we faced in that time and indeed in 2020, there were still some setbacks in the Production department.

- Machine down time was inevitable because we were pushing machines to beat deadlines. The repair teams tried to remain on top of this.
- Orders of spares from Italy were delayed because of the unfortunate pandemic situation going on. This further increased machine down time. We fabricated the spares we could ourselves.
- The casual labour provider was unreliable. As such, we saw a high labour turnover. We made a decision to change providers and got one who was able to deliver to expectation.
- During the lock down, one worker sneaked out and went home. On returning, we immediately isolated him and sent him back home.
- Stock out, especially for tiles, happened soon after the lock down because of increased demand. As an example, we sold a Billion shillings in the first week. This can be looked at as both a negative and a positive. While inventory was moving, we could not immediately satisfy the demand.

Production's performance against strategy

Inventory Waste Reduction to 5%.

We have not yet reached 5% due to a combination of reasons. First, the kiln we are using is an outdated model. We are looking forward to the new one being fully operational soon. And because the mechanization isn't very high, human error is inevitable in our processes.

Innovation

We innovate in several ways; it can be for a new design, to solve a problem or even to bring economic improvement. We have been able to make changes to one of our products by using less clay and less fuel to fire it. In addition, we were able maintain the price and deliver a product the customers like better.

In 2020, we came up with a new brick which was thinner and lighter. We also came up with grey tiles and brown tiles, thus giving customers an option aside from the traditional brick red tile..

Outlook

New Tunnel Dryer

We are looking at producing 30Million roofing tiles per year, up from 11Million per year. We believe this is achievable because of the changes that will take place in FY 2021. First, we shall stop relying heavily on the weather to dry our products and instead use a new tunnel dryer. With that in place, we can make a tile have it ready for firing in 24 hours.

The new tunnel dryer will reduce waste to 2%.

In the future, we shall not be drying any products naturally at all.

New Kiln

Second, we are looking at a kiln that will give us tiles in less than a week; this down from a 21 day wait from manufacture to drying and to baking. There will be minimum human handling which will ensure waste reduction

The kiln will give us only 5% waste compared to the 44% waste happening currently .

One of our more experience factory workers operating the tile press machine

Uganda Clays'
Health & Safety Report

We remain fundamentally committed to protecting the health and safety of employees, contractors, visitors, customers and any other persons at our premises.

All factory workers and casual labourers are encouraged to wear PPE while on the premises

Our HSE culture

Health and Safety is identified as one of Uganda Clays' key strategic objectives, and our commitment to it is embedded throughout the organization. Our ethos is to ***observe, test and review*** on an ongoing basis. It is from this continuous process that we build a system of training, assessment and improvement.

The Health, Safety and Environment function has over time become a major part of our culture with every staff member being able, even at random, to outline the steps to follow or the channels to go through to maintain Health and Safety.

As of November 2020, the board signed into effect a new Health and Safety policy that will serve to elevate the status of our practices. This will cement what we believe in, what we are going to do and how we are going to do it.

HSE compliance

The approach to Health, Safety and Environmental conservation at Uganda Clays is two-fold; we comply with national regulations; that is the Occupation Health and Safety (OSH) Act 2006 which makes it mandatory for all organizations to have a Health and Safety management system. We also adhere to the National Environment act of Uganda which governs the manufacturing sector on things like pollution discharge, environmental standards and which mandates an environment impact assessment prior to the establishment of any plant or processes.

In addition,

1. All our work premises-that is; -Kajjansi, Kamonkoli, Ntinda, Lugogo, Kabale and Mbarara- are registered according to the OSH Act which stipulates that all premises with more than 3 people should be registered with the Ministry of Gender, Labour and Social Development in the department of Occupational Safety.

Mr. Joseph Sendegeya, Ms. Evah Natukunda and Ms. Irene Omalla (incoming Management Committee members) during a random yard inspection in Kajjansi

2. We provide Personal Protective Equipment to all factory employees. These are; helmet, overcoat/reflector, safety boots, gloves and a mask.
3. The law stipulates that any workplaces with more than 20 people should have Health and Safety committees. We have these at both Kajjansi and Kamonkoli. While we do not have Health and Safety committees at Ntinda, Lugogo, Mbarara and Kabale where there are less employees, we do have safety representatives.

Safety responsibility and leadership structure

Safety performance remains a priority item on the agenda at all Uganda Clays Executive Committee and management meetings. It is reported to the Board by the Managing Director.

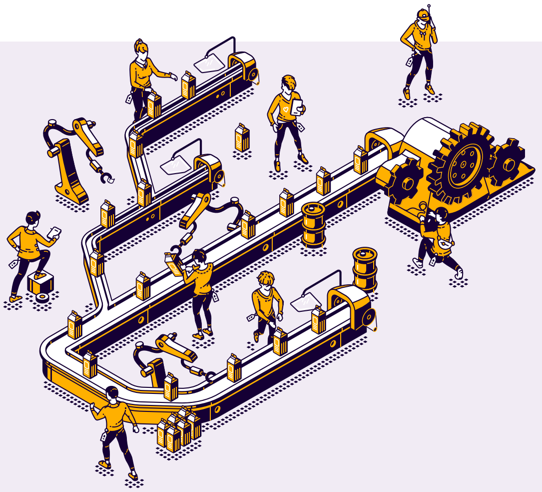
Every business facility has an appointed Health and Safety officer/supervisor, who works with management (represented by the Health and Safety committee) and all employees to review site Health and Safety, assess training needs and develop and implement site safety improvement plans. These unit Health, Safety and Environment Officer s are assisted by the Health and Safety committee who not only identify adverse trends and respond to them, but also enable the sharing of best practice across Uganda Clays.

Other purposes of this committee include:

- Monitor and guarantee that Health and Safety standards are being observed
- Undertake risk assessment
- Ensure clear communication and clear flow of information from the management level to employees and vice versa.

The Secretary of the Health & Safety Committee is responsible for setting Uganda Clays' policies for Health and Safety and controlling their application, with the business units taking full responsibility for their implementation and accountability for performance against them.

In this structure, all employees understand that they have a responsibility to take care of themselves and others whilst at work.



Our own policies and interventions for health and safety assurance

To begin with, we observe the following Safety systems of work:

1. Housekeeping which covers cleanliness, sanitation and hygiene
2. Risk assessment which involves a careful analysis of the potential risks in all the places people will be working
3. Competence of the team- We only authorize the right people for particular roles. We believe that lack of competence leads to accidents.
4. Work at height-Anyone working at a more than 2 meter height must be equipped for safety. This work must always be undertaken with other people on the ground.
5. If a person is going into a confined space there must be openings/points of egress, enough oxygen and light.

These 5 act as an extra guide for how we conduct ourselves in Uganda Clays Health, Safety and Environmental conservation.

Emergency Teams

Uganda Clays has an emergency team made up of members of staff that is split into two categories.

I. ***A First Aid Team,*** with 39 first aiders (23 in Kamonkoli and 16 at Kajjansi). Their job is to be first help when a health emergency arises. This can range from sprains to fainting. They were trained by the Uganda Red Cross society.

II. ***A Fire Rescue Team*** of 60 is evenly split between Kajjansi and Kamonkoli (30 each). This team was trained by the Uganda Police and they have proved to be very competent. When a transformer near the factory caught fire in November 2019, they were able to manage the fire at its source and quench it in under 5 minutes. We were pleased that the fire did not damage the factory installation.

In addition, we have 24 fire extinguishers at Kajjansi, 22 at Kamonkoli and each of our outlets has one as well.

The future of Fire Safety at Uganda Clays

We are aware that fire is one of the biggest risks an organization can face and we are in the process of putting in place measures to enhance our capability to respond to a fire outbreak. One of these is installing smoke detectors coupled with regular fire drills.

Fire Drill Protocol: *On hearing the fire alarm: Evacuate the premises - go to fire assembly point - roll call - locate missing persons if any - rescue.*

Our emergency response procedure is growing and we are hoping by the end of this year we shall be operating at optimum.

Staff Training Sessions

Health, safety and environmental conservation are living aspects at Uganda Clays and there is a need to educate staff about new measures and refresh their knowledge of existing ones. From time to time, we communicate about them to change organizational culture or to solve a problem. Our employees are made aware of the benefits of adhering and the demerits of not, on themselves and the organization at large.

To that end, more than 100 sensitisation training sessions and 7 capacity building trainings have been carried out in the last 4 years.

COVID 19 response

Like the rest of the world, we wanted to limit the spread of the virus and were very concerned with keeping our people safe. Hand washing, social distancing, masking and sanitizing were followed unfailingly at all Uganda Clays premises. We were able to do this by selecting a member of staff from each department to ensure observance and maintenance.

We quickly formed a COVID 19 response team to manage how we would respond in case a COVID case was identified. The team is composed of a company doctor, a clinical officer, the Health, Safety and Environment Officer , the chairman Health and Safety committee and a human resource officer.

These team members will respond in different ways:

Clinical Officer - Reach out to the staff to counsel them and give them the required medical information.

Health, Safety and Environment Officer - to ensure site compliance with Ministry of Health COVID 19 guidelines, tracking any suspected cases, and he is the lead contact person.

Human Resource Officer - Cater to the welfare of the staff member going into isolation.

In order to keep production going, we had a skeleton who camped at the premises. Socially distanced sleeping quarters were created and staff had their meals in shifts in order to eliminate gathering in groups.

We are very grateful to our staff who sacrificed their comfort to ensure Uganda Clays could continue to deliver.

From the quality control lab to the factory floor, PPE is a way of life for our workers

Outlook

We are planning to turn our depleted quarry into a fish pond in order to give our community access to an affordable source of nutrient rich fish. A number of trees have been planted and there is a plan to plant more trees in all areas where we have excavated clay.

In addition to this, an orchard to act as a buffer zone will also be planted to provide the community with fruits. These environmental interventions will also tie into our future CSR plans.

We are planning to start excavation in a new quarry in Nankongi in 2021 and have already started the process of the Environmental Impact Assessment.

We are passionate about Health, Safety and Environmental management and are proud to say that every worker on the factory floor and every member of staff is aware of requirements and what is expected of him or her while in the workplace. New employees are on-boarded with a meeting with the Health, Safety and Environment Officer.

As a result of all the above, our employees have grown in knowledge and awareness on Health and safety and this makes it a vibrant arm that continues to shape and change the institutional culture at Uganda Clays.

Factory operations continued throughout the 2020 lock down period and workers were asked to camp at the premises to ensure we met production demands

Governance Report

In This Section

Eng. Martin Kasekende, Chairman Board of Directors

Chairman's
Governance Overview

As I've already noted in my Chairman's Statement on page 8, the events of this past year have left a profound mark on the business – changing the way that we operate as a result and having an impact on our ongoing strategic priorities.

The Board's primary objective has been to navigate the business through this time of uncertainty, ensuring that we emerge in a strong position, having continued to drive forward with our strategy despite the persistent difficulties.

It has been essential for us to be highly engaged, flexible with our time to support and challenge senior leadership and committed to securing the financial stability underpinning our recovery and accelerated transformation into 2021 and beyond.

We, of course, continue to fulfil our other core duties to oversee the Company's culture, governance, financial controls, risk and change management.

COVID 19 Response

The Board met frequently, mainly virtually, since the World Health Organization declared Covid-19 a global pandemic, and was well placed to respond when the Uganda Government later introduced strict measures under the Public Health Act, Cap. 281 to contain the virus.

The Board has worked with leadership to review in-depth scenario planning, and engaged teams throughout the business, while setting its expectations for the Company's approach to each of its stakeholder groups, mindful of their respective needs.

The scale and pace with which the Company's response has been coordinated by the Board is significant and provides a valuable snapshot of UCL's governance in action.

A detailed overview of this governance, the teams involved and the individual decisions comprising our overall response to the Covid-19 pandemic can be found on < *page 80 - 112*>.

Board Activities

The Board's focus during the year has been to increase the pace of the Company's transformation. It has received updates from all areas of the business on each of the strategic components comprising this transformation in detailed "strategic deep dives", which it has then considered, debated and challenged.

In recent months, this focus has shifted towards addressing the escalating Covid-19 crisis and has seen the Board's activities and meetings rapidly shift to address the constantly changing situation.

An overview of the range of matters that the Board discussed and debated at its meetings during the year can be found on < *page 88-104* >.

Purpose, Culture annd Values

Uganda Clays' vision as stated in the five-year strategy is to be the leading brand for building solutions. In order to achieve this, Uganda Clays needs to drive radical improvements in building solutions through unmatched simplicity, convenience, and quality.

Uganda Clays aims to deliver sustainable, profitable growth to provide its shareholders with a superior return on their investment, whilst providing each of its employees with a safe workplace where they are recognised, developed and properly rewarded.

The Board takes seriously its responsibility for shaping and monitoring the corporate culture of the company.

In 2019, a new set of core Values was launched across the company – Customer first, Bold, Accountable, Quality, Teamwork and Integrity.

These Values define our priorities for behavior across the business and are the practical representation of the culture we seek to foster, aligning with the Company's purpose (vision and mission), values and strategy, and supporting our governance and control processes.

These values were rolled out across the company and are prominently displayed at all sites.

Our core values are reinforced in our performance management systems, which ensure that they are firmly embedded in our day to day conversations and behaviors.

Further detail can be found on < *page 26-27* >.

Eng. Martin Kasekende
Chairman Board Of Directors

Our Board Of
Directors

The careful selection of individual directors, to ensure the most appropriate combination of expertise and experience, underpins the effectiveness of the Board in fulfilling its role.

Key

A+T	*Board Administration and Technical Committee.*
A+R	*Board Audit and Risk Committee.*
F	*Board Finance Committee.*
◆	*Chairperson of Committee*

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.

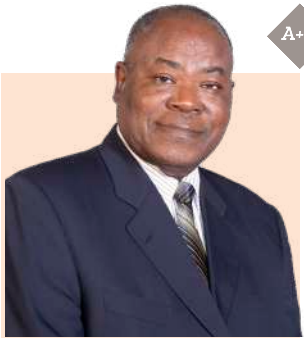
F

Mr Richard Byarugaba
Director

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.

A+R



Mr Joseph Tukuratiire
Director

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

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.

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.

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.

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.

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.

Our Management

Committee

The Management Committee and Business Function managers, all experts in their respective fields, are responsible for implementing our strategy aligned to our vision to be the leading brand for building solutions in Uganda.

To ensure that the business is managed effectively, we allocate responsibilities according to Kaplan & Norton's Balanced Scorecard System.

1. Ms. Jacqueline Kiwanuka *Ag. Managing Director (Outgoing),* ***2. Mr. Reuben Tumwebaze*** *Managing Director (Incoming),* ***3. Mr. Patrick Mukasa*** *Head Of Internal Audit,* ***4. Mr. Jones Muhumuza*** *Ag. Head Of Finance* ***5. Mr. Joseph Ssendegeya*** *Head Of Production (Incoming),* ***6. Mr. Francis Kintu*** *Ag. Head Of Human Resources and Support Services,* ***7. Ms. Evah Natukunda*** *Procurement Manager,* ***8. Mr. Mark Rwomushana*** *Head Of Sales and Marketing (Incoming),* ***9. Ms. Irene Omalla*** *Manager Quaity Control,* ***10. Mr. John Gita*** *Head Of Production (outgoing)*

Governance

& The Role Of The Board

To promote effective governance across all its operations, the Board has approved a governance framework which maps out the internal approvals processes and those matters which may be delegated.

Governance and Responsibility Framework

The Board has established a framework which we believe identifies all the elements of a sound approach to governance and responsibility. A steering group, comprised of senior management and led by our Company Secretary, uses this framework to set and monitor governance and responsibility objectives, identify improvement opportunities and ensure that activities are aligned with business strategy.

Chairman Board of Directors, Eng. Martin Kasekende, engaged in serious discussion at the June 2020 virtual AGM

Table 4: Our Governance and Responsibility framework

Element	Sub-element
The Uganda Clays Way	Culture
	Roles, responsibilities and accountabilities
	Business excellence
Our Baseline compliance	Laws and regulations
	Market regulation
Our Responsibility	Our Environment
	Our Suppliers/partners
	Our people
	Our Customers
	Our Investors
	Our Communities
Our Brand integrity	Reputation and brand management
	Intellectual property
	Fair selling
Our Accountability and openness	Reporting
	Stakeholder dialogue
	Investor relations
	Internal communication
Our Risk management	Internal control and audit
	Assurance

As with previous years, the Company complied with all applicable laws, rules, regulations and guidelines on corporate governance for the period under review and our focus will continue to be on delivery of our strategy, creation of value and improvement in shareholder returns.

Governance Structure

Corporate governance is essential to ensuring our business is run in the right way for the benefit of all of our stakeholders.

Our governance framework (see illustration) was established to provide clear lines of accountability and responsibility. It also assists with the sharing of information and facilitates fast decision making and effective oversight.

Compliance with Laws and Regulations

The Company's activities are regulated and guided by the Companies Act 2012, the Occupation Health and Safety (OSH) Act 2006 and the National Environment Management Act of Uganda.

The Board is committed to compliance with legislation, regulations, and codes of best practice governing the industry and seeks to maintain the highest standards of governance, including transparency and accountability.

Management reports aid the Board in its role of monitoring compliance. The reports include information on any significant interactions with key stakeholders.

Table 5: Our Governance Structure

The Board

The Board is primarily responsible for setting Uganda Clays's strategy for delivering long-term value to our shareholders and other stakeholders, providing effective challenge to management concerning the execution of the strategy and ensuring Uganda Clays maintains an effective risk management and internal control system.

See pg. 38 - Our Strategy | *See pg. 106 - Our Principal Risks* | *See pg. 84 - Board Activities*

↓

The Board delegates certain matters to its three principal committees

Board Audit & Risk Committee	***Board Administration & Technical Committee***	***Board Finance Committee***
Provides oversight over internal controls, risk management, and maintaining an appropriate relationship with the external auditors.	Oversees all technical, human resources and administrative matters in the Company, including production, information technology, and environmental activities.	Monitors the integrity of the financial statements of the company, the Company's annual budget and the implementation of the Company's strategy.
Refer to pg. 100 - 103	*Refer to pg. 100 - 103*	*Refer to pg. 100 - 103*

↓

Management Committee

The Board delegates the execution of the Company's strategy and the day-to-day management of the business to the Management Committee.

See pg. 80-81

↓

Supporting Committees

The Executive Committee operates a number of supporting committees that provide oversight on key business activities and risks such as: the Credit, Cost and Health and Safety Committees.

Board Independence, Responsibilities & Activities

Board of Directors

Role of the Board

The core function of the Board is to provide leadership and oversee the management of the business and affairs of the Company on behalf of the shareholders.

This is done directly or through the operation of committees of directors and delegated authority and brings an independent judgment on all issues of strategy, performance, resources (including key appointments) and standards of conduct.

The Board sets the Company's strategic aims, which it then implements through its approval and regular monitoring of management reports and budget prepared by the executive directors.

In addition, the principal duties of the Board include:

- Setting the Company's strategic objectives and ensuring the necessary financial and human resources are in place for the Company to meet its objectives.
- Overseeing the process for evaluating the adequacy of internal control, risk management, financial reporting and compliance.
- Reviewing the performance of senior management and overseeing performance of senior management.
- Setting the Company's values and standards and ensuring that obligations to the shareholders and other stakeholders are understood and met.

Table 6: Matters Reserved for the Board

Key Matters reserved for Board Approval	
Company Strategy & Management	*Financial*
• Formulation of the Company's strategy and long term objectives • Approval of changes to capital structure • Approval of major capital and equity transactions • Approval of major disposals and acquisitions	• Approval of the Company's financial statements and results announcements • Recommendation on appointment-or reappointment of external auditor • Recommendation or declaration of dividend • Monitoring the Company's business against plan and budget
Board Membership & Committees	*Corporate Governance and Sustainability*
• Appointment to the Board • Setting of terms of reference of Board Committees	• Review the performance of Board and its committees • Approval of shareholder communications, circular and notices of meetings • Review sustainability practices and approval of sustainability report of the Company • Review and approval of certain Company policies

The Board is free to alter the matters reserved for its decision, subject to the limitations imposed by the constitutional documents and law.

Beyond those matters, the Board has delegated all authority to achieve the corporate purpose to the Managing Director (MD), who takes all decisions and actions which, in the MD's judgment, are reasonable having regard to the limits imposed by the Board.

The MD remains accountable to the Board for the authority that is delegated and for the performance of the Company.

The Board monitors the decisions and actions of the MD and the performance of the Company to gain assurance that progress is being made towards the corporate purpose within the limits imposed through the Company's governance assurance framework.

The Board also monitors the performance of the company and assesses its risk profile through its committees.

The MD is required to report regularly in a spirit of openness and trust on the progress being made by the Company.

The Board and its committees determine the information required from the MD and any employee or external party, including the External Auditor.

Open dialogue between individual members of the Board and the MD and other employees is encouraged to enable Directors to gain a better understanding of the Company's business.

The Board process.
The Board recognises the importance of providing timely and appropriate information to directors so as to enable them to make informed decisions and to perform their duties and responsibilities effectively.

Board Meeting

Regular Board Meeting

Meeting dates are set in advance at the beginning of the Financial year

** To facilitate maximum attendance*

The Board meets at least 4 times a year at approximately quarterly intervals

** To review financial performance strategy and operations*

Meeting agenda and notice

** Finalized by the Company Secretary in consultation with the Chairman and MD*
** Notice of 14 days is given*

Dispatch Board papers to directors

** Agenda and supporting documents shared within a week with updated financial figures a week (or other reasonable period) prior to the meeting*

Minutes of Board meeting recorded in sufficient detail the matters considered by the Board and decisions reached including any concerns raised by directors or dissenting views expressed.

Minutes of Board meeting were circulated to the respective Board members for comment where appropriate and duly kept in minute book for inspection by any director.

Other Board Meeting

** To consider ad hoc matters*

Convene Board Meeting

** Notice of not less than a week (or other reasonable period) be given*

Dispatch Board papers to directors

** Generally not less than a week (or other reasonable period) before the meeting*
** If appropriate, one-on-one briefing offered to each director prior to the meeting*

Other Key features of the Board

Table 6: Other key features of the Board

Element	Sub-element
Timely updates and discussion	The directors are supplied in a timely manner with all relevant documentation and financial information to assist them in the discharge of their duties. Monthly updates of the financial performance of the Company are furnished to the Board between regular Board Meetings.
	In addition to standing agenda items, there may be discussions on "deep-dive" topics.
	Senior management are invited to attend Board meetings, where appropriate, to report on matters relating to their areas of responsibility, and also to brief and present details to the directors on recommendations submitted for the Board's consideration. Additional information or clarification may be required to be furnished, particularly with respect to complex and technical issues tabled to the Board.
	The Company has established continuous disclosure policy (the "Continuous Disclosure Policy") and its implementation guideline on monitoring, reporting and disseminating inside information. The critical concerns of the Company's operations and developments are communicated and addressed to the Board in a timely manner.
Professional advice	All directors have direct access to the Legal team at Lex Uganda Advocates who are the Company Secretary and who are responsible for advising the Board on corporate governance and compliance issues. Written procedures are in place for directors to seek, at the Company's expense, independent professional advice in performing directors' duties.
Access to information	To ensure that the Board is properly informed about the performance of and current issues facing the different sections of the company, the Board and its committees may co-opt members of management to attend a meeting of the committee.
Communication with senior management	To ensure that the Board is properly informed about the performance of and current issues facing the different sections of the company, the Board and its committees may co-opt members of management to attend a meeting of the committee.

Independent advice

The Board and its committees may seek advice from independent experts whenever it is considered appropriate. Individual Directors, with the consent of the Chairman, may seek independent professional advice on any matter connected with the discharge of their responsibilities, at the Company's expense.

Board strategy and delegation of authority

The Company takes its strategic direction from the Board of directors.

The Managing Director and the Executive management committee are responsible for overseeing the Company's day-to-day operations and implementing the Board's decisions.

To promote effective governance across all its operations, the Board has approved a governance framework which maps out the internal approvals processes and those matters which may be delegated.

These principally relate to the operational management of the Company's business and include predetermined authority limit delegated by the Board to the Chief Executive for further delegation by him in respect of matters which are necessary for the effective day-to-day running and management of the business.

The diversely skilled Board also directs the Company's integrated strategy. Smaller, more focused board committees ensure that material issues are quickly and thoroughly addressed.

In this way the Board is well poised to support and complement the elements of an effective integrated reporting process.

With the strategy being guided centrally, the board committees are agile enough to direct attention to any element of the integrated approach.

Board Composition

During the period covered by this report, there were Ten Board members consisting of one executive director, and nine independent non-executive directors.

The Board has a coherent framework with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder values and provide a robust platform to realise the strategy of the Company.

The board comprises members from key stakeholders with majority shareholders awarded 2 and 3 seats each while minority shareholders are awarded 4 seats.

These members are rotated periodically.

A summary of the Board members and their profiles is given on < *pages 82-83* >.

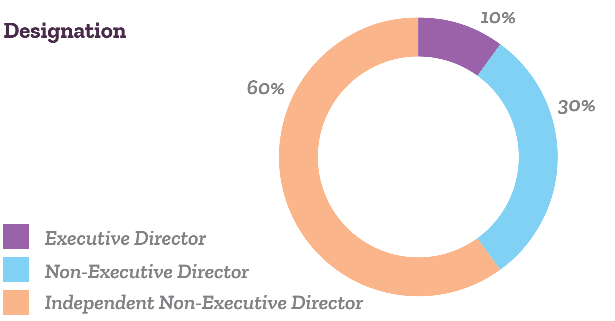
Board Diversity

The Board values diversity as a factor in selecting candidates to serve on the Board and believes that the diversity which exists in its composition provides significant benefits to the Board and the Company.

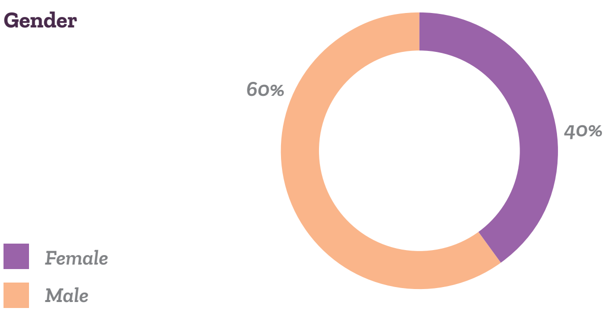
The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence, with individuals that work as a team.

The Board diversity mix is shown below while the detailed biographies and snapshot of the Board's experience are set out on < *pages 82-83* > of this annual report.

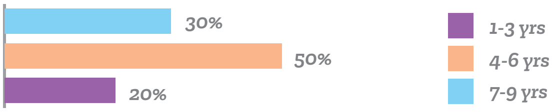
Designation



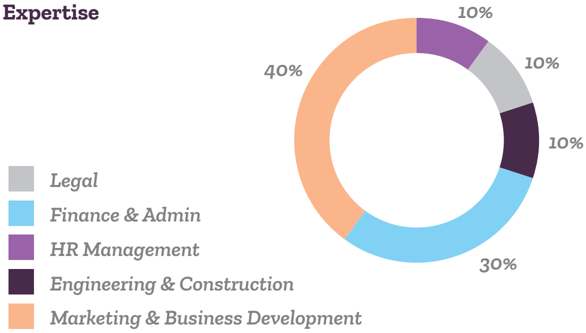
Gender



Tenure



Expertise



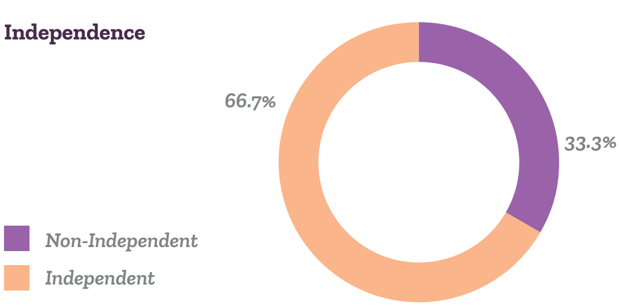
Directors' Independence

The independence of each Non-Executive Directors is assessed annually by the Board as part of its annual Board Effectiveness Review to ensure that independent Non-Executive Directors continue to bring strong independent oversight to the Company.

The independent non-executive directors do not participate in the day-to-day management of the Company and do not engage in any business dealing or other relationships with the Company (other than in situations permitted by the applicable regulations) in order to ensure that they remain truly capable of exercising independent judgment and act in the best interests of the Company and its shareholders.

Six of the nine Non-executive Directors are considered by the Board to be independent in accordance with the Company's Terms of Reference, namely, as being independent in character and judgment and having no relationships which are likely to affect, or could appear to affect, the Directors' judgment.

Independence



Division Of Responsibilities

There is clear division between executive and non-executive responsibilities which ensure accountability and oversight. The roles of Chairman and Managing Director are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board.

Chairman, Eng. Martin Kasekende

- Responsible for the effective running of the Board and ensuring it is appropriately balanced to deliver Uganda Clays' strategic objectives.
- Promote a boardroom culture that is rooted in the principles of good governance and enables transparency, debate and challenge.
- Ensure that the Board as a whole plays a full and constructive part in the development of strategy and that there is sufficient time for boardroom discussion.
- Effective engagement between the Board, its shareholders and other key stakeholders.
- Approves the agendas for the board meetings and ensures sufficient allocation of time for thorough discussion of agenda items.

Chairman Board of Directors, Eng. Martin Kasekende, and Ms.. Jacqueline Kiwanuka, Ag. Managing Director exchange notes at the June 2020 virtual AGM

Ms.. Jacqueline Kiwanuka, Ag. Managing Director addressing shareholders at the June 2020 virtual AGM

Ag. Managing Director, Ms. Jacqueline Kiwanuka

- Execute Uganda Clays' strategy and commercial objectives together with implementing the decisions of the Board and its Committees
- To keep the Chairman and Board appraised of important and strategic issues facing the company
- To ensure that Uganda Clays' business is conducted with the highest standards of integrity, in keeping with our culture
- Manage Uganda Clays' risk profile and ensure actions are compliant with the Board's risk appetite

Company Secretary, Lex Uganda Advocates represented by Mr. Mathias Nalyanya

- Secretary to the Board and its Committees
- Develop Board and Committee agendas and collate and distribute papers
- Ensure compliance with Board procedures
- Advise on regulatory compliance and corporate governance
- Facilitate induction programmes
- Responsible for the organization of the Annual General Meeting
- Available to support all Directors

Non-Executive Directors (NEDs)

- Provide constructive challenge to our executives, help to develop proposals on strategy and monitor performance against our KPIs
- Ensure that no individual or group dominates the Board's decision making
- Promote the highest standards of integrity and corporate governance throughout the Company and particularly at Board level
- Determine appropriate levels of remuneration for the senior executives
- Review the integrity of financial reporting and that financial controls and systems of risk management are robust

Directors Skills, Experience and Attributes

The Board considers that a diversity of skills, backgrounds, knowledge, experience and gender is required in order to effectively govern the business.

The Board and its Committees work to ensure that the Board continues to have the right balance of skills, experience, independence and industry knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

In order to govern the Company effectively, Non-executive Directors must have a clear understanding of the Company's overall strategy, together with knowledge about the Company and the industry in which it operates. Non-executive Directors must be sufficiently familiar with the Company's core business to be effective contributors to the development of strategy and to monitor performance.

Part of the required understanding of strategy and the core business is the requirement to understand the risks that the Company faces and the processes in place to mitigate and manage those risks. We operate in an uncertain external environment, and the Company is exposed to many material risks across its operations, including some that are systemic, such as financial risks and legislative changes.

All those risks are factored into the Board's approach to strategy and its assessment of an optimized portfolio.

The Board Terms of reference require that Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and constructively and are free to question or challenge the opinions of others.

Directors must be clear communicators and good listeners who actively contribute to the Board in a collegial manner. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of the Company.

The Board considers that each of the Non-executive Directors has the following attributes::

- Time to undertake the responsibilities of the role.
- Unquestioned honesty and integrity.
- A willingness to understand and commit to the highest standards of governance.
- An ability to apply strategic thought to relevant matters.
- An ability to consider materiality and risk tolerance as key considerations in decision-making.
- A preparedness to question, challenge and critique.
- Experience of managing in the context of uncertainty, and an understanding of the risk environment of the Company, including the potential for risk to impact our environment, community, reputation, regulatory, market and financial performance.

Mr. Mathias Nalyanya, Lex Uganda Advocates representative addresses shareholders at the virtual AGM

- The Executive Director brings additional perspectives to the Board through a deeper understanding of the Company's business and day-to-day operations.

Board Appointments

The Board recognizes the need to ensure that Board and senior management are always well resourced with the suitable people in terms of skills and experience to deliver the Company's strategy.

There is a formal and transparent procedure for the appointment of new directors to the Board, the primary responsibility of which has been delegated to the Board Administration and Technical Committee.

The Board also ensures that candidates satisfy the requisite skills and core competencies to be deemed fit and proper, and to be appointed as director. The nomination process involves the following six stages:

Recommendation to the Board for approval

Final deliberation by Board Administration and Technical Committee

Meeting with candidates

Evaluation of suitability of candidates

Identification of candidates

Evaluation of the Board composition and establishment of desired criteria for prospective directors

The virtual AGM panel was comprised of a mix of members of the Board and Management committee

Succession Planning and Board succession.

The Board regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board.

When a director representing a majority shareholder is up for rotation they have the liberty to nominate the same person or someone new. The name proposed is put up for election at the AGM.

When a director representing minority shareholders is up for rotation, the Board Administration and Technical Committee will look through the list of minority shareholders and pick suitable names. These are vetted and put before the AGM for election.

A consideration to introduce limits on tenure will be discussed this year.

Conflict of interest.

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company.

The Board has a set procedure and guidance to deal with the actual or potential conflicts of interest of directors as follows:

- The Board deals with each appointment on its individual merit and takes into consideration all the circumstances.
- Prior to taking additional responsibilities or external appointments, directors are obliged to ensure that they are able to meet the time commitment expected of them in their role at the Company and do not have any potential conflicts that may arise when taking up a position with another company.
- Decisions regarding transactions with directors and their related parties are always dealt with by other directors, such as matter regarding the remuneration of executive directors.
- Under the Board Terms of Reference, directors are also required to declare their direct or indirect interests, if any, in any proposal, transaction, arrangement or contract that is significant in relation to the Company's business and the director's interest or his/her associate interest or the interest of the entity connected with the director is material.

Board Induction and Continuous Professional Development

The Company is aware of the requirement to regularly review and agree the training needs of each director.

Keeping up to date with key business developments is essential for directors to maintain and enhance their effectiveness.

Induction Program + **Continuous professional development program** > **Director's Roles & Responsibilities**

Induction program for new Director
Upon joining the Company, directors are provided with a bespoke induction program to further their understanding of the nature of the Company, its business and the market in which it operates.

The program will also enhance their knowledge of the Company, its operation and staff.

The induction program is tailored to each new director, depending on the experience and background of the director and is illustrated below.

On Appointment

RECEIVING DIRECTOR"S INDUCTION HANDBOOK

**To ensure that the director has a proper understanding of the operations, business and governance policies of the Company*

ATTENDING BRIEFING/ TRAINING BY EXTERNAL LAWYER

**To ensure the director is fully aware of the responsibilities as a director under statute and common law, USE listing rules, applicable legal requirement s and other regulatory requirements*

Following Appointment

MEETING WITH CHAIRMAN, DIRECTORS AND A WIDE RANGE OF SENIOR MANAGEMENT FROM ACROSS THE BUSINESSS

**To ensure that the director has a proper understanding of the culture of the Board and the operations of the Company*

ATTENDING BRIEFING AND PRESENTATION FROM SENIOR EXECUTIVES AND VISIT TO BUSINESS OPERATIONS

**To ensure the director has a proper understanding of the operations of the Company and its development*

ATTENDING CONTINUOUS PROFESSIONAL PROGRAM

**To ensure that the director keeps abreast of new laws, regulations or developments in business that are relevant to the roles as a director of the company*

For new Board committee members
Directors to be appointed to the Board committee are provided with induction literature which is designed to provide Board committee members with information regarding the roles of a committee member, making the most of their time on the committee, meeting annual agendas, and general information about the respective Board committee of the Company.

Continuous professional development program
The Company Secretary provides a programme of ongoing training for the directors, which covers a number of sector specific and business issues, as well as legal, accounting and regulatory changes and developments relevant to individual director's areas of responsibility.

Throughout their period in office, the directors are continually updated on the Company's businesses and the regulatory and industry specific environments in which it operates. These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

Board Meetings and Attendance

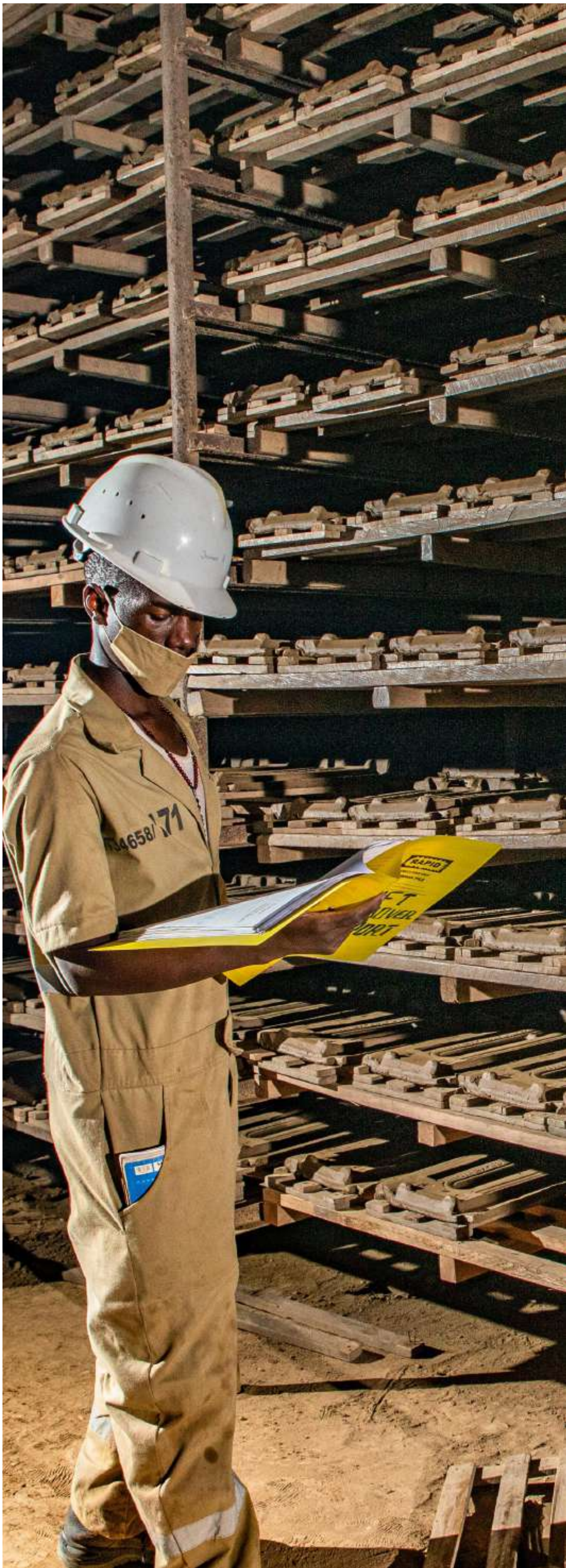
The Board meets as often as necessary to fulfill its role. Directors are required to allocate sufficient time to the Company to perform their responsibilities effectively, including adequate time to prepare for Board meetings.

Members of the Executive committee and other members of senior management attended meetings of the Board by invitation. Senior managers delivered presentations on the status and performance of the Fund's business and matters reserved for the Board.

Attendance at Board and standing Board committee meetings during the year is set out in the table below.

Table 7: Board Meeting Attendance

Director	Attendance	% Attendance
Eng. Martin Kasekende	9/9	100%
Mr. Richard Byarugaba	9/9	100%
Mr. Joseph Tukuratiire	9/9	100%
Mrs. Florence N. Mawejje	8/9	90%
Mr. Bayo Folayan	8/9	90%
Mrs. Marion Adengo Muyobo	9/9	100%
Mrs. Peninnah Tukamwesiga	9/9	100%
Mr. Henry Ngabirano	8/9	90%
Dr. Tom Mutyabule	9/9	100%
Mr. George Inholo (resigned 5-3-2020)	1/9	10%
Ms. Jacqueline Kiwanuka (resigned 30-05-2021)	8/9	90%



Board Activities

Board activities are structured to assist the Board in achieving its goal to support and advise senior management on the delivery of the Company's strategy within a transparent governance framework.

The diagram below shows the key areas of focus for the Board, which appear as items on the Board's agenda at relevant times throughout the financial year. Concentrated discussion of these items assists the Board in making the most appropriate decision based on the long-term opportunities for the business.

FINANCIAL AND OPERATIONAL PERFORMANCE

- Managing Director and Head of Finance reports
- Financial and operational updates
- Annual budget
- Treasury items

STRATEGY AND RISKS

- Discussion of main strategic issues relating to the Company's external environment
- Review of processes and controls for strategic and operational risks

GOVERNANCE AND SUSTAINABILITY

- Review and discussion of the practices of governance and sustainability matters
- Sustainability reporting
- Board and Board Committee effectiveness review
- Board Diversity and succession planning
- Board Committees' reports

OTHERS

- COVID-19 Impact
- Recruitment of new management team

A factory worker in the Artificial dryer unit taking stock of products and their batch numbers

Key Board Activities In 2020

Financial and Operational Performance

Throughout the year, the Board received and discussed:

Reports from the MD and the Head Of Finance on performance of operations of Company.

Approved FY2020 annual budget and operating plan.

Approved FY2019 financial results and the respective results announcements and reports

Strategic Matters

- Implementation of the 2019 strategy
- Approved funding for factory refurbishment.
- Received and discussed regular business developments reports.

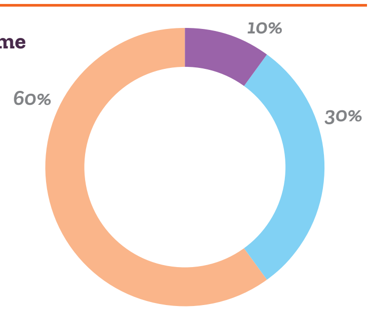
Governance and Sustainability

- Received and discussed reports from the three Board committees.
- Appointed Ms Jacqueline Kiwanuka to the Board.

Human Resource and Other Issues.

- Organization human resources planning.
- Oversaw interviews for Managing Director, Head of Production and Head of Human Resources.
- Appointed Ms Jacqueline Kiwanuka as acting Managing Director.

Allocation of agenda time



	Agenda item	FY 2020/21	FY 2019/20
	Financial and operational performance	19%	23%
	Strategic matters	29%	42%
	Governance, sustainability, training and Board Committee reports	29%	15%
	Other matters (including ad hoc projects and human resource mtters)	25%	20%

Directors are expected to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Company to perform their duties. Where directors are unable to attend a meeting, they receive papers for that meeting giving them the opportunity to raise any issues with the Chairman in advance of the meeting.

Board Evaluation

The Board believes that evaluation is helpful and provides a valuable opportunity for continuous improvement. The objectives of the evaluation are to build on the improvements made from previous evaluations, thereby improving the collective contribution of the Board as a whole and the competence and effectiveness of each individual director.

As agreed by the Board members, the evaluation is conducted every two years and the next evaluation will be conducted in 2021.

The evaluation takes the form of a comprehensive questionnaire which is completed, and feedback discussed by the board.

Amongst other things, the assessment focuses on the Board's effectiveness in the following areas:

- Board processes and their effectiveness
- Time management of Board meetings
- Decision making process
- Strategic and operational oversight
- Board support
- Communications with shareholders and stakeholders

Stage 1	Stage 2	Stage 3
DETERMINE THE SCOPE • Board and its committees	**DETERMINE THE SCOPE** • Preparing the draft results report • Discussing the draft results report • Review of the results report by the Board committees • Finalizing the results report • Reporting to the Board in a manner that did not identify individuals' specific responses, ensuring that these responses could be as open, frank and informative as possible	**ACTION PLAN AGREED** • Following review of the results, the Board drew conclusions and agreed a proposed implementation plan
DETERMINE THE APPROACH • Conducted by completing a comprehensive questionnaire		**MONITOR AND FOLLOW-UP MEETINGS** • Monitoring the progress of the implementation or action taken semi-annually • Reporting back to the Board on the progress by the Committees

Evaluation results

A consolidated report of the outputs from the evaluation are prepared by the Company Secretary for review and consideration by the Board. The results of the evaluation and the implementation or action plan are thoroughly discussed at a Board meeting.

Stakeholder Engagement

Through management the board carries out stakeholder engagement as detailed in the stakeholder engagement table on < pages 36 >. However, on occasion, the board directly interacts with stakeholders in the following ways:

Regulators (USE) –The company secretary, Managing Director and Head of Finance regularly engage with USE through among other things, in person meetings.

Employees - The Board Administration & Technical Committee (BATEC), regularly handles human resource matters.

Drastic management changes required the chairman and the company secretary to address the staff body for confidence building.

Customers -There are meetings held between the MD, Head of Sales and Marketing and Key Customers.

Shareholders Engagement

Shareholders play a valuable role in safeguarding the Company's governance through, for example, the 4-year re-election of Directors, monitoring and rewarding their performance and engagement (determine remuneration) and constructive dialogue with the Board.

In addition to meeting with shareholders at our AGM, our Chairman routinely meets with institutional investors and reports their views to the Board.

Board members addressing shareholders at the 2019 AGM

Remuneration

Remuneration of the board directors is a matter for the AGM. The last salary revision took place in 2017/2018 and it was preceded by a board remuneration survey of peer companies. Based on the report, a proposal was made to the board and thereafter, the matter was put to the AGM for voting. The remuneration stands as below:

Monthly retainer
Chairman - UGX 1,000,000

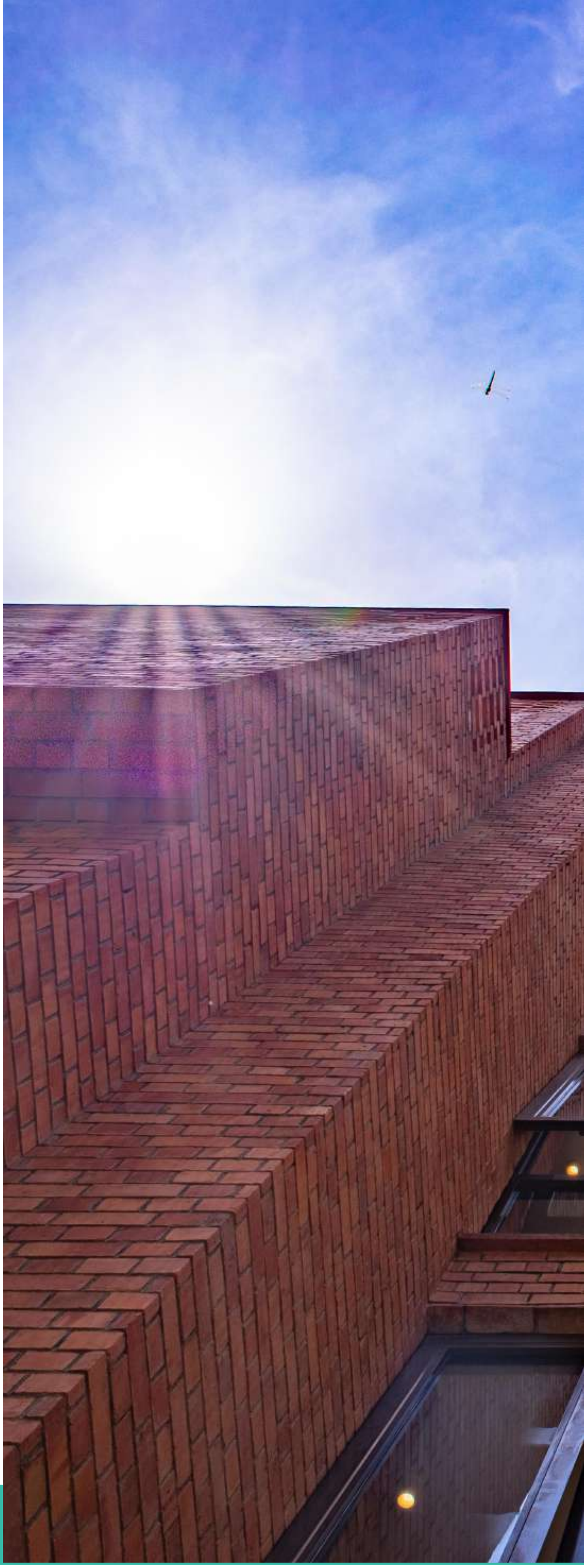
Directors - UGX 750,000

Sitting allowance
Chairman - UGX 750,000,

Directors - UGX 660,000

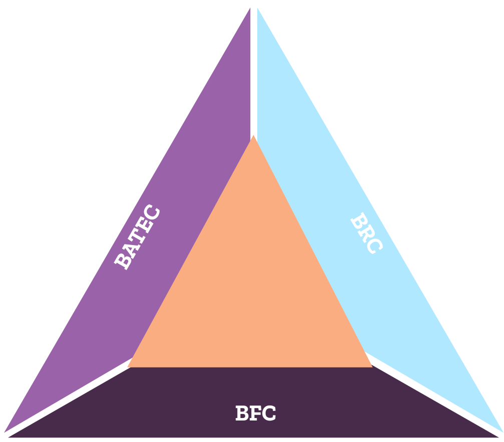
Fuel allowance to travel for meetings
UGX 40,000

**All of this is gross*



Board
Committee Reports

Uganda Clays has preserved three Board committees with defined terms of reference. The Board Committees' functions shall mainly be for purposes of review, oversight and monitoring. The diagram below illustrates the Board committees and their constitution;



Board Of Directors

Chairperson
Eng. Martin Kasekende

Managing Director
Ms. Jacqueline Kiwanuka

Non-Executive Directors
Mr. Richard Byarugaba
Mr. Bayo Folayan
Ms. Florence N. Mawejje
Mr. Joseph Tukuratiire
Mrs. Peninnah Tukamwesiga
Dr. Tom Mutyabule
Mrs. Marion Adengo Muyobo
Mr. Henry Ngabirano

Board Committees

Board Finance Committee (BFC)

Chairperson
Mr. Richard Byarugaba

Members
Mrs. Marion Adengo Muyobo
Ms. Jacqueline Kiwanuka

Board Administration & Technical Committee (BATEC)

Chairperson
Ms. Florence Namatta Mawejje

Members
Dr. Tom Mutyabule
Ms. Jacqueline Kiwanuka (appointed 5-3-2020)

Board Audit & Risk Committee (BARC)

Chairperson
Mr. Joseph Tukuratiire

Members
Mrs. Peninnah Tukamwesiga
Mr. Bayo Folayan
Mr. Henry Ngabirano

Board Administration and Technical Committee Report

The role of the Board Administration & Technical 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. .

Their activities in the last financial year were:

- The committee put in place a number of policies and manuals to improve governance
- It reviewed production processes and outputs
- It reviewed sales and marketing activities
- The committee 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 (resigned 5-3-2020)

Ms. Jacqueline Kiwanuka
Member (appointed 5-3-2020)

The Committee met regularly to execute its mandate. The attendance of members at Committee meetings was as follows:

Table 8: BATEC Member Meeting Attendance

Director	Attendance	% Attendance
Mrs. Florence N. Mawejje	8/8	100%
Dr. Tom Mutyabule	8/8	100%
Mr. George Inholo	0/8	0%
Ms. Jacqueline Kiwanuka	8/8	100%

Board Audit and Risk Committee (BARC) Report

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. The attendance of members at Committee meetings was as follows:

Table 9: BARC Member Meeting Attendance

Director	Attendance	% Attendance
Mr. Joseph Tukuratiire	4/4	100%
Mrs. Peninnah Tukamwesiga	4/4	100%
Mr. Bayo Folayan	4/4	100%
Mr. Henry Ngabirano	4/4	100%

Board Finance Committee Report

The broad mandate of the Board Finance Committee is to 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. .

Their activities in the last financial year were:

- Reviewed significant financial reporting issues and judgments which they contain,
- They also reviewed the Company's annual budget and monitored its performance,
- They also monitored the implementation of the Company's strategy..

During the year under review, the Committee members were:

Mr. Richard Byarugaba
Chairperson

Mrs. Marion Adengo
Member

Ms. Jacqueline Kiwanuka
Member ***(appointed 5-3-2020)***

The Committee met regularly to execute its mandate. The attendance of members at Committee meetings was as follows:

Table 10: BFC Member Meeting Attendance

Director	Attendance	% Attendance
Mr. Richard Byarugaba	8/8	100%
Mrs. Marion Adengo	8/8	100%
Ms. Jacqueline Kiwanuka	8/8	100%

Audit, Risk & Internal Controls

The Internal audit function provides an independent, objective assurance and consulting activity designed to add value and improve on the organization's operations.

In order to enhance the independence of 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, who is responsible for ensuring that issues raised by Internal Audit function are addressed appropriately as per agreed upon management actions and within the agreed timelines.

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

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.

Role Of The Internal Audit Function Include;

- Assessing the adequacy and effectiveness of UCL's internal control systems and or processes and make recommendations for improvement.
- Review the systems established for compliance with the rules, regulation, laws, policies and procedure.
- Conduct investigations as assigned by management and the Board.
- Provide internal consulting services to management.

Overall, the internal audit function, supports UCL to accomplish its strategic objectives by using a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

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 organizational sustainability, are maintained.

Reporting And Monitoring Function

Annually, a risk-based audit plan is developed in consultation with management, reviewed and approved by Board And Risk Committee to ensure that appropriate assessments and considerations are given to all pertinent risks.

Internal audit reports are submitted to Board and Risk Committee on a quarterly basis. Key audit findings are presented to Management and diligently monitored for resolution. It is the responsibility of management to ensure that appropriate actions are taken to rectify any control gaps as highlighted in the audit reports within the agreed upon time lines.

Internal audit also follows up on the implementation progress of all internal control recommendations provided by external auditors, as well as those from internal audit reports to ensure that all raised issues are properly resolved within a reasonable period.

Our focus in 2020

- Adhering to legal compliance
- Improving internal control environment- With support from of management, the control environment is improving continuously, as new policies have been developed to further structure the control environment and control gaps are continually being identified in the already existing policies and these are continuously updated to reflect the changes in the business model.

Internal Audit's Role Towards Integrated Reporting

The internal Audit activity adds value to UCL by providing objective and relevant assurance, and contributing to the effectiveness and efficiency of governance, risk management and control processes.

Internal audit assessed and made appropriate recommendations for improving the governance process in its accomplishment of the following objectives;

- Ensuring effective performance management and accountability to achieve strategic objectives.
- Communicating risk and control information to appropriate processes of UCL.
- Coordinating activities and communicating information among the key stakeholders, in particular the board, management and external auditor.

Risk Management Function

The Risk function is responsible for the effective management of risk within UCL and reports to the BARC. UCL is in the process of implementing a robust enterprise risk management framework. A Risk Register identifying all key risks and mitigation plans has been developed. Further work needs to be done, but the process of recognizing 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.

Risk Management Status

We are working upon designing a risk policy, which will formally out line UCL's risk management strategy and objectives for a given risk class and will document the roles, responsibilities, accountabilities and authorities that support the approach and processes adopted to achieve those objectives.

However currently we have embarked on a risk and control self-assessment, where self-assessment questionnaires for example the pre-audit self-assessment questionnaires and risk registers have been designed and submitted to all departments to give their input.

Self-assessment is the process of identifying and assessing risk within a business and evaluating the effectiveness of controls that are in place to manage these risks.

Then out of the self-assessment will have most meaning if it reflects and highlights the key business risks (e.g. the top 10 risks) which senior management and directors should focus on.

The use of risk registers is one way of encouraging participation, as this helps to quickly communicate the overall level of risk in the company, because it should allow users to easily access more detail about individual risks when needed. This in turn stimulates everyone to think in terms of risks, spotting new ones as they arise and monitoring and taking action to mitigate existing risks.

These combined will form a cycle of activities which will involve identification, assessment, monitoring and control of risk which are a continuous processes.

Once the key business risks have been identified, assessed and are subject to controls throughout various parts of the business, that's when it will become important to obtain confirmation that these activities are being performed as expected and that the risk and control scoring is valid.

Lastly is when we will be in position to consider reporting on risk, where relevant information for each key risk will be seen by the "right people at the right time" across the business. This information is most likely to be provided by the risk and control owners as they should be closest to the issues and will be reported on a regular, timely and consistent basis. Reporting will typically include qualitative and quantitative measures of risk depending on the nature of the risk.

Our Principal Risks

The Five risks (including emerging risks) that Uganda Clays considered high priority during the period were as follows:

Principal Risk	Manifestation during the Year	How we Mitigated it
Operational Risk		
Operational risk is the potential for loss resulting from inadequate or failed internal processes, people, and systems, or from external events.	An unprecedented pandemic risk materialized in March 2020 when Uganda registered its first case of COVID-19. The outbreak resulted in a nationwide lock down that required the business to implement and test the effectiveness of its business continuity plans.	This included several changes to the ways UCL works with increased remote working, work from home measures and some of our camping at the factory to ensure that continued production.
		The resilience of UCLs' internal processes, staff and systems were tested to the limits. A fast and firm people-centric response was rolled out that ensured that office premises were de-congested ahead of the nationwide lock down to ensure the safety of all our stakeholders. Detailed contingency plans ensured business continuity in case of any COVID-related eventuality and minimized the impact of major disruptions including: • Implementing measures to manage liquidity and meet continuous working capital requirements. • Identifying and managing anticipated supply chain and other operational risks. • Implementing strategies to continue to serve audiences and other stakeholders; and • Ensuring the long term sustainability of the business is protected.
		As a result of the implemented measures, the business was able to withstand the significant disruptions and uncertainties that prevailed.
Digital & Technological Risk		
Digital and Technological risk is the potential for loss and/or negative impact on the business due to UCL's inability to leverage digital and technology assets to ensure sustainability.	This risk was further illuminated by the onset of the COVID-19 pandemic that drove a more rapid migration of customers to digital platforms.	UCL is at the tail end of optimizing its existing digital platforms whilst concurrently investing in and delivering new and enhanced products and platforms such as the UCL App
		It will allow customers to transact with us on-line, right from placing an order to delivery. By enhancing the customer experience and delivering more value to stakeholders, we shall be in line with our 5 year strategy.

Principal Risk	Manifestation during the Year	How we Mitigated it
Credit Risk		
Credit risk is the potential for loss due to the failure of a third party to meet its obligations to UCL. The nature of the UCL's business is such that it operates with a high level of its sales on credit terms especially with Agents and Corporate customers. Credit is granted to customers on specific terms and as of 2020, this includes securing of credit/ bank guarantees and cash securities.	UCL has consistently subjected credit sales to the terms of its receivable management policy. UCL is finalizing with the development of strategic partnership with banking institutions to provide customers with secured credit to enable purchase of our products on a cash basis. We have explored all feasible options to manage this risk to acceptable levels. The COVID-19 pandemic and resulting restrictions on business activities negatively impacted businesses in Uganda, increasing liquidity and going concern risks for some of UCL's creditors.	The Board continued to monitor the debt portfolio and evaluated the impact of the pandemic and the changing economic landscape on the business. Details of the related accounting treatments under IFRS 9 (Impairment of Receivables) and its impact on the financial statements are set out in the Financial Statement and accompanying notes.
Compliance Risk		
Compliance risk is the risk of legal or regulatory sanction that may occur as a result of UCL's failure to comply with laws, regulations and other applicable standards. This may result in financial loss or damage to the UCL's reputation.	UCL remained cognizant of the regulatory scrutiny and responsive to the regulators, proactively managing compliance risk through its first line and second line of defence functions.	The Company Secretary supported the various business units to proactively address potential incidents of noncompliance and through various engagements with the different regulators, kept compliance risk at an acceptable level of exposure. Internal Audit regularly conducts compliance checks and the identified gaps are closed immediately and key decisions are reviewed for compliance with laws and regulations before implementation
Information & Cyber Security Risk		
Information and Cyber Security Risk is the potential for loss and disruption from a breach of the integrity and security of UCL's information systems and assets through cyber-attack, insider activity, and error or control failure.	Internal Audit coverage over ICT infrastructure was enhanced in line with the assessment of this emerging risk and insights obtained on the state of the UCL's systems.	The Company maintained sufficient systems in place to manage the above risks to the satisfaction of the Board Audit and Risk Committee. UCL has also established and put in place a Disaster Recovery Plan for ICT and has embarked on the process of implementing its business continuity plan and crisis management plan.
Litigation Risk		
Litigation risk is the possibility that legal action will be taken because of an individual's or the corporation's actions, inaction, products, services, or other event.	By virtue of the nature of the business, UCL was involved in a number of litigations, mainly staff cases during the period under review. Management continually monitors all potential, threatened and actual litigation cases and assesses the exposure to UCL, if any.	Management is confident that any exposure to UCL is adequately covered and those considered as contingent are assessed as not likely to crystallize. Management continues to engage plaintiffs in litigation cases in pursuit of amicable settlements to limit the extent of compensation damages and legal costs.

Financial Statements

In This Section

Directors' Report

For the year ended 31 December 2020

The directors submit their report and the audited financial statements for the year ended 31 December 2020 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 UGX'000	2020 UGX'000
Profit/(loss) before tax	(804,310)	5,926,380
Tax (charge)/credit	715,846	(1,052,438)
Profit/(loss)for the year	**(88,464)**	**4,873,942**

Share Capital

The authorised, issued and paid up share capital is UGX 900,000,000 (2019: UGX 900,000,000) representing 900,000,000 (2018: 900,000,000) ordinary shares of UGX 1 each.

Dividend

The directors propose a final dividend of UGX 1.35 per share (2019: Nil).

Directors

The directors who held office during the year and to the date of this report are shown below

Eng. Martin Kasekende:
Chairman

Mr Richard Byarugaba
Member

Mr Bayo Folayan
Member

Mrs. Marion Adengo Muyobo
Member

Mr Joseph Tukuratire
Member

Mrs. Florence Namatta Mawejje
Member

Mrs. Peninah Tukamwesiga
Member

Mr Henry Ngabirano
Member

Dr Tom Mutyabule
Member

Ms. Jacqueline Kiwanuka
Ag. Managing Director

Independent Auditor

The Company's auditor, PKF Uganda, has indicated willingness to continue in office in accordance with the Uganda Companies Act, 2012

BY ORDER OF THE BOARD

COMPANY SECRETARY KAMPALA

26th April 2021

Statement of Directors' Responsibilities

For the year ended 31 December 2020

The Ugandan 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 the Ugandan 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 Ugandan Companies Act, 2012. They also accept responsibility for:

i. 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;

ii. Selecting and applying appropriate accounting policies; and

iii. Making accounting estimates and judgements 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 2020 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 **26th April 2021** and signed on its behalf by:

DIRECTOR

DIRECTOR

Report of the Independent Auditor to the members of Uganda Clays Limited

For the year ended 31 December 2020

Opinion

We have audited the financial statements of Uganda Clays Limited set out on pages 118 to 121, which comprise the statement of financial position as at 31 December 2020, 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 2020, 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.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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:

iv. 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;

v. 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

vi. iii) the Company's statement of financial position and statement of profit or loss are in agreement with the books 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

28th April 2021
Ref: FK/U087//2021

Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 UGX'000	2019 UGX'000
Revenue from contracts with customers	2	29,662,677	30,736,629
Cost of sales		(16,132,747)	(21,282,056)
Gross profit		**13,529,930**	**9,454,573**
Other operating income	3	1,843,107	857,084
Selling and distribution expenses		(1,332,119)	(1,469,616)
Administrative expenses		(6,754,373)	(8,234,831)
Other operating expenses		(1,344,922)	(1,351,865)
Operating profit/(loss)		**5,941,623**	**(744,655)**
Finance costs	6	(15,243)	(59,655)
Profit/(loss) before tax		**5,926,380**	**(804,310)**
Tax (charge)/credit	7	(1,052,438)	715,846
Profit/(loss) for the year		**4,873,942**	**(88,464)**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Other Comprehensive Income:		-	-
Total Comprehensive Income		**-**	**-**
Total Comprehensive Income for the year attributable owners of the company, net of tax		**4,873,942**	**(88,464)**
Dividend:			
Proposed dividend for the year			
- Final	8	**1,218,486**	**-**
Earnings per share			
Basic earnings per share	9	**5.42**	**(0.10)**

* The notes on < pages 122 to 151 > form an integral part of these financial statements.

Statement of Financial Position

For the year ended 31 December 2020

	Notes	2020 UGX'000	2019 UGX'000
Equity			
Share capital	10	900,000	900,000
Share premium	10	9,766,028	9,766,028
Revaluation reserve	11	3,571,185	4,930,609
Retained earnings		20,498,613	15,483,733
Proposed dividends		1,218,486	-
Equity attributable to the owners of the entity		**35,954,312**	**31,080,370**
Non-current liabilities			
Borrowings	12	20,592,838	20,592,838
Deferred tax	13	5,468,449	6,134,250
Retirement benefit obligation	22	-	73,775
		26,061,287	**26,800,863**
		62,015,599	**57,881,233**
Represented By			
Non-current assets			
Property, plant and equipment	14	38,702,285	40,542,313
Government securities	20	4,742,120	-
Right-of-use assets	15	825,880	918,610
		44,270,285	**41,460,923**
Current assets			
Inventories	16	8,741,211	4,719,680
Trade and other receivables	17	1,795,613	1,860,935
Cash and cash equivalents	18	2,179,742	3,130,863
Fixed deposits	19	-	10,499,236
Government securities	20	10,970,964	-
Staff advances	21	86,055	114,005
Current tax receivable		812,275	451,682
		24,585,860	**20,776,401**
Current liabilities			
Trade and other payables	22	6,840,546	4,356,091
		6,840,546	**4,356,091**
Net current assets		17,745,314	**16,420,310**
		62,015,599	**57,881,233**

The financial statements on *<pages 118 to 121 >* were approved and authorized for issue by the board of directors on **28th April 2021** and were signed on its behalf by:

DIRECTOR **DIRECTOR**

Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Ordinary share capital UGX'000	Share premium UGX'000	Revaluation reserve UGX'000	Retained earnings UGX'000	Proposed dividend UGX'000	Total UGX'000
Year ended 31 December 2020							
At start of year		**900,000**	**9,766,028**	**4,930,609**	**15,483,733**	**-**	**31,080,370**
Transfer of excess depreciation	11	-	-	(1,942,034)	1,942,034	-	-
Deferred tax on excess depreciation transfer	11	-	-	582,610	(582,610)	-	-
Proposed dividends		-	-	-	(1,218,486)	1,218,486	-
Profit for the year		**-**	**-**	**-**	**4,873,942**	**-**	**4,873,942**
At end of year		**900,000**	**9,766,028**	**3,571,185**	**20,498,613**	**1,218,486**	**35,954,312**
Year ended 31 December 2019							
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**
Profit for the year					(88,464)		(88,464)
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)		-	-	-	-	(900,000)	(900,000)
Final for 2019 (proposed)		-	-	-	-	-	-
At end of year		**900,000**	**9,766,028**	**4,930,609**	**15,483,733**	**-**	**31,080,370**

The notes on *< pages 122 to 151 >* form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 UGX'000	2019 UGX'000
Operating activities			
Cash from operations	23	8,133,892	6,497,606
Tax paid		(2,078,833)	(155,053)
Net cash from operating activities		**6,055,059**	**6,342,553**
Investing activities			
Cash paid for purchase of property, plant and equipment	14	(1,792,332)	(339,862)
Proceeds from sale /(cash paid for the purchase) of fixed deposits	19	10,499,236	(4,167,142)
Net cash used in investing activities		**8,706,904**	**(4,507,004)**
Financing activities			
Dividends paid:			
	8	-	(900,000)
Net cash used in financing activities		-	(900,000)
Increase in cash and cash equivalents		**14,761,963**	**935,549**
Movement in cash and cash equivalents			
At start of year		3,130,863	2,195,314
Increase		14,761,963	935,549
At end of year	**18**	**17,892,826**	**3,130,863**

Notes to the financial statements

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

a). Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise 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 on the sell of 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 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 - Inventories or value in use in IAS 36 - Impairment of assets.

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.

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 standards, amendments and interpretations adopted by the company.

The company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IAS 8 Definition of Material (issued in October 2018)

The amendments, 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

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued in September 2019

The amendments, applicable to annual periods beginning on or after 1 January 2020, provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform.

A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the company as it does not have any interest rate hedge relationships.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions (issued on 28 May 2020)

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the company.

New standards, amendments and interpretations issued but not effective

At the date of authorization of these consolidated 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:

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.
- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for de-recognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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, if applicable, from their effective dates.

b) Significant accounting judgments, estimates and assumptions

In the application of the accounting policies, the directors are required to make judgements, 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 recognized prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of expected credit losses (ECL):
The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behavior.

A number of significant judgements 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's 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, 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 that 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 financial 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.

The carrying amounts of the company's financial assets that are subject to impairment assessment are disclosed in note 15.

Useful lives, depreciation methods and residual values of property, plant and equipment, intangible assets and right-of-use assets
Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

The carrying amounts of property, plant and equipment and right-of-use assets are disclosed in notes 12 and 13 respectively.

Accounting for leases under IFRS 16
Management has made various judgements and estimates under IFRS 16 as detailed below :

Incremental borrowing rate: To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g.. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).

Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability because the company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. The carrying amounts of lease liabilities and right-of-use assets are disclosed in notes 11 and 13, respectively.

Impairment of non-financial assets
Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amounts of property, plant and equipment and right-of-use assets are disclosed in notes 12 and 13, respectively.

c) Revenue recognition

The company recognizes revenue from distribution of fast moving consumers products. The company recognizes revenue as and when it satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognized 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) Sales from distribution of fast moving products
Sales of distribution of fast moving consumers products are recognised upon delivery to, and acceptance by the customer. Having accepted the goods, consumers 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
i) Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.

d) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation. Historical cost comprises expenditure 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 profit or loss during the financial period in which they are incurred.

Leasehold land is depreciated over the remaining period of the lease.

Depreciation is calculated on a straight line basis to write down the cost of each asset, or the revalued amount, 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 and methods of depreciation are reviewed, and adjusted prospectively if appropriate,.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

e) 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. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

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
All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

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.

ii) Fair Value Through Other Comprehensive Income (FVTOCI):
Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI).Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

iii) Fair Value Through Profit or Loss (FVTPL):
Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss and other comprehensive income.

- Notwithstanding the above, the company may: on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income.
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

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.

Derecognition/write off
Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, the company has transferred substantially all risks and rewards of ownership, or when the company 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.

Impairment
Debt instruments that are subsequently measured at amortised cost or at impairment assessment. No impairment loss is recognised on investments measured at FVTPL.

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

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.

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 recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs

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.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged 'or cancelled or expires. When an existing financial liability is replaced by another 'from the same lender on substantially different terms, or the terms of an existing liability are 'substantially modified, such an exchange or modification is treated as the derecognition 'of the original liability and the recognition of a new liability. The difference in the respective 'carrying amounts is recognised in profit or loss.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a currently enforceable legal 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 first-in first-out(FIFO) method.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, and related production overheads other direct costs other direct costs x 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 and deposits held at call with banks net of bank overdrafts and advances from related parties, which are specifically used to fund working capital requirements.

In the statement of financial position, bank overdrafts and advances from related parties, which are specifically used to fund working capital requirements are included within borrowings in current liabilities.

i. Share capital

Ordinary shares are classified as equity.

j. 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 comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income or 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 amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The company offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

k. Accounting for leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in 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 and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and 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 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 revaluation reserve to the retained earnings.

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.

l. Employee entitlements

The company and its employees also 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.

m. Comparatives

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

2. Revenue from contracts with customers

	2020 UGX'000	2019 UGX'000
Recognised at a point in time:		
-Roofing tiles	18,983,521	18,879,283
-Half Bricks	1,958,235	1,611,619
-Max pans	5,964,419	7,213,636
-Ridges	1,689,291	1,532,769
-Bricks	529,750	684,849
-Other products	537,461	814,473
Total revenue from contracts with customers	**29,662,677**	**30,736,629**

3. Other operating income

	2020 UGX'000	2019 UGX'000
Rental income	8,192	12,070
Interest income	1,834,915	845,014
Total other operating income	**1,843,107**	**857,084**

4. Operating profit/(loss)

The following items have been charged in arriving at the operating profit/(loss):

	2020 UGX'000	2019 UGX'000
Depreciation on property, plant and equipment (Note 14)	3,632,361	3,477,541
Depreciation on right-of-use assets (Note 15)	92,731	106,473
Directors' emoluments	241,714	219,383
Audit fees		
-current year	54,000	50,500
Repairs and maintenance	2,516,485	3,093,763
Staff costs	**8,255,923**	**10,000,367**

5. Staff costs

	2020	2019
	UGX'000	UGX'000
Salaries and wages	5,330,995	7,339,232
NSSF company contribution	576,209	644,826
Gratuity and pension costs	548,187	656,458
Leave transport and allowance	169,281	221,689
Staff medical expenses	235,653	193,571
Staff welfare expenses	504,684	492,857
Staff termination pay	603,709	107,468
Staff training costs	182,480	84,810
Wages and allowance costs	103,881	257,776
Staff uniforms	844	1,680
Total staff costs	**8,255,923**	**10,000,367**

6. Finance costs

	2020	2019
	UGX'000	UGX'000
Unrealised exchange loss	**15,243**	**59,655**

7. Tax

	2020 UGX'000	2019 UGX'000
Current tax	1,715,781	1,116,506
Rental tax	2,458	3,621
Deferred tax credit (Note 10)	(665,801)	(1,835,973)
Tax charge/(credit)	**1,052,438**	**(715,846)**
The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Profit/(loss)before tax	**5,926,380**	**(804,310)**
Tax calculated at a rate of 30% (2019: 30%)	1,777,914	(241,294)
Tax effect of:		
-expenses not deductible for tax purposes	113,577	104,437
-rent tax	2,458	3,621
-overprovision in prior year	(258,901)	-
-Adjustment to indexation on revalued assets not recognised	(582,610)	(582,610)
Tax charge/(credit)	**1,052,438**	**(715,846)**

8. Dividends

The directors propose a final dividend of UGX 1.35 per share(2019: Nil) amounting to a total of UGX 1,218,486,000 (2019: Nil).

The total dividend for the year is therefore UGX 1.35(2019: Nil) amounting to a total of UGX 1,218,486,000 (2019: UGX Nil).

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 2020.

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.

	2020 UGX'000	2019 UGX'000
Profit/(loss) attributable to equity holders	4,873,942	(88,464)
Weighted average number of ordinary shares	900,000	900,000
Basic earnings per share	**5.42**	**(0.10)**

10. Share capital

	2020 UGX'000	2019 UGX'000
Authorised, issued and fully paid:		
900,000,000 (2019: 900,000,000) ordinary shares at UGX 1 each	900,000	900,000
Share premium	**9,766,028**	**9,766,028**

11. Revaluation reserve

	2020 UGX'000	2019 UGX'000
Property, plant and equipment		
At start of year	4,930,609	6,290,033
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	**3,571,186**	**4,930,609**

12. Borrowings

The borrowings are made up as follows:

	2020 UGX'000	2019 UGX'000
Non current		
Borrowings from related parties (Note 24 (iii))	**20,592,838**	**20,592,838**

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 UGX 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 is unsecured and is denominated in Uganda Shillings.

Interest amounting to UGX 10 Billion split as follows; UGX 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:

	2020 UGX'000	2019 UGX'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:

	2020 UGX'000	2019 UGX'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% (2019:30%). The movement on the deferred tax account is as follows:

	2020 UGX'000	2019 UGX'000
At start of year	6,134,251	7,970,224
Charge to profit or loss	(665,801)	(1,835,973)
At end of year	**5,468,449**	**6,134,251**

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

	At start of year UGX'000	Charge to profit/ loss UGX'000	At end of year UGX'000
Deferred tax liabilities			
Property, plant and equipment			
-accelerated tax depreciation	7,254,103	(336,074)	6,918,029
Revaluation	1,801,903	(582,610)	1,219,293
	9,056,006	**(918,684)**	**8,137,322**
Deferred tax assets			
Unrealised exchange losses	(17,900)	13,327	(4,573)
Provision for impairment of trade recievables	(984,067)	239,556	(744,511)
Unpaid interest	(1,919,789)	-	(1,919,789)
	(2,921,755)	**252,883**	**(2,668,873)**
Net deferred tax liability	**6,134,251**	**(665,801)**	**5,468,449**

14 Property, plant and equipment

	Land UGX'000	Buildings UGX'000
Year ended 31 December 2020		
Cost		
At start of year	2,405,118	12,343,520
Reclassification		-
Additions	-	-
Disposals		
At end of year	**2,405,118**	**12,343,520**
Depreciation		
At start of year	-	3,452,701
Charge for the year	-	289,590
Disposals		
At end of year	**-**	**3,742,291**
Net book value	**2,405,118**	**8,601,229**
Year ended 31 December 2019		
Cost		
At start of year	14,748,638	-
Reclassification	(12,343,520)	12,343,520
Additions	-	-
At end of year	**2,405,118**	**12,343,520**
Depreciation		
At start of year	3,177,963	-
Reclassification	(3,177,963)	3,177,963
Charge for the year		274,738
At end of year	**-**	**3,452,701**
Net book value	**-**	**8,890,819**

Plant and machinery UGX'000	Furniture, fittings and computer equipment UGX'000	Motor vehicle UGX'000	Capital work in progress UGX'000	Total UGX'000
63,188,303	1,543,341	3,688,435	2,402,947	85,571,664
-	546,016		(546,016)	-
1,215,488	154,718	328,292	93,834	1,792,332
	(60,541)	(261,389)	-	(321,930)
64,403,791	**2,183,534**	**3,755,338**	**1,950,765**	**87,042,066**
37,040,588	1,150,465	3,385,597	-	45,029,351
2,948,284	285,047	109,439	-	3,632,360
	(60,541)	(261,389)		(321,930)
39,988,872	**1,374,971**	**3,233,647**		**48,339,781**
24,414,919	**808,563**	**521,691**	**1,950,765**	**38,702,285**
63,107,102	1,399,375	3,688,435	2,288,252	85,231,802
		-		-
81,201	143,966	-	114,695	339,862
63,188,303	**1,543,341**	**3,688,435**	**2,402,947**	**85,571,664**
34,102,304	945,678	3,325,865		41,551,810
			-	-
2,938,284	204,787	59,732	-	3,477,541
37,040,588	**1,150,465**	**3,385,597**	**-**	**45,029,351**
26,147,715	**392,876**	**302,838**	**-**	**40,542,313**

15. Right-of use assets

	2020 UGX'000	2019 UGX'000
Cost		
At start and end of year	1,359,877	1,359,877
Depreciation		
At start of year	441,267	334,794
Charge for the year	92,730	106,473
At end of year	**533,997**	**441,267**
At end of year	**825,880**	**918,610**

16. Inventories

	2020 UGX'000	2019 UGX'000
Spares and consumables	3,598,672	3,435,063
Work in progress	1,220,149	1,006,387
Finished goods	1,397,460	185,819
Goods in transit	2,524,930	92,411
Total inventory	**8,741,211**	**4,719,680**

The cost of inventory recognised as an expense amounted to UGX 2.6 Billion(2019 1.2 Billion) has been included under 'Cost of sales' in the profit or loss

17. Trade and other receivables

	2020 UGX'000	2019 UGX'000
Current		
Trade receivables	3,439,984	4,379,651
Less: expected credit losses	(2,481,703)	(3,280,222)
Net trade receivables	958,281	1,099,429
Prepayments	396,657	445,341
Other receivables	440,675	316,165
Total trade and other receivables	**1,795,613**	**1,860,935**

	2020			2019		
	Gross amount UGX'000	**ECL allowance UGX'000**	**Carrying amount UGX'000**	**Gross amount UGX'000**	**ECL allowance UGX'000**	**Carrying amount UGX'000**
Trade and other receivables						
Trade receivables	3,439,984	(2,481,703)	958,281	4,379,651	(3,280,222)	1,099,429
Prepayments	396,657	-	396,657	445,341	-	445,341
Other receivables	440,675	-	440,675	316,165	-	316,165
	4,277,316	**(2,481,703)**	**1,795,613**	**5,141,157**	**(3,280,222)**	**1,860,935**

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

18. Cash and cash equivalents

	2020 UGX'000	2019 UGX'000
Cash at bank and in hand	**2,179,742**	**3,130,863**
For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the below		
Cash at bank and in hand	2,179,742	3,130,863
Government securities (Note 20)	15,713,084	-
	17,892,826	**3,130,863**
The carrying amounts of the company's cash and cash equivalents are denominated in the following currencies:		
Uganda Shillings	1,974,402	2,689,274
US Dollars	180,785	406,688
Other currencies	24,555	34,901
	2,179,742	**3,130,863**

19. Other investments

	2020 UGX'000	2019 UGX'000
Fixed deposits	-	10,499,236

20. Government securities

	2020 UGX'000	2019 UGX'000
Treasury bonds	4,742,120	-
Treasury bills	10,970,964	-
	15,713,084	-
The maturity analysis for the treasury bills and treasury bonds is summarised below.		
Treasury bond		
Maturing within 14 years	**4,742,120**	-
Treasury bills		
Maturing within 0- 1 year	**10,970,964**	-

The carrying value of government securities is approximately equal to its fair value.

21. Staff advances

Staff advances comprise of the following:

	2020 UGX'000	2019 UGX'000
At the start of the year	114,005	130,416
Gross staff advances	208,922	387,134
Repayments made during the year	(236,872)	(403,545)
	86,055	114,005

Staff advances are unsecured and due within 1 year from the reporting date. The weighted average interest rate on staff advances was 5%.

22. Trade and other payables

	2020 UGX'000	2019 UGX'000
Current		
Trade payables	2,735,939	1,435,158
Advances from customers	3,188,933	2,183,582
Accruals	115,430	78,523
Other payables	800,244	658,828
Total trade and other payables	**6,840,546**	**4,356,091**

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amounts of the Company's trade and other payables are denominated in Uganda Shillings

The maturity analysis of the Company's trade and other payables is as follows:

	0 to 1 month UGX'000	2 to 3 months UGX'000	4 to 12 months UGX'000	Total UGX'000
Year ended 31 December 2020				
Trade payables	69,736	938,489	1,727,714	2,735,939
Advances from customers	-	1,005,350	2,183,582	3,188,932
Accruals	115,430	-	-	115,430
Other payables	800,244	-	-	800,244
	985,410	**1,943,839**	**3,911,297**	**6,840,546**
Year ended 31 December 2019				
Trade payables	761,987	399,133	274,038	1,435,158
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**

23. 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.

	2020 UGX'000	2019 UGX'000
At start of year	73,775	76,021
Contributions for the year	806,294	936,350
Payments for the year	(880,069)	(938,596)
At end of year	**-**	**73,775**

24. Cash from operations

	2020 UGX'000	2019 UGX'000
Reconciliation of profit before tax to cash used in operations:		
Profit/(loss) before tax	5,926,380	(804,310)
Adjustments for:		
Depreciation on property, plant and equipment (Note 14)	3,632,361	3,477,541
Amortization of prepaid operating lease rentals	92,730	106,473
Expected credit losses	(798,518)	562,948
Provision for expected credit losses on initial adoption	-	(2,021,467)
Changes in working capital:		
-inventories	(4,021,531)	4,067,448
-trade and other receivables	863,840	1,266,561
-staff loans	27,950	16,411
-retirement benefits obligation	(73,775)	(2,246)
-trade and other payables	2,484,455	(171,753)
Cash from operations	**8,133,892**	**6,497,606**

25. 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 66.5% of the shares are the general public.

		2020 UGX'000	2019 UGX'000
i)	**Key management compensation (including directors' remuneration)**		
	Short term employee benefits	748,456	1,145,839
	Termination benefits	603,708	107,468
		1,352,164	**1,253,307**

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.

		2020 UGX'000	2019 UGX'000
ii)	**Directors' benefits and other remuneration**		
		103,935	94,333
		137,779	125,050
		241,714	**219,383**
iii)	**Borrowings from related parties**		
		23,211,380	**23,211,380**

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.

	2020 UGX'000	2019 UGX'000
Effect on loss - increase	158,112	340,024

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	Lifetime expected credit losses	
	2020 UGX'000	2019 UGX'000
As at 31 December		
Trade receivables	3,439,984	4,379,651
Other receivables	440,675	316,165
Cash at bank	2,179,742	3,130,863
Gross carrying amount	**6,060,401**	**7,826,679**
Loss allowance	(2,481,703)	(3,280,222)
Exposure to credit risk	3,578,698	4,546,457

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:

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

b) financial assets that are credit impaired at the balance sheet date;

c) 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 UGX'000	Trade receivables UGX'000	Total UGX'000
Year ended 31 December 2020			
At start of year	-	(3,280,222)	(3,280,222)
Changes relating to assets	-	798,518	798,518
At end of year	**-**	**(2,481,704)**	**(2,481,704)**

	Cash and cash equivalents	Trade receivables	Total
Year ended 31 December 2019	**UGX'000**	**UGX'000**	**UGX'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)**

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:

	Interest rate %age	Between 1-3months UGX'000	Between 3-12 months UGX'000	More than 5 years UGX'000	Total UGX'000
Year ended 31 December 2020					
Interest bearing liabilities					
-Borrowings		-	-	23,681,764	23,681,764
Non-interest bearing liabilities					
-Trade and other payables		985,410	5,855,135	-	6,840,546
Year ended 31 December 2019					
Interest bearing liabilities					
-Borrowings		-	-	23,681,764	23,681,764
Non- Interest bearing liabilities					
-Trade and other payables		1,499,338	2,856,754	-	4,356,091

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;
- 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 2020 and 2019 were as follows:

	2020 UGX'000	2019 UGX'000
Total borrowings (Note 11)	20,592,838	20,592,838
Less cash and cash equivalents (Note 19)	(2,179,742)	(3,130,863)
Net debt	**18,413,096**	**17,461,975**
Total equity	**35,954,312**	**31,080,370**
Gearing ratio	**0.51**	**0.56**

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 2020 and 2019 were as follows;

Statement of profit or loss	Kajjansi factory UGX'000	Kamonkoli factory UGX'000	Total UGX'000
31 December 2020			
Revenue from contracts with customers	25,596,448	4,066,229	29,662,677
Cost of sales	(11,579,248)	(4,553,499)	(16,132,747)
Gross profit	**14,017,200**	**(487,270)**	**13,529,930**
Other operating income	1,842,867	240	1,843,107
Selling and distribution expenses	(999,555)	(332,564)	(1,332,119)
Administrative expenses	(6,047,825)	(706,548)	(6,754,373)
Other operating expenses	(1,073,895)	(271,027)	(1,344,922)
Operating profit	**7,738,792**	**(1,797,169)**	**5,941,623**
Finance costs	(15,243)	-	(15,243)
Profit before tax	**7,723,549**	**(1,797,169)**	**5,926,380**
31 December 2019			
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)**

Statement of profit or loss	Kajjansi factory UGX'000	Kamonkoli factory UGX'000	Total UGX'000
31 December 2020			
Equity	(38,916,275)	2,961,963	(35,954,312)
Non-current liabilities	8,728,279	(34,789,566)	(26,061,287)
Non-current assets	23,996,022	20,274,263	44,270,285
Current assets	6,069,548	18,516,312	24,585,860
Current liabilities	**122,425**	**(6,962,971)**	**(6,840,546)**
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)**

29 Presentation currency

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

Appendix A:
Company Information

REGISTERED OFFICE:
14km Entebbe Road
Kajjansi
P.O. Box 3188
Kampala, Uganda

INDEPENDENT AUDITOR
PKF Uganda
Certified Public Accountants
P.O. Box 24544
Kampala, Uganda

COMPANY SECRETARY/LEGAL ADVISOR
Lex Uganda Advocates & Solicitors
8th Floor, Communication House
Plot 01, Colville Street
P.O. Box 22490
Kampala, Uganda

COMPANY REGISTRAR
Deloitte Uganda Limited
Rwenzori House
Plot 01, Lumumba Avenue
P.O. Box 10319
Kampala, Uganda

PRINCIPAL BANKERS
Standard Chartered Bank (U) Limited
Speke Road
P.O. Box 7111
Kampala, Uganda

Stanbic Bank (Uganda) Limited
Plot 17 Hannington Road
P.O. Box 7131
Kampala, Uganda

Equity Bank Uganda Limited
Kajjansi
P.O. Box 10184
Kampala, Uganda

Housing Finance Bank Limited
Plot 25 Kampala Road
P.O. Box 1539
Kampala, Uganda

Centenary Rural Development Bank Uganda Limited
Plot 44 - 46 Kampala Road
P.O. Box 1892
Kampala, Uganda

KCB Bank Uganda Limited
P.O. Box 7399
Kampala, Uganda

Appendix B:

Share Distribution Summary

Summary Of Share distribution

Range ID	Description	No Of Investors	No. Of Shares Held	% Holding
1	Less than 500 Shares	126	33,111	0.00%
2	Between 501 and 1,000 Shares	142	117,450	0.01%
3	Between 1,001 and 5,000 Shares	626	1,672,607	0.19%
4	Between 5,001 and 10,000 Shares	532	4,497,488	0.50%
5	Between 10,001 and 50,000 Shares	847	21,593,244	2.40%
6	Between 50,001 and 100,000 Shares	249	19,044,804	2.12%
7	Above 100,001 Shares	396	853,041,296	94.78%
		2,918	900,000,000	100.00%

*Prepared by Deloitte (Uganda) Limited

Summary Of Shareholders

Natinoality	Category	No Of Investors	No. Of Shares Held	% Holding
East African	Corporate	87	635,017,590	70.56%
	Individual	2,714	246,417,699	27.38%
		2,801	**881,435,289**	**97.94%**
Foreign	Corporate	2	1,429,857	0.16%
	Individual	115	17,134,854	1.90%
		117	**18,564,711**	**2.06%**
Grand Totals		**2,918**	**900,000,000**	**100.00%**

*Prepared by Deloitte (Uganda) Limited

Appendix C:
List Of Acronyms

Ag. *Acting*

AGM *Annual General Meeting*

API *Application Programming Interface*

B *Billion*

BARC *Board Audit and Risk Committee*

BATEC *Board Administration and Technical Committee*

BFC *Board Finance Committee*

BSc. *Balanced Scorecard*

COVID-19 *Corona Virus Disease of 2019*

COFTU *Central Organization of Free Trade Unions*

CSR. *Corporate Social Responsibility*

EBITDA *Earnings before interest, taxes, depreciation and amortization*

ECL *Expected Credit Losses*

FVTPL *Fair Value Through Profit or Loss*

FVTOCI *Fair Value Through Other Comprehensive Income*

EPS *Earnings per share*

FIFO *first in, first out*

FY *Financial Year*

HSE *Health, Safety & Environment*

HR *Human Resource*

IAS *International Accounting Standards*

IESBA *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants*

IFRS *International Financial Reporting Standards*

ICT *Internet and Computer Technology*

IPO *Initial Pubic Offering*

ISO *International Standards Organization*

ISA *International Standards in Auditing*

kt *kilotonnes*

KPI *Key Performance Indicator*

Ltd. *Limited*

M *Million*

MD *Managing Director*

Ml *MegaLitre*

mm *Millimeter*

mT *mega Tonne*

NEDs *Non-Executive Directors*

NIC *National Insurance Corporation*

NPS *Net Promoter score*

NSSF *The Nationl Social Security Fund*

OC - CID *Officer in Charge - Criminal Investigations Department*

OSH *Occupational Safety and Health*

TWh *TerraWatt Hour*

P.A.Y.E *Pay As You Earn*

PD *Probability of Default*

pg. *page*

p.s *per share*

SCD *Securities Central Depository*

SDGs *Sustainable Development Goals*

SOPs *Standard Operating Procedures*

SPPI *Solely Payments of Principal and Interest*

(U) *Uganda*

UCL *Uganda Clays Limited*

UN *United Nations*

UNBS *Uganda National Bureau Of Standards*

UGX *Ugandan Shilling*

USE *Uganda Securities Exchange*

USSD *Annual General Meeting*

V.A.T *Value Added Tax*

yr *Year*

Appendix D:

Our Balanced Scorecard

Strategic Objective	Measures (KPIs)	2020 Targets	2020 Actual	2021 Targets
1. Increase Earnings	Average monthly revenues	12,400,000,000	**11,227,147,357**	
	Earnings per share	1.5	**1.33**	
2. Reduce Costs	Total costs as a percentage of revenue	70%	**86.23%**	
	Total Score			
3. Improve Brand and Market Presence	Brand Health survey rating	70%		
4. Enhance Customer Experience	Customer Satisfaction Index Score	60%	**16.2%**	
	Total Score			
5. Enhance Business Innovation	Number of new products commer-cialized	1	**1**	
	Number of improved existing products			
6. Improve Service Delivery	Turn Around Time for delivering prod-uct/services to customers	7 days	**14**	
	Turnaround time for delivery of goods and services to internal customers	2 days	**14**	
	Increased factory utilization capacity	80%		
7. Improve Quality Assurance and Compliance	Governance and Complaince Index	75%		
8. Enhance Strategic Partnering	Number of completed partnerships [UMEME, HFB, National Housing and NSSF]	5	**3**	
	Total Score			
9. Enhance Knowledge and Skills	Internal process re-enginerring will have been completed.	By December 2020		
	"% of the budgeted training plan implemented "	90% By Decem-ber 2020.		
10. Enhance Performance Culture	All staff have developed and signed off BSCs.	By 4th September 2020	***3rd Semptember* 2020**	
	% of staff engagement	70% By December 2020.	**-**	
11.Leverage Technology	Self service score	80%	**60.00%**	
	Data Quality Rating	80%		
	Total Score			

Appendix E:

Global Reporting Initiative

At Uganda Clays, we do not view corporate governance as an exercise in compliance but as an evolving and core discipline which generates value for our stakeholders and underpins our success.

- ◆ *Full Reporting*
- ◈ *Partial Reporting*
- *Didn't Report, Not considered material*
- × *Didn't Report, Considered confidential*
- ◇ *Didn't Report, Will consider*

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
1. Strategy and Analysis				
1.1	Statement from the most senior decision maker of the organization.	◆	Managing Director's overview	**16-23**
1.2	Description of key impacts, risks, and opportunities.	◆	Our Business Model Uganda Clays Limited Annual Report 2020	**32-33**
2. Organizational Profile				
2.2	Products, and/or services.	◆	Our Popular Products Uganda Clays Limited Annual Report 2020	**28**
2.3	Operational structure of the organization.	◆	Governance Structure Uganda Clays Limited Annual Report 2020	**87**
2.4	Location of organization's headquarters.	◆	Headquarters: Kajjansi	**31**
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	◆	Uganda Clays Limited operates solely in the Uganda	**31**
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	◆	Our Business Model & Stakeholder Engagement, Uganda Clays Limited Annual Report 2020	**32-33**
2.8	Significant changes during the reporting period regarding size and mode of operation.	◆	Business Strategy Initiatives Implemented	**42-49**
2.9	Awards received in the reporting period.			

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
3. Report Parameters				
3.2	Date of most recent previous report.	◆	Uganda Clays Limited Annual Report was last published in June 2019	
3.3	Indicate whether the Chair of the highest governance body is also an executive officer.	◆	The Chair of the Board, is a non-executive officer. Uganda Clays Limited Annual Report 2020	**92-93**
3.4	State the number and gender of members of the highest governance body that are independent and/or non-executive members.	◆	Uganda Clays Limited Annual Report 2020	**92**
3.5	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	◆	Uganda Clays Limited Annual Report 2020	**96**
3.6	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	◆	Board Evaluation Uganda Clays Limited Annual Report 2020	**100**
3.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees.	◆	Uganda Clays Limited Annual Report 2020	**88-93**
3.8	Basis for identification and selection of stakeholders with whom to engage.		Our Approach to Sustainability	
4. Market Presence				
4.1	Standard entry level wage by gender compared to local minimum wage at significant locations of operation.	◆	UCL only operates in Uganda and complies with Uganda legislation. As such this indicator is not considered material.	**31**
4.2	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	◆	UCL only operates and recruits in the Uganda, as such this indicator is not considered material	**31**
5. Indirect Economic Impacts				
5.1	Understanding and describing significant indirect economic impacts, including the extent of impacts.	◆	Sustaining Our Resources and Relationships	**50-61**
5.2	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, and other community investments, and payments to shareholders	◆	Our Buiness & Value Creation Model	**32-33**

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
6. Water				
6.1	Water sources significantly affected by withdrawal of water	◈	Sustaining Our Environment	**60-61**
6.2	Percentage and total volume of water recycled and reused.	◈	Sustaining Our Environment	**60-61**
7. Biodiversity and Environment				
7.1	Total water discharge by quality and destination.	◈	Sustaining Our Environment	**60-61**
7.2	Initiatives to provide energy-efficient or renewable energy based products and services.	◈	Sustaining Our Environment	**60-61**
7.3	Energy saved due to conservation and efficiency improvements	◈	Sustaining Our Environment	**60-61**
8. Compliance				
8.1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	×		
9. Employment				
9.1	Total workforce by employment type, employment contract, and region, broken down by gender	◆	Our Workforce, Sustaining Our Resources and Relationships	**51**
9.2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	◇	Our Workforce	**51**
9.3	Return to work and retention rates after parental leave.	◆	UCL only employs people in Uganda and complies with all Uganda labor laws, including those relating to maternity and paternity leave.	**51**
9.4	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	◇×	Uganda Clays Limited only operates and recruits in the Uganda, as such this indicator is not considered material	**31**
9.5	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families.	◆	Our Workforce Health & Safety Report	**51 & 72**
9.7	Labor/management relations Occupational health and safety	◆	Our Workforce Health & Safety Report	**51 & 72**
9.8	Percentage of employees receiving regular performance and career development reviews.	◇	Employees receive regular performance and career development reviews and the process is managed by the strategy and performance department.	**42**

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
10. Labor/ Management				
10.1	Percentage of employees covered by collective bargaining agreements.	×	We encourage employees to become members of one of the trade unions recognized by the Company.	
10.2	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	×	Minimum notice periods are defined in our Human Resource Manual	
11. Occupational Health and Safety				
11.1	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	◇	Our Workforce Health & Safety Report	**51 & 72**
11.2	Security practices	◇	UCL has a security manager who is fully in charge of all security issues. It also employs a full-time security firm to ensure safety of staff, assets and customers	
12. Corruption				
12.1	Actions taken in response to incidents of corruption.	◇	UCL only operates in Uganda and aligns practices to Uganda law. Incidences of corruption are dealt with as specified in the code of business conduct. such information is considered business confidential	**31**

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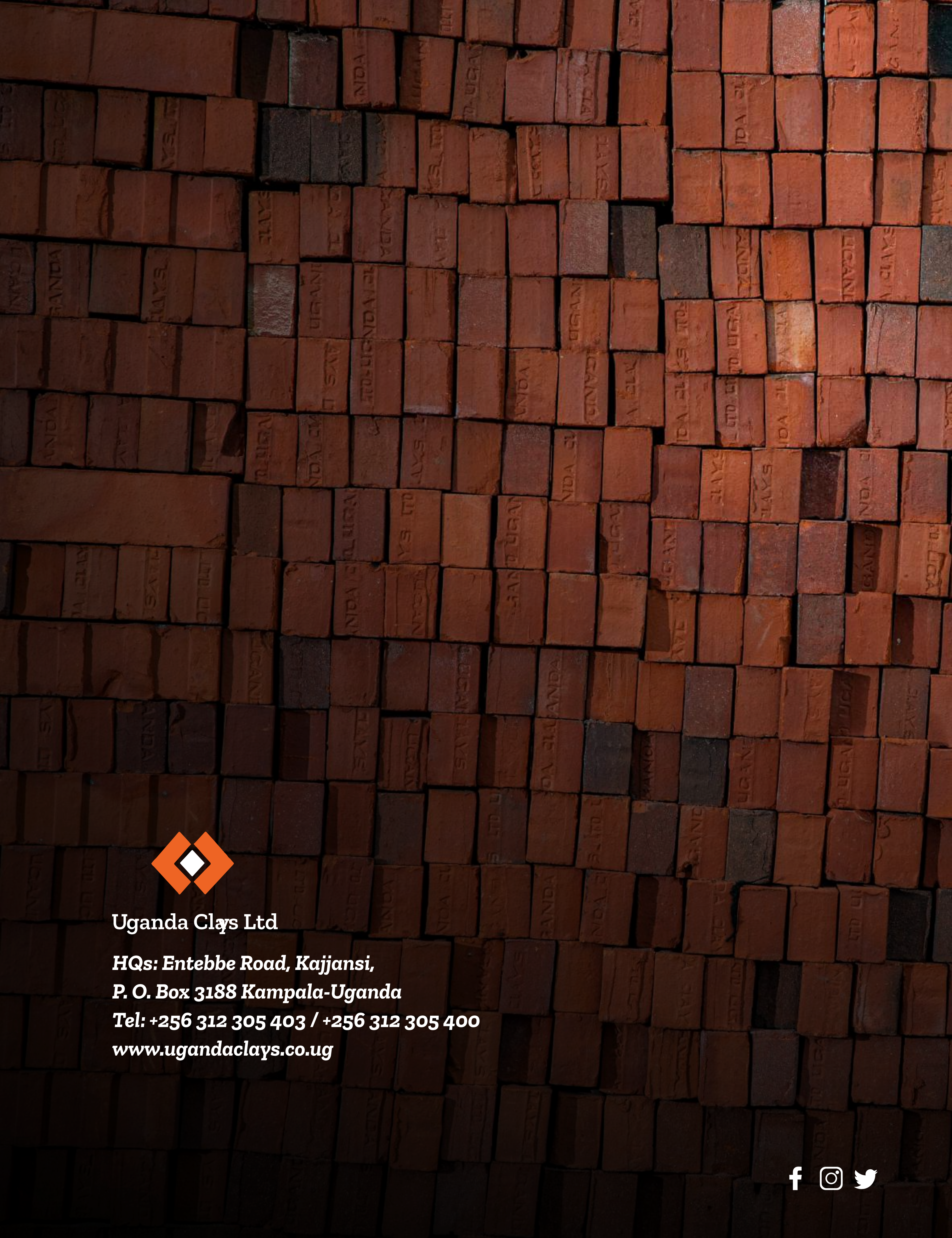

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