Uganda Clays Ltd

Quality. Durability. Beauty to last

Annual Report

For the year ended 31st December 2011

Uganda Clays Limited
Annual Report and Financial Statements
For the year ended 31 December 2011

Vision:
To be the preferred provider of building products.

Mission:
We commit to providing quality building products in a profitable and sustainable operation driven by productive staff.

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NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the next Annual General Meeting (AGM) of the shareholders of Uganda Clays Limited in respect of the year ended 31 December 2011 will be held on ***Friday 24^h August 2012*** 10.00 a.m. at **Grand Imperial Hotel, Kampala**.

AGENDA

1. Confirmation of the minutes of the meeting held on 26 August 2011.

2. To receive and consider the directors' report and the audited financial statements for the year ended 31 December 2011.

3 To elect directors in accordance with Article 59 of the Memorandum and Articles of Association and determine their remuneration. Directors to retire but are eligible for re-election are Prof. Eng. John Senfuma, Mr. James Nelson Musaazi and Mrs. Lillian Sebugenyi Mukasa.

4. To appoint the auditors for the next financial year ending 31 December 2012 and to authorise directors to fix the auditors' remuneration.

5. To consider the report of the committee appointed at the AGM held on 26th August 2011 to review the Company's Memorandum & Articles of Association.

6. Any Other Business (A.O.B). A member wishing to raise an item under A.O.B. should register the matter with the secretary at least 48 hours before the start of the meeting.

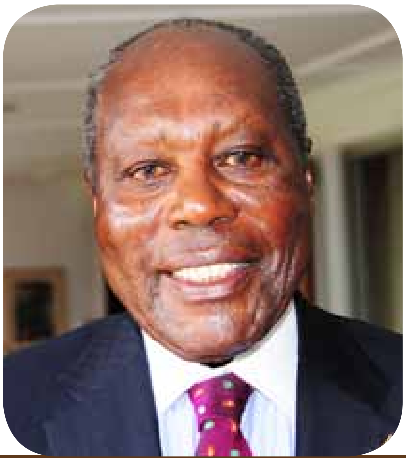
BY ORDER OF THE BOARD

Charles Rubaijaniza
MANAGING DIRECTOR

Board of Directors

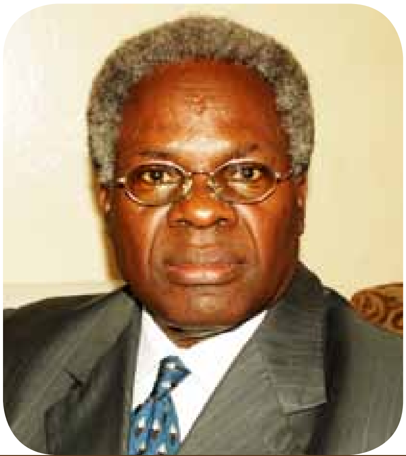
Prof. Eng. John Senfuma
(Chairman)

Mr. Richard Byarugaba
(Director)



Dr. Martin Aliker
(Director)

Mrs. Lilian Sebugenyi Mukasa
(Director)



Dr. Ijuka Kabumba
(Director)

Bernard Katureebe
(Director)

Mr. Charles Rubaijaniza
(Managing Director)

Mr. James Nelson Musaazi
(Director)

Management Team

Mr. Charles Rubaijaniza
(Managing Director)

Ms. Sepiranza Mayanja
(Information Technology Manager)

Mr. Joseph Kitone
(Marketing Manager)

Mr. Richard Mugabyomu
(Internal Audit Manager)

Mr. John Gitta
(Acting Production Manager)

Mr. Richard Kajungu
(Finance Manager)

CORPORATE INFORMATION (CONTINUED)

Auditors

Ernst & Young
Plot 18 Clement Hill Road
P.O. Box 7215
Kampala
Uganda

Lawyers

Kawanga & Kasule Advocates
Kizito Towers
29 Luwum Street
P.O. Box 216
Kampala, Uganda

Registrars

Deloitte (U) Ltd
Rwenzori House
1 Lumumba venue
P.O. Box 10319
Kampala, Uganda

Security Central Depository Agents/Brokers

Baroda Capital Markets (U) Ltd
P.O. Box 7197 Kampala
Tel: +256-414-233680/3
Fax: +256-414-258363
Email: bob10@calva.com

African Alliance (Uganda) Ltd
Workers' House, 6th Floor
Plot 1 Pilkington Road
Tel: + 256- 414- 235 577
Fax: +256- 414- 235 575
Email: securities@africanalliance.co.ug

Crane Financial Services (U) ltd
Plot 20/38 Kampala Road
P.O. Box 22572 Kampala
Tel: +256-414-341414/345345
Fax: +256-414-231578

Renaissance Capital Ltd
Plot 3 Kololo Hill Lane
P.O. Box 893 Kampal
Tel: +256-312- 264775/76
Fax:+256-312 264755
Email: enquiries@renaissance.co.ug

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

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

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

Registered Office:
Uganda Clays Limited
P.O. Box 3188 Kampla, Uganda
Tel: +256-414- 200261/55
+ 256(35) 2260091
Fax: +256-414-200167
Email: uclays@ugandaclays.co.ug
www.ugandaclays.co.ug

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S STATEMENT

Financial Results

Not withstanding the difficult economic environment in the country, the Company's turnover increased by 45% to Shs. 25.9 billion compared to Shs. 17.8 billion that was realised in 2010, with Kajjansi contributing Shs. 16.7 billion (2010: Shs. 14.4 billion) and Kamonkoli Shs. 9.2 billion (2010: Shs. 3.4 billion).

Similarly, a net profit of Shs. 0.6 billion was realised compared to a loss of Shs. 3.8 billion that was recorded in 2010 which was a 116% increment. Total assets increased by 2.5% to Shs. 56.7 billion from Shs. 55.3 billion in 2010.

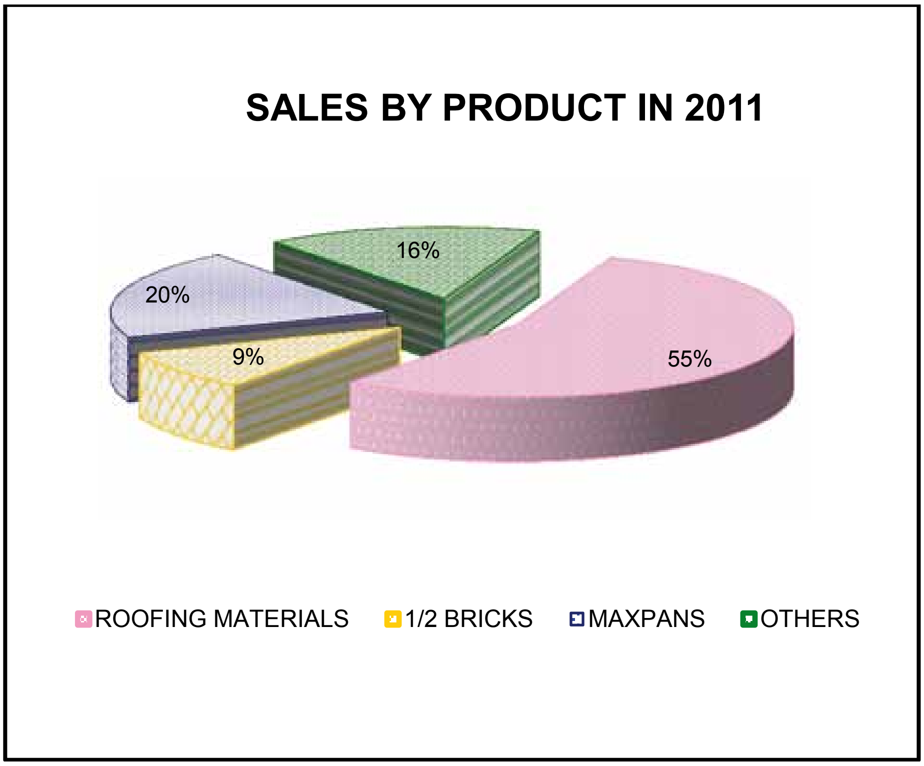
This increment in profits was realised with only a 9% increase in production costs despite the high fuel prices, depreciating local currency not forgetting the heavy power load shedding that all culminated into unprecedented inflation levels climaxing at 30.9% in November 2011. A move to tame the inflation and save the local currency from further depreciation saw Bank of Uganda tightening its monetary policy which took the Central Bank rate to 23% with corresponding hiking of the loan interest rates by the Commercial Banks to as high as 30% per annum.

Summary of Financial Highlights 2007 - 2011

	2011	**2010**	**2009**	**2008**	**2007**
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Turnover	25,853,586	17,792,671	16,722,124	13,548,257	11,699,713
Profit / (Loss) before tax	904,354	(5,445,289)	(778,744)	3,155,315	3,178,204
Profit / (Loss) after tax (earnings)	604,820	(3,858,961)	(707,062)	2,151,982	2,107,841
Dividends	-	-	-	-	700,000
Cash generated from operations	1,405,461	4,295,463	7,747,990	5,818,447	4,125,520
Shareholders' funds	20,423,512	19,818,692	23,677,653	24,384,715	12,566,706
Capital expenditure	3,562,096	532,605	6,560,261	12,096,193	21,393,838
Total assets	56,728,909	55,274,193	57,461,644	52,470,889	39,758,943
Per share data					
Dividends per share (shs)	-	-	-	-	140
Earnings / (Loss) per share (shs)	0.76	(4.82)	(0.88)	2.70	3.05

As reported in the annual report of 2010, the Company's strategy is to put emphasis on production of a small line of products that are contributing the highest percentage of income and profits. In this regard in 2011, mainly roofing tiles and facing bricks were manufactured in Kamonkoli, whereas in Kajjansi the major products were roofing tiles and maxpan blocks.
Roofing tiles remain the major income earners for the Company, contributing 55%, (2010: 62%) of the revenue. However, with the increasing construction of storeyed buildings demand for maxpans blocks is steadily increasing. They contributed 20% of sales compared to 18% in 2010, explaining the reduction in the contribution of roofing products.

Chart of value contribution/sales segmentation/by products:



There has been growth in the units produced of all the major products as indicated in the table below:

Units of major products (Output Kajjansi and Kamonkoli)

Products (pieces)	2011	2010	2009	2008	2007
Roofing tiles	8,103,077	6,922,272	6,386,555	5,456,649	5,363,375
Maxpans	2,071,378	1,779,250	1,914,171	1,500,469	1,511,487
Half bricks	6,895,206	5,312,549	5,940,567	5,013,183	4,452,731

Human Resources

The Human Resources Function was elevated to a department effective 01 January 2012. This was vital to handle the requirements of the bigger workforce that grew as a result of constructing a second factory.

Following the outsourcing of some support service, the total workforce was further reduced by 141 employees - 129 at Kajjansi and 12 at Kamonkoli. The total workforce as at December 31 2011 was 744 (2010:794). I appreciate the work and contribution of the following employees who retired after serving the Company for a long period:

	Name	Post on retirement	Years of service
1.	Mr. John Wafula (R.I.P)	Managing Director	19
2.	Mr. Cosmas Olwoch	Production Manager	31
3.	Mr. John Mary Luberenga	Production Officer	34
4.	Mr. Kiwema Moses	Mechanic	32
5.	Mr. Tamale Sunday	Kiln Checker	36
6.	Mr. Bakka George	Fireman	32
7.	Mr. Naika Moses	Kiln Checker	36
8.	Mr. Kiyimba Muhamadi	Kiln Checker	20
9.	Mr. Birio Kaloli	Machine Attendant	33

Charles Rubaijaniza
MANAGING DIRECTOR

CHAIRMAN'S STATEMENT

Introduction

In 2011, the Company implemented a number of productivity enhancement measures that resulted into an improvement in the Company's performance. The measures were in tandem with the Company's Strategic plan 2011 – 2015; they were mainly aimed at reducing costs and increasing output at the two factories in Kajjansi and Kamonkoli. Consequently better performance was registered compared to 2010 details of which are in the financial statements in this report.

Operating Environment

During the year the country experienced high levels of foreign exchange depreciation. The exchange rate of the dollar rose from shs. 2,300 in January to a level of Shs. 2,900. In addition, a high inflation level that went up to 30% per annum was registered. In order to tame the hiking exchange rate and the high inflation rate, Bank of Uganda rose the Central Bank rate to 23%, consequently the Commercial Banks increased the loan interest rates. This had a trickle down effect on the Company as there was reduced access to mortgages by potential buyers. Elections and scarcity of foreign exchange in Southern Sudan affected exports to Juba, where the demand of the Company's products was steadily increasing.

Future Plans

Repeated manual handling of products and largely depending on natural weather conditions to dry them, greatly increases the losses in the production process at Kajjansi factory. Therefore, the Board is planning to install automation systems in Kajjansi to handle all the operations. These will include expanding of the silo to enable storage of adequate clay for a continuous/uninterrupted production process during the rainy weather. A more efficient clay milling system, kiln cars, rails and refractory bricks worth shs. 0.6 billion are in store for use on this project. These are among the machinery that the Company purchased from a factory in Dar-es-salaam.

In order to meet the changing customer tastes, production of different colours of roofing tiles is planned to commence in 2013.

The efficiency to be obtained from this investment will position the Company to be more competitive and serve the country's housing sector that is growing at 10% per annum. According to information from Ministry of Finance Planning and Economic Development in the year 2010/2011, the construction sector grew by 10.5% and accounted for 12.6% of GDP. The sector is expected to continue growing due to the huge backlog of houses in the country. Data from the Ministry of Housing and Urban Development indicate that additional housing of 2,983,600 units will be required in the country by 2020 with an annual housing requirement of 448,000.

The Board of Directors

The Board of Directors executed their duties effectively. They meet at least once every quarter. The Board has two sub-committees i.e. the Board Audit Committee and the Board Administration and Technical Committee. The committees also meet at least once every quarter.

Pursuant to the approval of the Annual General Meeting on 24 August 2012 to remove the Executive Director from the Board and replace him with a non-Executive Director. Mr. Bernard Katureebe was appointed as a second director representing National Insurance Corporation on the Board.

Mr. Ojiambo Ochieng and Mrs Aripa Kirabo who were representing National Social Security Fund, retired from the Board on 28 May 2012. I hereby express my appreciation for their contribution during their tenure on the Board of Uganda Clays Limited.

Dividends

The Company still has high interest bank loans that were obtained to finance the Kamonkoli factory project. Consequently, the Board does not recommend payment of a dividend. This is to allow the Company to continue reducing the loans whose interest expense is greatly eating into its profits.

Prof. Eng. J.S.R. Senfuma
CHAIRMAN

DIRECTORS' REPORT

The directors submit their report together with the financial statements for the year ended 31 December 2011 which disclose the state of the affairs of Uganda Clays Limited ('the Company').

Principal activities

The principal activities of the Company are the production and sale of a wide range of clay building products. The main items produced are roofing tiles which accounted for 56% (2010: 62%) of the Company's turnover during the year.

Results

The profit for the year of Ushs 0.6 billion (2010: loss of Ushs 3.86 billion) has been added to retained earnings.

The directors do not recommend the payment of a dividend for the year ended 31 December 2011 (2010: Nil).

Directors

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

Professor J. Senfuma	-	Chairman; re-appointed on 26 August 2011
Mr. R. Byarugaba	-	re-appointed on 26 August 2011
Mr. M. Aliker	-	re-appointed on 26 August 2011
Mr. B. Katureebe	-	appointed on 20 April 2012
Ms. J. A. Kirabo	-	re-appointed on 26 August 2011 (retired on 20 April 2012)
Mr. J. Ojiambo Ochieng	-	re-appointed on 26 August 2011 (retired on 20 April 2012)
Ms. L. Sebugenyi Mukasa	-	re-appointed on 26 August 2011
Dr. Ijuka Kabumba	-	re-appointed on 26 August 2011
Mr. C. Rubaijaniza	-	re-appointed on 26 August 2011
Mr. J. Musaazi	-	re-appointed on 26 August 2011

In accordance with Article 59 of the Company's Memorandum and Articles of Association, all the directors hold office until the Annual General Meeting, at which one third of the directors shall retire but are eligible for re-appointment.

Auditors

The Company's auditors, Ernst & Young, have expressed willingness to continue in office in accordance with section 159 (2) of the Ugandan Companies Act (Cap 110).

By order of the Board,

Charles Rubaijaniza
MANAGING DIRECTOR

STATEMENT OF THE DIRECTORS' RESPOSIBILITIES

The Ugandan Companies Act (Cap 110) requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of financial affairs of the Company as at the end of the financial year and of the results of operation of the Company for that year. It also requires the directors to ensure the Company keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act (Cap 110). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results.

The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Company, has occurred during the year.

The Company had a net current liability position of Ushs 3.27 billion as at 31 December 2011 (2010: Ushs 6.9 billion). This factor indicates that there is uncertainity that the Company will continue as a going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Company's cash flow projections indicate that the company shall have positive cash flows in the foreseeable future. The financial staments have been prepared on a going concern basis on the assumption that the operating results shall continue to improve and support the Company's working capital requirements.

Thus, the financial staments have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Company does not continue as a going concern.

…………………………………	…………………………………
Director	**Director**
20th April 2012	**20th April 2012**

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF UGANDA CLAYS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Uganda Clays Limited which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 15 to 53.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act (Cap 110), 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Uganda Clays Limited as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Ugandan Companies Act (Cap 110).

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 1(B) to the financial statements which indicates that the Company's statement of financial position had a net current liability position of Ushs 3.27 billion as at 31 December 2011 (2010: Ushs 6.9 billion). This factor indicates that there is uncertainty that the Company will continue as a going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Company made a profit for year of Ushs 0.6 billion and the Company's cash flow projections indicate that the Company shall have positive cash flows in the foreseeable future. The financial statements have been prepared on a going concern basis on the assumption that the operating results shall continue to improve and support the Company's working capital requirements.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Ugandan Companies Act (Cap 110) we report to you, based on our audit, that:

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;

(ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

(iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

KAMPALA

29th June 2012

STATEMENT OF COMPREHENSIVE INCOME

	Note	2011 Ushs '000	2010 Ushs '000
Revenue	2	25,853,586	17,792,671
Cost of sales	3	(15,152,224)	(13,912,190)
Gross profit		**10,701,362**	**3,880,481**
Other operating income		160,991	558,722
Administrative expenses	4	(1,297, 486)	(1,485,137)
Distribution expenses	5	(1,963,542)	(1,643,952)
Other operating expenses	6	(2,513,539)	(2,630,190)
Operating profit / (loss)		**5,087,786**	**(1,320,076)**
Finance costs	7	(4,183,432)	(4,125,213)
Profit / (loss) before tax	**8**	**904,354**	**(5,445,289)**
Income tax (charge)/credit	9(a)	(299,534)	1,586,328
Profit / (loss) for the year		**604,820**	**(3,858,961)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		**604,820**	**(3,858,961)**
		Ushs/share	**Ushs/share**
Basic and diluted profit / (loss) per share	10	**0.76**	**(4.82)**

STATEMENT OF FINANCIAL POSITION

	Note	2011 Ushs '000	2010 Ushs '000
Equity			
Issued capital	11	900,000	900,000
Share premium	11	9,766,027	9,766,027
Revaluation reserves	12	2,702,440	2,984,315
Retained earnings		7,055,045	6,168,350
Total equity		**20,423,512**	**19,818,692**
Non-current liabilities			
Deferred tax liability	13	3,637,985	3,338,451
Retirement benefit obligations	14	2,528,264	2,148,401
Finance lease: non-current portion	15	775,881	998,595
Borrowings: non -current portion	16	17,148,342	13,816,644
Total non-current liabilities		**24,090,472**	**20,302,091**
Total equity & non-current liabilities		**44,513,984**	**40,120,783**
Represented by:			
Non-current assets			
Property, plant and equipment	17	47,579,720	46,842,299
Prepaid operating lease rentals	18	209,239	218,802
Staff loans: non-current portion	19	-	3,627
		47,788,959	**47,064,728**
Current assets			
Current tax recoverable	9(b)	33,795	33,793
Staff loans: current portion	19	561,949	613,783
Inventories	21	6,148,828	5,465,581
Trade and other receivables	22	1,995,085	1,858,443
Cash and bank balances	23	195,924	237,865
		8,935,581	**8,209,465**
Assets classified as held for sale	20	4,369	-
		8,939,950	**8,209,465**
Current liabilities			
Finance lease: current portion	15	269,691	384,487
Borrowings: current portion	16	7,038,445	3,791,372
Trade and other payables	24	4,906,789	10,977,551
		12,214,925	**15,153,410**
Net current liabilities		**(3,274,975)**	**(6,943,945)**
		44,513,984	**40,120,783**

The financial statements were approved by the board of directors on 20th April 2012 and signed on its behalf by:

……………………………………………… ………………………………………………
Director **Director**

STATEMENT OF CHANGES IN EQUITY

	Issued capital (Note 11) Ushs '000	Share premium (Note 11) Ushs '000	Revaluation reserves (Note 12) Ushs '000	Retained earnings Ushs '000	Total equity Ushs '000
At 1 January 2010	900,000	9,766,027	3,379,685	9,631,941	23,677,653
Loss for the year	-	-	-	(3,858,961)	(3,858,961)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(3,858,961)	(3,858,961)
Transfer of excess depreciation	-	-	(395,370)	395,370	-
At 31 December 2010	**900,000**	**9,766,027**	**2,984,315**	**6,168,350**	**19,818,692**
At 1 January 2011	900,000	9,766,027	2,984,315	6,168,350	19,818,692
Profit for the year	-	-	-	604,820	604,820
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	604,820	604,820
Transfer of excess depreciation	-	-	(281,875)	281,875	-
At 31 December 2011	**900,000**	**9,766,027**	**2,702,440**	**7,055,045**	**20,423,512**

STATEMENT OF CASH FLOWS

	Note	2011 Ushs '000	2010 Ushs '000
Operating activities			
Cash generated from operations	27	1,405,461	4,295,463
Finance costs	7	(4,183,432)	(4,125,213)
Net cash flows (used in)/ from operating activities		**(2,777,971)**	**170,250**
Investing activities			
Purchase of property, plant and equipment	17	(3,562,096)	(532,605)
Proceeds from sale of tangible fixed assets		56,865	-
Net cash flows used in investing activities		**(3,505,231)**	**(532,605)**
Financing activities			
Repayment of leases	15	(337,510)	(335,920)
Proceeds from borrowings	16	8,709,949	7,725,258
Repayments of borrowings	16	(3,553,113)	(6,402,725)
Net cash flows (used in)/ from financing activities		**(4,819,326)**	**986,613**
Net (decrease)/ increase in cash and cash equivalents		**(1,463,876)**	**624,258**
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		(960,747)	(1,585,005)
Net (decrease)/ increase in cash & cash equivalents for the year		(1,463,876)	624,258
Cash and cash equivalents at 31 December	**23**	**(2,424,623)**	**(960,747)**

NOTES TO THE FINANCIAL STATEMENTS

1 (A) General information

Uganda Clays Limited is incorporated in Uganda under the Companies Act (Cap 110) as a public limited liability company, and is domiciled in Uganda. The address of its registered office is:

Uganda Clays Limited
Kajjansi, Entebbe Road
P. O. Box 3188
Kampala

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 20th April 2012.

1 (B) Going Concern

As at 31 December 2011, the company had a net current liability position of Ushs 3.27 billion (2010: Ushs 6.9 billion). This factor indicates the possibility that the company may not be able to continue as a going concern. However, the Company made a profit for the year of Ushs 0.6 billion and the Company's cash flow projections indicate that the Company shall have positive cash flows in the foreseeable future. This is expected to mainly arise from:

- Increased sales following liquidity and production stability arising from the purchase and installation of vital machinery spares and components.

- The company has 20 acres of idle land it has put up for sale in 2012. The proceeds from the sale are expected to be about Ushs 3 billion. The Company plans to use the proceeds to liquidate the costly commercial bank loans.

- The company renewed its overdraft facility with Standard Chartered Bank Uganda Limited with a limit of Ushs 1.5 billion for working capital support.

Thus the financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Company does not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(i) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Ugandan Companies Act (Cap 110). The financial statements are presented in the functional currency, Uganda Shillings (Ushs), rounded to the nearest thousand, and prepared under the historical cost convention except where stated otherwise.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 1(D) below.

(ii) Adoption of new and revised standards

The accounting policies adopted are consistent with those used in the previous financial year. Amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company.

- IFRS 1 ,Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment)-effective 1 July 2010
- IAS 24 *Related Party Disclosures (revised)* effective 1 January 2011
- IAS 32 *Financial Instruments: Classification of Rights Issues (amendment)* effective 1 February 2010
- IFRIC 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* effective 1 July 2010
- Improvements to IFRSs (May 2010) effective 1 July 2010 or 1 January 2011 as listed below:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards
  - IFRS 3 Business Combinations
  - IFRS 7 Financial Instruments: Disclosures
  - IAS 1 Presentation of Financial Statements: Clarification of disclosures
  - IAS 27 Consolidated and Separate Financial Statements: Clarification of statement of changes in equity
  - IFRIC 13 Customer Loyalty Programmes-Fair value of award credit
  - IAS 34 *Interim Financial Statements-Significant events and transactions*

The adoption of the standards or interpretations is described below:

IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment)

The amendment to IFRS 1 is effective for annual periods beginning on or after 1 July 2010. The amendment allows first-time adopters to utilize the transitional provisions of IFRS 7 Financial Instruments: Disclosures, as they relate to the March 2009 amendments to the standard. These provisions give relief from providing comparative information in the disclosures required by the amendments in the first year of application. To achieve this,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (Continued)
(ii) Adoption of new and revised standards (Continued)

the transitional provisions in IFRS 7 were also amended. This is not applicable to the Company as it is not a first-time adopter.

IAS 24 Related Party Disclosures (Revised)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified and simplified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The amendment had no impact, as the definitions were already applied according to these amendments and the Company is not government related.

IAS 32, Classification of Rights Issues (Amendment)
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. This amendment had no impact on the Company as no such transactions were entered into.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment had no impact on the financial statements of the Company, as no defined benefit plans are used by the Company.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation had no effect on the financial position or performance of the Company, as no such transactions were entered into.

Improvements issued in May 2010

- IFRS 1, First-time Adoption of International Financial Reporting Standards (effective from 1 January 2011)
    - Accounting policy changes in the year of adoption - The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34 Interim Financial Reporting, it has to explain those changes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(ii) Adoption of new and revised standards (continued)

- Revaluation basis as deemed cost - The amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such re-measurement occurs after the date of transition to IFRS, but during the period covered by its first IFRS financial statements the adjustment is recognized directly in retained earnings (or if appropriate, another category of equity).

- Use of deemed cost for operations subject to rate regulation - The amendment expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities. The exemption is applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. These balances may include amounts that would not be permitted for capitalisation under IAS 16, Property, Plant and Equipment, IAS 23, Borrowing Costs, and IAS 38, Intangible Assets. The amendments to IFRS 1 had no impact on the Company, as it already reports in terms of IFRS.

- IFRS 3, Business Combinations (effective from 1 July 2010)

  - Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. - The amendment clarifies that the amendments to IFRS 7, Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39, Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). The amendment is applied retrospectively. This had no impact on the Company, as there is no contingent consideration on business combinations.

  - Measurement of non-controlling interests (NCI) - The amendment limits the scope of the measurement choices only to the components of NCI that are present ownership interests which entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS. This had no impact on the Company, as there is no NCI.

  - Un-replaced and voluntarily replaced share-based payment awards - The amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether by obligation or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses. This had no impact on the Company, as there has been no share-based payment transactions entered into.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (Continued)
(ii) Adoption of new and revised standards (continued)

- IFRS 7, Financial Instruments — Disclosures (effective from 1 January 2011) — Clarification of Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. This has no impact on the Company statement of financial position or performance, will only impact disclosure in the notes to the financial statements.

- IAS 1, Presentation of Financial Statements (effective from 1 January 2011) – Clarification of statement of changes in equity - The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively. This amendment had no impact, as the Company does not currently have any items of other comprehensive income.

- IAS 27, Consolidated and Separate Financial Statements (effective from 1 July 2010): The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2010 or earlier when IAS 27 is applied earlier. The amendment is applied retrospectively. This had no impact on the Company.

- IAS 34 Interim Financial Statements (effective from 1 January 2011) - Significant events and transactions. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around circumstances likely to affect fair values of financial instruments and their classification. This had no impact on the Company as it does not prepare interim reports.

- IFRIC 13, Customer Loyalty Programmes - Fair value of award credit (effective from 1 January 2011). The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is applied retrospectively. This had no impact on the Company as it has no customer loyalty programs.

Standards issued but not yet effective

The standards and interpretations issued, which the Company reasonably expects to be applicable at a future date are listed below. The Company intends to adopt those standards when they become effective.

IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)*
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and will result on the revaluation reserve being classified as an item of other comprehensive income that will not be recycled. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (Continued)
(ii) Adoption of new and revised standards (continued)

IAS 19 *Employee Benefits* (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. Although the Company will not be impacted by amendments relating to defined benefit plans, the impact on the definitions of short-term and long-term employee benefits is still being assessed.

IFRS 7 Financial Instruments: Disclosures (Amendment) – Disclosures – Offsetting Financial Assets and Financial Liabilities
The amendment amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The amendment is effective for annual periods beginning on or after 1 January 2013 and the Company is still in the process of determining how it will impact the disclosures upon adoption.

IAS 32 Financial Instruments: Presentation (Amendment) – Offsetting Financial Assets and Financial Liabilities
The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognized amounts". This means that the right of set-off:
- must not be contingent on a future event; and,
- must be legally enforceable in all of the following circumstances:
    - the normal course of business;
    - the event of default; and,
    - the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendment is effective for annual periods beginning on or after 1 January 2014 and the Company is still in the process of determining how it will impact the disclosures upon adoption.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2013. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. There are also consequential amendments to other standards to delete specific requirements for determining fair value. Clarifications on certain aspects

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (Continued)
(ii) Adoption of new and revised standards (continued)

IFRS 13 *Fair Value Measurement (continued)*
are also provided. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The standards issued, which the Company does not reasonably expect to be applicable at a future date are listed below.

IAS 12 *Income Taxes – Deferred Taxes: Recovery of Underlying Assets (Amendment)*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.The directors are assessing the impact the amendment will have on the financial statements.

IAS 27 *Separate Financial Statements* (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013. This amendment will have no impact on the Company as it does not have any investments in subsidiaries, associates or joint ventures.

IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Company as it does not have any investments in associates or interests in Joint arrangements

IFRS 10 *Consolidated Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation —Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require entities to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013 but will have no impact on the Company, as the company doesn't control any entities under IAS 27/IFRS 10.

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Company as it is not party to any Joint arrangements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (Continued)
(ii) Adoption of new and revised standards (continued)

IFRS 12 *Disclosure of Involvement with Other Entities*
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. As the company does not have any investments in subsidiaries, associates or joint ventures. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013 but will have no impact on the Company.

Improvements to IFRS's (May 2012)
In May 2012, the IASB issued an omnibus of amendments to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments is not expected to have any impact on the financial position nor financial performance of the Group. The amendments are effective for annual periods beginning on or after 1 January 2013.

- IFRS 1 - *First-time Adoption of International Financial Reporting Standards*. Repeated application of IFRS 1 and Borrowing costs.
- IAS 1 - *Presentation of Financial Statements*. Clarification of the requirements for comparative information.
- IAS 16 - *Property, Plant and Equipment*. Classification of servicing equipment
- IAS 32 - *Financial Instruments: Presentation.* Tax effect of distribution to holders of equity instruments.

IAS 34 - *Interim Financial Reporting*. Interim financial reporting and segment information for total assets and liabilities.

(iii) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of Value Added Tax (VAT), rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the Company delivers products to the customer, the customer has accepted the products and it is probable that the economic benefits associated with the transaction will flow to the Company; and

(ii) Interest income on bank deposits is recognised on a time proportion basis using the effective interest rate method.

(iv) Translation of foreign currencies

Transactions are recorded on initial recognition in Uganda Shillings, being the currency of the primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies are converted into Uganda Shillings using

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (Continued)
(iv) Translation of foreign currencies (continued)

the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(v) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Land and buildings and plant and machinery are subsequently shown at fair value, based on periodic valuations by external independent valuers, less subsequent accumulated depreciation and impairment losses.

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 of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and then transferred to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated on the straight line basis to write down the cost of each asset, or its revalued amount, to its residual value over their estimated useful life. The annual rates used are as follows:

Leasehold buildings	Over the shorter of the lease period and useful life of buildings
Plant and machinery	10%
Furniture and fittings	10%
Vehicles	25%
Computer equipment	33.3%

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

Assets in the course of construction (capital work in progress) are not depreciated. Upon completion of the project the accumulated cost is transferred to an appropriate asset category where it is depreciated according to the policy set out above.

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 gain or loss on disposal. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete the assets for its intended use. All other borrowing costs are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (Continued)

(vi) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(vii) Impairment of non financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(viii) Leasehold land and finance leases

Leasehold land is recognised as an operating lease. Any upfront lease payments are recognised as prepaid lease rentals and recorded under non-current assets to be amortised over the remaining period of the lease on a straight-line basis.
Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Assets acquired under finance leases are capitalised and depreciated in accordance with the Company's policy on property, plant and equipment. The associated financial liabilities are recognised as finance lease obligations.

(ix) 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, other direct costs and related production overheads, but excludes interest expense.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (Continued)

(x) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those classified as held-for-trading and those that the Company on initial recognition designates as at fair value through profit or loss; (b) those that the Company upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss upon disposal or impairment as well as through the amortisation process.

The Company assesses at each reporting date whether there is objective evidence that loans and receivables are impaired. Loans and receivables are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the loan or receivable that can be reliably estimated.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

(xi) Borrowings and payables

Payables and borrowed funds are recognised initially at fair value, net of transaction costs incurred. Borrowed funds are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowed funds. Gains and loss are also recognised on borrowings and payables through the amortisation process.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (Continued)
(xii) Taxes

Income tax expense is the aggregate of the charge to the statement of comprehensive income in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred tax is determined using tax rates enacted or substantively enacted at reporting date and are expected to apply when the related deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Reassessment of unrecognised deferred tax assets. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of accounts receivables or accounts payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (C) Summary of significant accounting policies (continued)

(xiii) Issued capital

Ordinary shares are classified as 'issued capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds.

(xiv) Employee retirement benefits

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held in separate trustee administered funds, which are funded by contributions from both the Company and employees. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Company's contributions to the defined contribution pension scheme are charged to profit or loss in the year in which they fall due.

(xv) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(xvi) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings under current liabilities on the statement of financial position.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

1 (D) Critical accounting assumptions, estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Property, plant and equipment
Critical estimates are made by the directors in determining depreciation rates for property and equipment. The rates used are set out in Note C(v) above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (D) Critical accounting assumptions, estimates and judgements (continued)

Receivables
Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. The Company reviews its loans and receivables to assess impairment at least annually. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the loans and receivables before the decrease can be identified with an individual asset. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, or national or local economic conditions that correlate with defaults on the loans and receivables. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Taxes
The Company is subject to various government taxes under the Ugandan tax laws. Significant estimates and judgements are required in determining the provision for taxes on certain transactions. For these transactions, the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made assumptions and judgements in determining:

- the classification of financial assets and leases - The Company follows the guidance of IAS 39 on classifying its financial assets and IAS 17 to classify its leases. These classifications require significant judgement.

- whether assets are impaired - The Company reviews its receivables to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of the receivables before the decrease can be identified with an individual receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (E) Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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 its financial performance.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from exposures to other currencies, primarily with respect to the US Dollar. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities.

The Company's profit before tax and equity would decrease/increase by Ushs 315,822 (2010: Ushs 16,100,475) were the US$ foreign exchange rate to change by 3%. This variation is measured by reference to foreign currency exposures existing at reporting date.

The variations in other currencies do not have a material impact on the Company's results.

The table below summarises the Company's exposure to foreign currency exchange rate risk. All balances are stated in thousands of Ushs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (E) Financial risk management objectives and policies (continued)

Foreign exchange risk (continued)

As at 31 December 2011

	Ushs '000*	Ushs '000	Total Ushs '000
Equity			
Issued capital	-	900,000	900,000
Share premium	-	9,766,027	9,766,027
Revaluation reserves	-	2,702,440	2,702,440
Retained earnings	-	7,055,045	7,055,045
Total equity	-	**20,423,512**	**20,423,512**
Non-current liabilities			
Deferred income tax liabilities	-	3,637,985	3,637,985
Retirement benefit obligations	-	2,528,264	2,528,264
Finance lease	-	775,881	775,881
Borrowings: non-current portion	-	17,148,342	17,148,342
Total non-current liabilities	-	**24,090,472**	**24,090,472**
Total equity & non–current liabilities	-	**44,513,984**	**44,513,984**
Represented by:			
Non-current assets			
Property, plant and equipment	-	47,579,720	47,579,720
Prepaid operating lease rentals	-	209,239	209,239
Staff loans: non-current portion	-	-	-
	-	**47,788,959**	**47,788,959**
Current assets			
Inventories	-	6,148,828	6,148,828
Trade and other receivables	-	1,995,085	1,995,085
Staff loans: current portion	-	561,949	561,949
Tax recoverable	-	33,795	33,795
Cash and bank balances	38,573	157,351	195,924
	38,573	8,897,008	8,935,581
Assets classified as held for sale	-	4,369	4,369
	38,573	**8,901,377**	**8,939,950**
Current liabilities			
Trade and other payables	58,348	4,848,441	4,906,789
Finance lease: current portion	-	269,691	269,691
Borrowings: current portion	-	7,038,445	7,038,445
	58,348	**12,156,577**	**12,214,925**
Net current liabilities	**(19,775)**	**(3,255,200)**	**(3,274,975)**
	(19,775)	**44,533,759**	**44,513,984**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (E) Financial risk management objectives and policies (continued)

Foreign exchange risk (continued)

As at 31 December 2010

			Total
Equity	**Ushs '000***	**Ushs '000**	**Ushs '000**
Issued capital	-	900,000	900,000
Share premium	-	9,766,027	9,766,027
Revaluation reserves	-	2,984,315	2,984,315
Retained earnings	-	6,168,350	6,168,350
Total equity	**-**	**19,818,692**	**19,818,692**
Non-current liabilities			
Deferred income tax liabilities	-	3,338,451	3,338,451
Retirement benefit obligations	-	998,595	998,595
Finance lease	-	2,148,401	2,148,401
Borrowings: non-current portion	-	13,816,644	13,816,644
Total non-current liabilities	**-**	**20,302,091**	**20,302,091**
Total equity & non–current liabilities	**-**	**40,120,783**	**40,120,783**
Represented by:			
Non-current assets			
Property, plant and equipment	-	46,842,299	46,842,299
Prepaid operating lease rentals	-	218,802	218,802
Staff loans: non-current portion	-	3,627	3,627
	-	**47,064,728**	**47,064,728**
Current assets			
Inventories	-	5,465,581	5,465,581
Trade and other receivables	-	1,858,443	1,858,443
Staff loans: Current portion	-	613,783	613,783
Tax recoverable	-	33,793	33,793
Cash and bank balances	60,527	177,338	237,865
	60,527	**8,148,938**	**8,209,465**
Current liabilities			
Trade and other payables	396,208	10,581,343	10,977,551
Finance lease: Current portion	-	384,487	384,487
Borrowings: current portion	-	3,791,372	3,791,372
	396,208	**14,757,202**	**15,153,410**
Net current liabilities	**(335,681)**	**(6,608,264)**	**(6,864,746)**
	(335,681)	**40,456,464**	**40,120,783**

* Amounts that are denominated in foreign currency (USD) and hence exposed to foreign currency rate risk shown in Ushs (presentation currency) equivalent.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (E) Financial risk management objectives and policies (continued)

Credit risk

Credit risk arises from bank balances, loans and trade and other receivables. The Company's finance function assesses the credit quality of each debtor, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

The amount that best represents the Company's maximum exposure to credit risk as at 31 December is made up as follows:

	2011 Ushs '000	2010 Ushs '000
Cash and bank balances	195,924	237,865
Trade receivables	983,495	710,021
Staff and directors' loans	561,949	617,410
Prepayments	558,777	430,937
Amount due from employee retirement fund administrator	660,535	693,258
Other receivables	61,012	138,451
	3,021,692	**2,827,942**

No collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits. No receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following trade receivables amounts:

	2011 Ushs '000	2010 Ushs '000
Past due but not impaired:		
- by up to 180 days	702,510	217,786
- by 181 to 360 days	65,999	378,011
Total past due but not impaired	768,509	595,797
Impaired- past due by >360 days	214,986	114,224
Gross amount	983,495	710,021
Less: Allowance for impairment	(268,734)	(114,224)
Net amount	714,761	595,797

All receivables past due by more than 360 days are considered to be impaired, and are carried at their estimated recoverable value.

Movement on allowance for impairment:	2011 Ushs '000	2010 Ushs '000
Balance at 1 January	114,224	95,734
Add: Charge for the year (note 4)	154,510	18,490
Balance at 31 December	268,734	114,224

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (E) Financial risk management objectives and policies (continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance function maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	Ushs '000	Ushs '000	Ushs '000
At 31 December 2011:			
- Borrowings (excluding finance leases)	7,038,445	5,741,087	5,753,631
- Finance leases	269,691	269,691	506,190
- Trade and other payables	4,906,789	-	-
	12,214,925	**6,010,778**	**6,259,821**
At 31 December 2010:			
- Borrowings (excluding finance leases)	3,791,372	2,592,760	6,786,384
- Finance leases	384,487	342,345	656,280
- Trade and other payables	10,977,551	-	-
	15,153,410	**2,935,105**	**7,442,664**

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for borrowings.

The table below summarises the exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual maturity dates. All figures are in thousands of Uganda Shillings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (E) Financial risk management objectives and policies (continued)

Interest rate risk (continued)

As at 31 December 2011

	1 to 3 months	3 months to 1 year	1 - 5 years months	Non interest bearing	Total Ushs '000
Equity					
Issued capital	-	-	-	900,000	900,000
Share premium	-	-	-	9,766,027	9,766,027
Revaluation reserves	-	-	-	2,702,440	2,702,440
Retained earnings	-	-	-	7,055,045	7,055,045
Total equity	**-**	**-**	**-**	**20,423,512**	**20,423,512**
Non - current liabilities					
Deferred tax liability	-	-	-	3,637,985	3,637,985
Finance leases	-	-	775,881	-	775,881
Retirement benefit obligation	-	-	-	2,528,264	2,528,264
Borrowings	-	-	17,148,342	-	17,148,342
Total non - current liabilities	**-**	**-**	**17,924,223**	**6,166,249**	**24,090,472**
Total equity & non - current liabilities	**-**	**-**	**17,924,223**	**26,589,761**	**44,513,984**
Represented by:					
Non-current assets					
Property, plant & equipment	-	-	-	47,579,720	47,579,720
Prepaid operating lease rentals	-	-	-	209,239	209,239
	-	**-**	**-**	**47,788,959**	**47,788,959**
Current assets					
Inventories	-	-	-	6,148,828	6,148,828
Trade and other receivables	-	-	-	1,995,085	1,995,085
Staff loans: Current portion	1,626	1,814	-	558,509	561,949
Tax recoverable	-	-	-	33,795	33,795
Cash and bank balances	46,371	-	-	149,553	195,924
	47,997	1,814	-	8,885,770	8,935,581
Assets classified as held for sale	-	-	-	4,369	4,369
	47,997	**1,814**	**-**	**8,885,770**	**8,939,950**
Current liabilities					
Trade and other payables	-	-	-	4,906,789	4,906,789
Finance leases	67,423	202,268	-	-	269,691
Borrowings	1,069,903	5,968,542	-	-	7,038,445
	1,137,325	**6,170,810**	**-**	**4,906,789**	**12,214,925**
Net current liabilities	**(1,089,328)**	**(6,168,996)**	**-**	**3,978,981**	**(3,274,975)**
	(1,089,328)	**(6,168,996)**	**-**	**51,772,308**	**44,513,984**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (E) Financial risk management objectives and policies (continued)

Interest rate risk (continued)

As at 31 December 2010

	1 to 3 months	3 months to 1 year	1 - 5 years months	Non interest bearing	Total Ushs '000
Equity					
Issued capital	-	-	-	900,000	900,000
Share premium	-	-	-	9,766,027	9,766,027
Revaluation reserves	-	-	-	2,984,315	2,984,315
Retained earnings	-	-	-	6,168,350	6,168,350
Total equity	**-**	**-**	**-**	**19,818,692**	**19,818,692**
Non - current liabilities					
Deferred tax liabilities	-	-	-	3,338,451	3,338,451
Finance leases	-	-	998,595	-	998,595
Retirement benefit obligation	-	-	-	2,148,401	2,148,401
Borrowings: Non-current portion	-	-	13,816,644	-	13,816,644
Total non - current liabilities	**-**	**-**	**14,815,239**	**5,486,852**	**20,302,091**
Total equity & non - current liabilities	**-**	**-**	**14,815,239**	**25,305,544**	**40,120,783**
Represented by:					
Non-current assets					
Property, plant & equipment	-	-	-	46,842,299	46,842,299
Prepaid operating lease rentals	-	-	-	218,802	218,802
Staff loans: non-current portion	-	-	3,627	-	3,627
	-	**-**	**3,627**	**47,061,101**	**47,064,728**
Current assets					
Inventories	-	-	-	5,465,581	5,465,581
Trade & other receivables	3,601	5,658	-	1,849,184	1,858,443
Staff loans: Current portion	-	-	-	613,783	613,783
Current tax recoverable	-	-	-	33,793	33,793
Cash & bank balances	96,138	-	-	141,727	237,865
	99,739	**5,658**	**-**	**8,104,068**	**8,209,465**
Current liabilities					
Trade and other payables	-	-	-	10,977,551	10,977,551
Finance leases	96,121	288,364	-	-	384,487
Borrowings	648,189	3,143,183	-	-	3,791,372
	744,311	**3,431,547**	**-**	**10,977,551**	**15,153,410**
Net current liabilities	**(644,572)**	**(3,425,889)**	**-**	**(2,873,484)**	**(6,943,945)**
	(644,572)	**(3,425,889)**	**3,627**	**44,187,617**	**40,120,783**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (E) Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The Company faces cash flow interest rate risk on its variable rate financial instruments measured at amortised cost. Financial instruments with cash flow interest rate risk comprise deposits and balances due from banks, loans, receivables, payables and borrowings.

The table below summarises the Company's cash flow interest rate risks sensitivity at 31 December assuming a market interest rate variation of 3% points from the rates ruling at year-end (2010:3%)

	2011 Ushs '000	2010 Ushs '000
Cash flow interest rate risk	391,490	363,298

Fair values of financial assets and liabilities

Except as otherwise stated, the fair values of the Company's financial assets and liabilities approximate the respective carrying amounts,

1 (F) Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of gearing ratio. This ratio is calculated as net debt by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The gearing ratio at 31 December 2011 and 2010 were as follows:

	2011 Ushs '000	2010 Ushs '000
Total borrowings	24,186,787	17,608,016
Less: Cash and cash equivalents	(195,924)	(237,865)
Net debt	23,990,862	17,370,151
Total equity	20,423,512	19,818,692
Total capital	44,414,374	37,188,843
Gearing ratio	**54%**	**47%**

1 (G) Segment information

For management purposes, the Company is organised into two business units based on their factory location, and has two reportable operating segments, that is, Kajjansi factory and Kamonkoli factory that started operations in June 2009. No operating segments have been aggregated to form these reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured the same as the operating profit or loss in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 (G) Segment information (continued)

The segment results for the year ended 31 December 2011 were as follows:

	Kajjansi Factory Ushs '000	Kamonkoli Factory Ushs '000	Total Ushs '000
Revenue	16,644,753	9,208,833	25,853,586
Profit /(loss) before income tax	3,811,300	(2,906,946)	904,354
Income tax (credit)/ expense	(1,066,674)	767,140	(299,534)
Profit /(loss) after tax	2,744,626	(2,139,806)	604,820
Depreciation	1,011,043	1,812,690	2,823,733

The segment results for the year ended 31 December 2010 were as follows:

	Kajjansi Factory Ushs '000	Kamonkoli Factory Ushs '000	Total Ushs '000
Revenue	14,384,540	3,408,131	17,792,671
Profit /(loss) before income tax	1,958,506	(7,403,795)	(5,445,289)
Income tax expense	(284,599)	1,870,927	1,586,328
Profit /(loss) after tax	1,673,907	(5,532,868)	(3,858,961)
Depreciation	1,345,049	2,411,177	3,756,226

Statement of financial position

	Kajjansi Factory Ushs '000	Kamonkoli Factory Ushs '000	Total Ushs '000
31 December 2011			
Total assets	25,891,897	36,306,728	56,728,909
Total liabilities	12,976,752	23,328,645	36,305,397
Capital expenditure	2,931,584	630,512	3,562,096
31 December 2010			
Total assets	20,910,705	34,363,488	55,274,193
Total liabilities	17,346,442	18,109,059	35,455,501
Capital expenditure	482,128	50,477	532,605

The Company's operations are all attributed to Uganda, the Company's country of domicile.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2011 Ushs '000	2010 Ushs '000
2	**REVENUE**		
	Roofing tiles	14,475,595	11,039,691
	Half bricks	2,391,094	1,495,230
	Maxpans	5,395,040	3,190,029
	Ridges	852,429	533,675
	Other products	2,739,428	1,534,046
		25,853,586	**17,792,671**
3	**COST OF SALES**		
	Clay processing and product moulding	905,441	748,372
	Depreciation of plant	2,787,610	3,628,021
	Drying process	171,195	236,540
	Electricity and generator expenses	1,900,337	1,498,704
	Factory general maintenance	206,037	212,607
	Kilns (baking process)	4,508,255	3,089,504
	Other production overheads	1,493,182	1,675,104
	Quarry and Silo	784,832	892,123
	Salaries and allowances-production staff	566,172	651,829
	Wages and allowances-production staff	2,039,318	2,142,780
		15,362,379	14,775,584
	Stock adjustment	(210,155)	(863,394)
		15,152,224	**13,912,190**
4	**ADMINISTRATIVE EXPENSES**		
	Annual general meeting	43,966	30,719
	Audit expenses	34,580	33,000
	Provision for bad debts (note 1E)	154,510	18,490
	Company house maintenance	-	234
	Compound maintenance	5,903	8,156
	Consultancy	76,496	106,354
	Depreciation	92,833	133,399
	Directors fees and allowances	118,812	154,106
	Insurance	55,973	49,200
	Rental expenses	33,129	9,845
	Legal fees and expenses	99,255	41,313
	Local travel	60,667	173,110
	Office building maintenance	2,455	5,255
	Office equipment maintenance	22,830	22,504
	Printing and Stationery	37,563	42,149
	Registrars fees	19,870	9,455
	Security	103,340	103,145
	Tax consultancy	10,984	10,111
	Transport costs	80,864	101,192
	Travel abroad	29,442	28,202
	Other expenses	166,486	397,453
	Uniforms	138	-
	Stock write-off	29,793	-
	Utilities	17,209	7,745
		1,297,099	**1,485,137**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2011 Ushs '000	2010 Ushs '000
5	**DISTRIBUTION EXPENSES**		
	Business promotion	1,837,065	1,443,990
	Communication	63,283	114,279
	Donation	14,909	24,211
	Public relations and entertainment	22,330	31,674
	Sports and recreation	7,737	311
	Subscriptions	18,218	29,487
		1,963,542	**1,643,952**
6	**OTHER OPERATING EXPENSES**		
	Bonus	14,462	4,751
	Gratuity/pension	342,789	381,426
	Leave transport and allowance	95,508	99,615
	Medical	42,257	40,928
	NSSF – Company contribution	116,273	114,672
	Salaries and allowances	1,507,935	1,587,350
	Staff welfare	63,417	102,526
	Termination pay	48,432	17,251
	Training	16,430	20,501
	Wages and allowances	211,086	235,150
	Foreign exchange loss	1,887	6,089
	Bank charges	53,063	19,931
		2,513,539	**2,630,190**
7	**FINANCE COSTS**		
	Interest expense on borrowings	4,183,432	4,125,213

8 **PROFIT / (LOSS) BEFORE TAX**

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

	2011 Ushs '000	2010 Ushs '000
Depreciation on property, plant and equipment (note 17)	2,823,733	3,756,226
Amortisation of prepaid operating lease rentals (note 18)	5,195	5,195
Provision for bad debts	154,510	18,490
Employee benefits expense (note 8 (a))	3,585,491	3,739,112
Auditors' remuneration	34,580	33,000

a) Employee benefits expense

The following items are included within employee benefits expense:

	2011 Ushs '000	2010 Ushs '000
Retirement benefit obligations	681,780	779,838
Termination benefits	98,570	101,952
NSSF company contributions	116,273	114,672
Salaries and allowances	2,688,868	2,742,650
	3,585,491	**3,739,112**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 INCOME TAX

a) Income tax expense

	2011 Ushs '000	2010 Ushs '000
Current income tax	-	-
Deferred income tax	(299,534)	1,586,328
	(299,534)	**1,586,328**

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

	2011 Ushs '000	2010 Ushs '000
Profit / (loss) before income tax	904,354	(5,445,289)
Tax calculated at a tax rate of 30% (2010: 30%)	271,306	(1,633,587)
Tax effect of:		
- Expenses not deductible for tax purposes	28,228	47,259
Income tax (charge)/credit	**299,534**	**(1,586,328)**
	%	**%**
Tax charge as a percentage of profit / (loss) before tax	**33%**	**29**

Further information on deferred tax is presented in note 13.

b) Current tax recoverable

The movement in current tax recoverable is as follows:

	2011 Ushs '000	2010 Ushs '000
At 1 January	(33,793)	(33,793)
Current income tax paid	-	-
At 31 December	**(33,793)**	**(33,793)**

10 PROFIT/ (LOSS) PER SHARE

Basic profit/ (loss) per share is calculated by dividing the profit/ (loss) attributable to shareholders by the average number of ordinary shares in issue during the year.

	2011	2010
Profit / (loss) attributable to shareholders (Ushs'000)	604,820	(3,858,961)
Weighted average number of ordinary shares in issue ('000)	800,000	800,000
Diluting shares	-	-
Basic and diluted profit/(loss) per share (Ushs/share)	0.76	(4.82)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 ISSUED CAPITAL	**Number of shares**	**Issued capital Ushs '000**	**Share premium Ushs '000**
At 31 December 2011	**900,000,000**	**900,000**	**9,766,027**
At 31 December 2010	**900,000,000**	**900,000**	**9,766,027**

The total authorised number of ordinary shares as at 31 December 2011 and 2010 was 900,000,000 with a par value of Ushs 1. All shares were issued and fully paid.

12 REVALUATION RESERVES

The revaluation surplus relates to the surplus on the revaluation of property, plant and machinery net of deferred income tax, and is non-distributable.

	2011 Ushs '000	**2010 Ushs '000**
As at 1 January	2,984,315	3,379,685
Transfer of excess depreciation for the year	(281,875)	(395,370)
At 31 December	**2,702,440**	**2,984,315**

13 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences using the liability method and a principal tax rate of 30% (2010: 30%). The movement on the deferred tax account is as follows:

	2011 Ushs '000	**2010 Ushs '000**
At 1 January	3,338,451	4,924,779
(Charge)/credit to profit or loss (note 9)	299,534	(1,586,328)
At 31 December	**3,637,985**	**3,338,451**

The deferred tax liability is attributable to the following items:

	At 1 January 2011 Ushs '000	**Movement for the year Ushs '000**	**At 31 December 2011 Ushs '000**
Deferred tax liabilities			
Property, plant and equipment			
-on historical cost basis	9,186,351	(273,845)	8,912,506
-on revaluation surpluses	1,575,224	65,094	1,640,318
	10,761,575	(208,751)	10,552,824
Deferred tax assets			
Other deductible temporary differences	(34,099)	(46,521)	(80,620)
Tax losses carried forward	(7,389,025)	554,806	(6,834,219)
Net deferred tax liability	**3,338,451**	**299,534**	**3,637,985**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 DEFERRED TAX LIABILITY (CONTINUED)

	At 1 January 2010 Ushs '000	Movement for the year Ushs '000	At 31 December 2010 Ushs '000
Deferred tax liabilities			
Property, plant and equipment			
-on historical cost basis	9,573,234	(386,883)	9,186,351
-on revaluation surpluses	1,575,224	-	1,575,224
	11,148,458	(386,883)	10,761,575
Deferred tax assets			
Other deductible temporary differences	(34,540)	441	(34,099)
Tax losses carried forward	(6,189,139)	(1,199,886)	(7,389,025)
Net deferred tax liability	**4,924,779**	**(1,586,328)**	**3,338,451**

14 RETIREMENT BENEFIT OBLIGATIONS

	2011 Ushs '000	2010 Ushs '000
At 1 January	2,148,401	1,864,435
Contributions made during the year	787,241	926,028
Payments during the year	(407,378)	(642,062)
At 31 December	**2,528,264**	**2,148,401**

The Company has a defined contribution gratuity scheme for all permanent and contract employees. Under the terms of this scheme, the computation of the benefits payable to the employees for each completed year of service is as follows:

- Chief Executive Officer and heads of department: Company contribution of 25% and employee contribution of 5% of gross monthly salary.
- Employees in salary scales UC 3.1 and UC 3.2: The annual contribution comprises the Company contribution of 1.5 times of one month's gross salary per completed year of service and employee contribution of 2.5% of gross monthly salary.
- Employees in salary scales UC 4.1, 4.2 and 5.1: The annual contribution comprises the Company contribution of 2.5 times of one month's gross salary per completed year of service and employee contribution of 4% of gross monthly salary.
- Employees in salary scales UC 5.2, 6.1, 6.2, 6.3 and 6.4: The annual contribution comprises the Company's contribution of 1.5 times of one month's gross salary per completed year of service and employee contribution of 5% of gross monthly salary.

The contributions to the scheme are administered by a fund administrator, National Insurance Corporation (NIC).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 FINANCE LEASE

	2011 Ushs '000	2010 Ushs '000
Not later than 1 year-current portion	269,691	384,487
Later than 1 year and not later than 5 years	775,881	998,595
	1,045,572	**1,383,082**

The finance lease relates to a facility that was obtained from Stanbic Bank Uganda Limited to finance the purchase of four motor vehicles and generators. The limit of the transaction was for Ushs 1.6 billion and the interest on the amount drawn down is 0.5% below the Uganda Shilling prime interest rate. The lease is secured by the original log books of the financed vehicles and original documents of title for the financed equipment, registered in the names of the bank.

16 BORROWINGS

	2011 Ushs '000	2010 Ushs '000
Total borrowings	24,186,787	17,608,016
Less: current portion	(7,038,445)	(3,791,372)
Non-current portion	**17,148,342**	**13,816,644**
The borrowings are made up as follows:		
Non-current portion		
Bank loan	5,720,805	6,716,644
Shareholder's loan (note 28(v))	11,427,537	7,100,000
Total non – current portion	**17,148,342**	**13,816,644**
Current portion		
Bank loan	4,297,607	2,592,760
Bank overdraft	2,620,548	1,198,612
Shareholder's loan	120,290	-
Total current portion	**7,038,445**	**3,791,372**
Total borrowings	**24,186,787**	**17,608,016**

Bank loan

The bank loan comprises of medium term loan facilities from Standard Chartered Bank Uganda Limited (SCB) and East African Development Bank (EADB) that were obtained to finance the construction of the factory in Kamonkoli, Budaka District. Interest on this loan is computed at a rate of the 365 day treasury bill yield rate plus 2.25%. The loan principal is repayable by 30 April 2014.

Bank overdraft

The bank overdraft was obtained from Standard Chartered Bank Uganda Limited for working capital support for both the Kajjansi and Kamonkoli factory. The interest charged is at the bank's base lending rate plus 1%.

The movement in borrowings is as follows:

	2011 Ushs '000	2010 Ushs '000
At 1 January	17,608,016	17,034,306
Interest accrued	-	625,258
Loans received from shareholder (note 28(v))	4,447,828	7,100,000
Loans received from bank	4,262,121	-
Overdraft received / (repayments)	1,421,935	(748,823)
Loan repayments	(3,553,113)	(6,402,725)

16 BORROWINGS (CONTINUED)

The Bank loan and the overdraft are collectively secured by:

- Legal mortgage for Ushs 10,631,588,530 over all of the fixed and floating assets of the Company both present and future, including properties situated on plot numbers 4, 16, 17, 18, 21 and 30, Kajjansi,

Weighted average effective interest rates:	2011 %	2010 %
Bank overdraft	25.36	20.00
Bank borrowing	25.36	24.65
Shareholder's loan	15.00	15.00

Maturity of non-current borrowings:

	2011 Ushs '000	2010 Ushs '000
Between 1 and 2 years	5,741,087	2,592,760
Between 2 and 5 years	5,753,631	6,786,384
Over 5 years	5,653,624	4,437,500
Non-current portion	**17,148,342**	**13,816,644**

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings Ushs '000	Plant & Machinery Ushs '000	Furniture, fittings & computer equipment Ushs '000	Motor vehicles Ushs '000	Capital work in progress Ushs '000	Total Ushs '000
Cost/valuation						
At 1 January 2010	11,488,199	43,530,430	377,638	2,832,992	235,282	58,464,541
Additions	14,308	65,086	50,400	163,165	239,646	532,605
Transfers	196,549	4,647	28,307	18,650	(248,153)	-
At 31 December 2010	**11,699,056**	**43,600,163**	**456,345**	**3,014,807**	**226,775**	**58,997,146**
Additions	-	531,250	41,940	26,900	2,962,006	3,562,096
Transfers	127,367	-	-	-	(127,367)	-
Disposal	-	-	-	(201,471)	-	(201,471)
At 31 December 2011	**11,826,423**	**44,131,413**	**498,285**	**2,840,236**	**3,061,414**	**62,357,771**
Depreciation						
At 1 January 2010	805,025	6,037,716	245,720	1,310,160	-	8,398,621
Charge for the year	241,274	2,853,405	45,759	615,788	-	3,756,226
At 31 December 2010	**1,046,299**	**8,891,121**	**291,479**	**1,925,948**	**-**	**12,154,847**
Charge for the year	250,481	1,880,767	38,065	654,420	-	2,823,733
Disposals	-	-	-	(200,529)	-	(200,529)
At 31 December 2011	**1,296,780**	**10,771,888**	**329,544**	**2,379,839**	**-**	**14,778,051**
Net carrying amount						
31 December 2011	**10,529,643**	**33,359,525**	**168,741**	**460,397**	**3,061,414**	**47,579,720**
31 December 2010	**10,652,757**	**34,709,042**	**164,866**	**1,088,859**	**226,775**	**46,842,299**

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company's property, plant and equipment except for motor vehicles and computers were revalued in 2006 by professional valuers.

The property valuations were made on the basis of the open market value and the plant and equipment were on a depreciated replacement cost basis. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax credited to revaluation reserves in other comprehensive income.

If the property, plant and equipment were stated on the historical basis, the amount would be as follows:

	2011 Ushs '000	2010 Ushs '000
Cost	55,816,398	52,455,773
Accumulated depreciation	(9,646,625)	(7,225,570)
	46,169,773	**45,230,203**

18 PREPAID OPERATING LEASE RENTALS

	2011 Ushs '000	2010 Ushs '000
Cost	259,759	259,759
Transfers	(5,170)	-
	254,589	**259,759**
Accumulated amortisation	(40,956)	(35,762)
	213,633	**223,997**
Amortisation charge for the year	(5,195)	(5,195)
Transfers	801	-
	209,239	**218,802**

19 STAFF AND DIRECTORS' LOANS

	2011 Ushs '000	2010 Ushs '000
Non-current portion	-	3,627
Current portion	561,949	613,783
	561,949	**617,410**

All non-current staff and directors loans are due within 1 year from the reporting date. The weighted average interest rate on staff and directors loans (current and non-current) was 5% (2010: 5%).

20 ASSETS CLASSIFIED AS HELD FOR SALE

	2011 Ushs '000	2010 Ushs '000
Land	**4,369**	-

During the year, the company offered a portion of its idle land for sale. The land is expected to be disposed off in 2012.

21 INVENTORIES

	2011 Ushs '000	2010 Ushs '000
Spares and consumables	1,515,740	984,394
Work in progress	2,497,323	2,427,878
Finished goods	2,079,091	1,938,381
Goods in transit	56,674	114,928
	6,148,828	**5,465,581**

During the year inventories of Ushs 29,793,000 (2010: Nil) were written off due to obsolescence.

22 TRADE AND OTHER RECEIVABLES

	2011 Ushs '000	2010 Ushs '000
Trade receivables	983,495	710,021
Less: provision for impairment of trade receivables	(268,734)	(114,224)
	714,761	**595,797**
Prepayments	558,777	430,937
Amount due from employee retirement fund administrator	660,535	693,258
Staff and other receivables	61,012	138,451
	1,995,085	**1,858,443**

Trade and other receivables are non-interest bearing and are generally on 30-90 day terms. As at 31 December 2011, trade receivables of an initial value of Ushs 268,734,000 (2010: Ushs 114,224,000) were impaired and fully provided for (see credit risk disclosure in Note 1(E) for further details).

23 CASH AND BANK BALANCES

	2011 Ushs '000	2010 Ushs '000
Cash at bank	46,371	96,138
Cash in hand	149,553	141,727
	195,924	**237,865**

Cash at bank earns interest at floating rates based on daily bank deposit rates. For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2011 Ushs '000	2010 Ushs '000
Cash and bank balances as above	195,924	237,865
Bank overdrafts (note 16)	(2,620,547)	(1,198,612)
	(2,424,623)	**(960,747)**

24 TRADE AND OTHER PAYABLES

	2011 Ushs '000	2010 Ushs '000
Trade deposits (advance payments received)	1,426,030	1,834,490
Trade payables	1,216,298	3,215,794
VAT payable	661,277	3,505,744
Accrued expenses	103,554	22,105
Unpaid dividends	376,189	376,712
National Social Security Fund contributions payable	424,487	1,306,520
Pay-As-You-Earn	360,517	348,340
Provisions for other expenses	338,437	367,846
	4,906,789	**10,977,551**

24 TRADE AND OTHER PAYABLES (CONTINUED)

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

Trade deposits relate to the amount paid in advance to the Company by the customers for the purchase of its clay products. They are non-interest bearing and are normally settled on 60-day terms.

Trade payables are non-interest bearing and are have an average term of six months.

25 CONTINGENT LIABILITIES

The Company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

26 CAPITAL COMMITMENTS

The Company had no capital expenditure commitments as at the statement of financial position date.

27 CASH GENERATED FROM OPERATIONS

Reconciliation of profit/ (loss) before tax to cash generated from operations:

	2011 Ushs '000	2010 Ushs '000
Profit /(Loss) before tax	904,354	(5,445,289)
Adjustments for:		
Depreciation (note 17)	2,823,733	3,756,226
Amortisation of prepaid operating lease rentals (note 18)	5,195	5,195
Profit on sale of property	(55,926)	-
Finance costs (note 7)	4,183,432	4,125,213
Changes in working capital		
- Increase in inventories	(683,247)	(1,035,874)
- (Increase)/decrease in trade and other receivables	(136,642)	144,986
- Decrease/(increase) in staff loans	55,461	(275,042)
- (Decrease)/increase in trade and other payables	(6,070,762)	2,736,082
- Increase in retirement benefits obligation	379,863	283,966
Cash generated from operations	**1,405,461**	**4,295,463**

28 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties

i) Key management compensation

	2011 Ushs '000	2010 Ushs '000
Salaries and other short term employment benefits	1,164,529	1,353,536

ii) Directors' remuneration

	2011 Ushs '000	2010 Ushs '000
As fees	20,880	21,255
Other	97,932	132,851
	118,812	**154,106**

28 RELATED PARTY TRANSACTIONS (CONTINUED)

iii) Loans to directors

	2011 Ushs'000	2010 Ushs'000
At 1 January	-	37,884
Interest accrued during the period	-	1,292
Loan repayment received	-	(39,176)
At 31 December	-	-

iv) Short term advances to directors

	2011 Ushs'000	2010 Ushs'000
At 1 January	5,822	60,343
Additional advance	7,155	142,732
Repayments received	(9,131)	(197,253)
At 31 December	**3,846**	**5,822**

The loans and advances were given at a weighted average interest rate of 5% per annum (2010: 5%).

v) Shareholder's loan

	2011 Ushs '000	2010 Ushs '000
At 1 January	7,100,000	-
Loan received	4,447,828	7,100,000
At 31 December	**11,547,828**	**7,100,000**

In 2010, the company was granted an unsecured loan of Ushs 11.05 billion by NSSF (the company's largest shareholder with 32.5% of the shares). In December 2010, Ushs 7.10 billion was drawn down to retire the bridge loan and pay off the critical creditors.

During 2011, Ushs 3.08 billion was drawn down to procure spares for the Kajjansi factory (Ushs 0.92 billion) and for Kamonkoli factory kiln enhancements (Ushs 2.16 billion).

Interest on this loan is 15% per annum and the loan tenure is 10 years with grace period of 2 years. Interest is to be capitalised during the grace period. In 2011, interest amounting to Ushs 1.37 billion was capitalised.

29. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date affecting the financial statements as at the date of this report.

ANALYSIS OF SHAREHOLDING

Distribution schedule of equity as at 31 May 2012

Class of equity No. of shareholders	No. of Shareholders	Total holding within range	Percentage of holding
1 - 1,000 shares	160	95,609	0.01
1,001 - 5,000 shares	526	1,421,774	0.16
5,001 - 10,000 shares	515	4,383,251	0.49
10,001 - 100,000 shares	1,114	42,078,228	4.68
100,001 and over shares	383	852,021,138	94.67
Totals	**2,698**	**900,000,000**	**100.00**

List of Largest 10 Shareholders	Shares	Percentage
NATIONAL SOCIAL SECURITY FUND C/O STANDARD CHARTERED BANK UGANDA P.O. BOX 7111 KAMPALA	**292,640,000**	**32.52**
NATIONAL INSURANCE CORPORATION LTD P.O BOX 7134 KAMPALA	**160,783,091**	**17.86**
UGANDA COMMUNICATIONS EMPLOYEES CONTRIBUTORY SCHEME-AAU C/O STANDARD CHARTERED BANK UGANDA P.O. BOX 7111 KAMPALA	**24,377,042**	**2.71**
CENTRAL BANK OF KENYA PENSION FUND C/O STANDARD CHARTERED BANK UGANDA P.O. BOX 7111 KAMPALA	**23,900,000**	**2.66**
KENYA POWER AND LIGHTING COMPANY C/O STANDARD CHARTERED BANK UGANDA P.O. BOX 7111 KAMPALA	**20,207,200**	**2.25**

BANK OF UGANDA STAFF RETIREMENT BENEFIT SCH-SIM C/O STANDARD CHARTERED BANK UGANDA P.O. BOX 7111 KAMPALA	**18,836,500**	**2.09**
KENYA AIRWAYS LIMITED STAFF PROVIDENT FUND C/O STANDARD CHARTERED BANK UGANDA P.O. BOX 7111 KAMPALA	**15,000,000**	**1.67**
MR JOSEPH TUKURATIIRE & TUKURATIIRE P.O. BOX 12822 KAMPALA KAMPALA	**11,038,966**	**1.23**
UGANDA DEVELOPMENT BANK LIMITED P.O.BOX 7210 KAMPALA	**10,147,335**	**1.13**
NATIONAL SOCIAL SECURITY FUND-SIMS C/O STANDARD CHARTERED BANK UGANDA P.O. BOX 7111 KAMPALA	**9,575,568**	**1.06**

Total number of shares:	**586,505,702**	**65.18**
Add: 2688 Other Shareholders	**313,494,298**	**34.82**
Total	**900,000,000**	**100.00**

Director's Shareholding as 31 May 2012

RUBAIJANIZA CHARLES	**1,035,100**
SEFUMA S. R. JOHN	**940,700**
MUSAAZI JAMES NELSON	**232,874**
MUKASA LILLIAN	**108,393**
IJUKA KABUMBA	**101,175**
BYARUGABA RICHARD PATRICK	**10,000**

Summary of shareholders

INSTITUTIONAL	NO. OF SHAREHOLDERS	SHARES	% HOLDING
Ugandan	81	598,552,687	66.51
Foreign	20	109,634,194	12.18
INDIVIDUAL			
Ugandan	2,446	177,583,923	19.73
Foreign	151	14,229,196	1.58
GRAND TOTAL	**2,698**	**900,000,000**	**100.00**

UGANDA CLAYS LIMITED
PROXY FORM

For the Attention: **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 faxed to + 256 (0) 41 200167 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 INSTEAD or 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.

Uganda Clays Ltd

Quality. Durability. Beauty to last

For the year ended 31st December 2011

14kms Entebbe Road, Kajjansi P.O. Box 3188 Kampala Uganda
Tel: +256 414 2002255/261, Fax: +256 414 200167 and Kamonkoli 5km Mbale Tirinyi Road
Email: uclays@ugandaclays.co.ug, Website: www.ugandaclays.co.ug

SALES OUTLETS

Juba, Mbarara, Soroti, Gulu, Natete & Ntinda