Uganda Clays Ltd

2015 Annual Report

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Uganda Clays Ltd [the Company] in respect of the year ended 31st December 2015 will be convened and held on Friday 9 December 2016 at 2:30 pm at the Kampala Sheraton Hotel, Rwenzori Ball Room.

Agenda

1. To receive and confirm the minutes of the meeting held on 9th December 2015.
2. To receive and consider the Directors' report and audited financial statements for the year ended 31 December 2015, together with the report of the auditors.
3. To rotate and elect Directors in accordance with the Articles of Association of the Company and determine their remuneration.
4. To re-appoint M/s Jim Roberts & Associates as auditors for the next year ending 31st December 2016 and authorize the Directors to fix their remuneration.
5. To consider any other business for which notice has been given to the Secretary at least 48 hours before the meeting.

Lex Uganda Advocates & Solicitors
COMPANY SECRETARY

Note:

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

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

(3) The Annual Report for the year 2015 and other AGM papers will soon be published on the Company's website at www.ugandaclays.co.ug, and will also be dispatched by e-mail to members who have provided valid e-mail addresses.

(4) Hard copies of the Annual Report will be available at the venue of the meeting

Corporate information

Analysis of Shareholding

Distribution of Shares as at 31 October 2016

Nationality	Category	No. of Members	No. of Shares	Percent Holding
East African	Corporate	147	680,714,104	75.63%
	Individual	2,408	207,771,442	23.09%
		2,555	**888,485,546**	**98.72%**
Foreign	Corporate	3	697,507	0.08%
	Individual	103	10,816,947	1.20%
		106	**11,514,454**	**1.28%**
	Grand Totals:	**2,661**	**900,000,000**	**100.00%**

List of Largest 10 Shareholders

Investor ID	CDSACNO	Investor Name	Postal Address	Shares Held	Percentage (%)
100000244	223654	NATIONAL SOCIAL SECURITY FUNDS	P.O BOX 7140, KAMPALA 256 KAMPALA	292,640,000	32.52
3503	12491	NATIONAL INSURANCE CORPORATION LTD	P.O. BOX 7134 KAMPALA KAMPALA	160,783,091	17.86
3682	21806	CENTRAL BANK OF KENYA PENSION FUND	C/O STANDARD CHARTERED BANK UG P.O. BOX 7111 KAMPALA	21,396,966	2.38
3676	21741	KENYA POWER AND LIGHTING COMPANY	C/O STANDARD CHARTERED BANK UG P.O. BOX 7111 KAMPALA	20,207,200	2.25
3450	9318	BANK OF UGANDA STAFF RETIREMENT BENEFIT SCH-SIM	C/O STANDARD CHARTERED BANK UG P.O. BOX 7111	18,836,500	2.09
3259	833	JOSEPH TUKURATIIRE	P.O. BOX 12822 KAMPALA KAMPALA	15,125,783	1.68
3683	22098	TIMOTHY SABIITI MUTEBILE	P.O. BOX 9193 KAMPALA KAMPALA	12,248,200	1.36
3679	21776	KENYA AIRWAYS LIMITED STAFF PROVIDENT FUND	C/O STANDARD CHARTERED BANK UG P.O. BOX 7111	10,230,000	1.14
3893	41343	UGANDA DEVELOPMENT BANK LIMITED	P.O. BOX 7210 KAMPALA	10,147,335	1.13
100000273	77780	NATIONAL SOCIAL SECURITY FUND NATIONAL SOCIAL SECU	PINEBRIDGE KAMPALA	9,575,568	1.06
			Total number of Shares	**571,190,643**	**63.47**
			AND:- 2,648 other Shareholders	**328,809,357**	**36.53**
			TOTAL	**900,000,000**	**100**

Summary of Shareholders as at 31 October 2016

Range ID	Description	No. of Investors	No Of Shares Held	Percent Holding
1	Less than 500 Shares	84	23,248	0.00%
2	Between 501 and 1,000 Shares	95	79,590	0.01%
3	Between 1,001 and 5,000 Shares	524	1,408,536	0.16%
4	Between 5,001 and 10,000 Shares	493	4,204,348	0.47%
5	Between 10,001 and 50,000 Shares	828	21,084,967	2.34%
6	Between 50,001 and 100,000 Shares	252	19,398,059	2.16%
7	Above 100,001 Shares	385	853,801,252	94.87%
		2,661	**900,000,000**	**100.00%**

Prepared by Secretarial Department, Deloitte Uganda Limited

Board of Directors

Dr Martin Aliker
Chairman

Appointed 24 August 2010 and re-appointed on 17 October 2014. He is also Chairman of Hima Cement Ltd and Vice-Chairman of the National Insurance Corporation Ltd. He is also chairman of several other companies. He has served on many Boards of leading companies in Uganda including Stanbic Bank Ltd and Monitor Publications Ltd.

Eng. Martin Kasekende
Director and Chairman of the Board Administration and Technical Committee.

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

Mr Richard Byarugaba
Director and Chairman of the Board Finance Committee.

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

Mr Joseph Tukuratiire
Director and Chairman of the Board Audit Committee

Appointed 30 August 2013. He is a financial consultant. He is formerly Principal Assistant City Treasurer at Kampala City Council. He has taught finance courses at Uganda Management Institute as Associate Consultant. He has worked as a Consultant with Acclaim Africa. He is an active dealer in company stocks, Government securities and money markets.

Dr Ijuka Kabumba
Director

Appointed on 17 July 2007 and re-appointed on 17 October 2014. He is the former Managing Director of the National Insurance Corporation and currently a professor of Public Administration at Nkumba University.

Mr Bayo Folayan
Director

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

Mrs. Florence Namatta Mawejje
Director

Appointed 9 December 2015. She is a member of the Board of Directors of the National Social Security Fund. She is currently the General Manager Human Resources, Centenary Bank. She has qualifications and wide expertise in human resource management, corporate governance, and management retirement and pension funds.

Mrs. Marion Adengo Muyobo
Director

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

Mrs. Peninnah Tukamwesiga
Director

Appointed 9 December 2015. She is a member of the Board of Directors of the National Social Security Fund. She is an Advocate of the High Court of Uganda. She is the Head Legal Aid at Central Organization of Free Trade Unions. She is a panel member of the Industrial Court.

Mr George Inholo

Director and current Managing Director of the Company

Management Team

Mr. George Inholo
Managing Director/CEO

Mr. Peter Kiwanuka
Head of Human Resources and Support Services

Mrs. Jacqueline Kiwanuka
Head of Finance

Mr. Nelson Kizza
Head of Production

Mr. Nazarious Rukanyangira
Head of Sales and Marketing

Mr. Martin Mutahi
Head of Internal Audit

Auditors

Jim Roberts & Associates
Certified Public Accountants
Social Security House
Plot 4 Jinja Road
P O Box 10639
Kampala

Lawyers & Company Secretary

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

Registrars

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

Security Central Depository Agents/Brokers

Baroda Capital Markets (U) Ltd

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Tel: +256 414 233680/3
Fax:+256 414 258363
Email: bob 10@calva.com

Crane Financial Brokers (U) Ltd

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P. O. Box 22572 Kampala
Tel: +256 414 341414/345345
Fax:+256 414 231578

Crested Stocks and Securities Limited

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P. O. Box 31736 Kampala
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Fax +256 414 230612
Email: info@crestedsecurities.com
www.crestedsecurities.co.

Africa Alliance (Uganda) Ltd

Workers House, 6th Floor
Plot 1 Pilkington Road
Tel: +256 414 235 577
Fax: +256 414 235575
Email: securities@africanallliance.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

Dyer & Blair (Uganda Ltd)

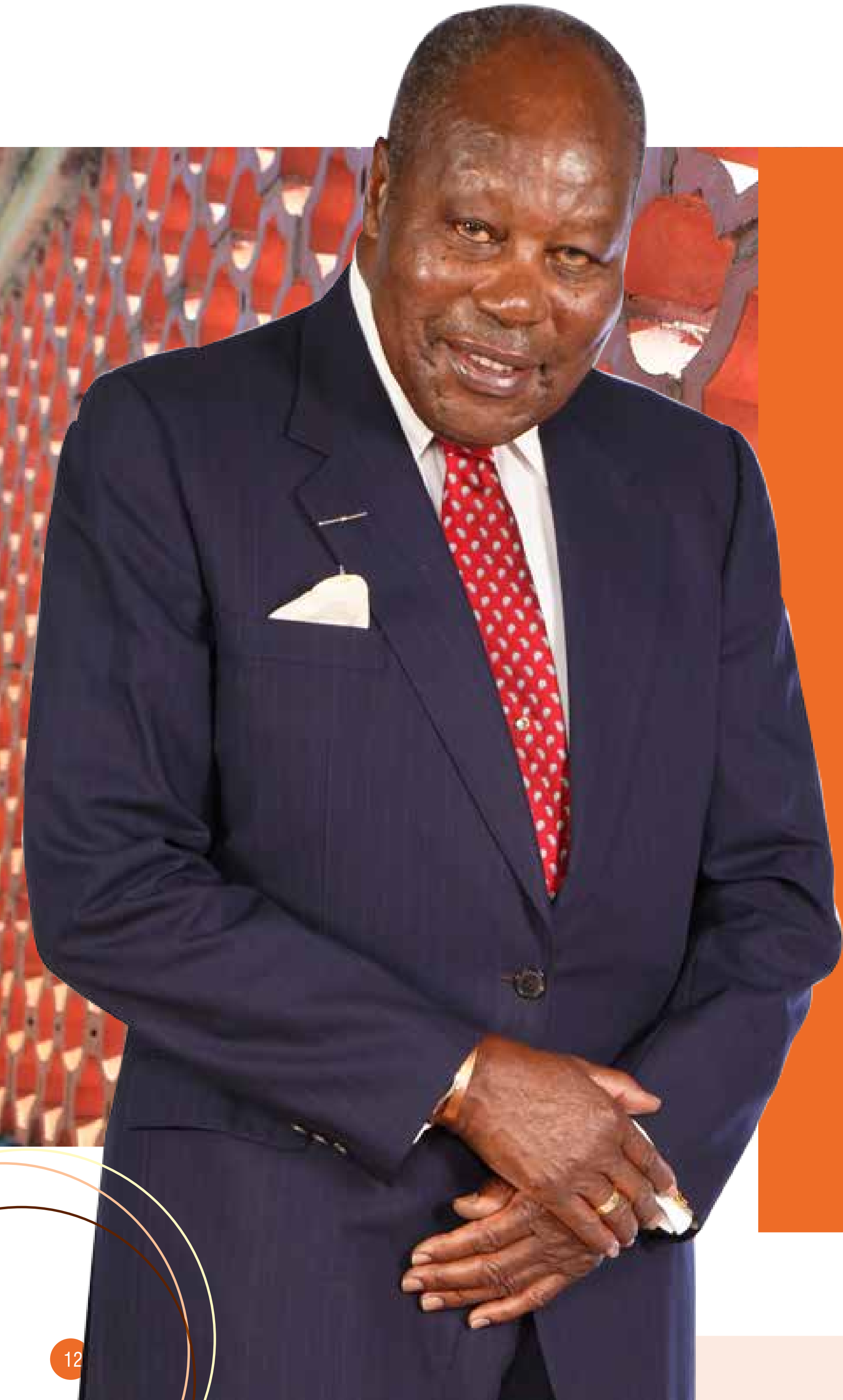
Rwenzori House Ground Floor
P. O. Box 36620 Kampala
TeL: +256 414 233050
Email: shares@dyerandblair.com

Registered Office

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

Reports

Chairman's Statement



Performance overview

During the year under review, the Bank of Uganda adopted tight monetary and fiscal measures to curb inflation. In the second half of the year, there was considerable excitement and anxiety about the general elections that were held earlier this year. There was also a perceptible slow-down in the economy. These had an effect of suppressing consumer purchasing power.

Amid this challenging and competitive environment, the Company's market share remained strong. Business performance was quite satisfactory. This is attributable to a number of factors and initiatives. The Company focused on the production of fast moving product especially Mangalore and Portuguese tiles, maxpans, facing bricks and quarry tiles.

There were price reviews for the prime product lines and cost reduction initiatives. Management introduced a performance culture across the Company. As a result the Company delivered a reasonable performance with a gross turnover of UGX 24,112,022,276 compared to a net loss of UGX 5,179,306,000 for the previous year.

This good performance was however dampened by high finance costs arising from the shareholder and commercial loans. These costs wiped out the projected profit the Company. As a result, the Company posted a net loss of UGX 1,207,254,000 for the year 2015 compared to net loss of UGX 5,179,306,000 for the previous year.

Gross Turnover

UGX 24bn

Net Profit/loss

UGX 1.2bn

Loan status

The Company paid off all the commercial loans last year. The National Social Security Fund agreed to put a cap on the interest payable on the loan owed to it with effect from 30 June 2015. These developments have significantly reduced the finance costs incurred by the Company. Both the Company and the NSSF have continued to engage in negotiations for the conversion of the shareholder loan into equity.

Claim for compensation from UNRA

The Government of Uganda expropriated a total of 16 acres of land out of several plots of land owned by the Company at Kajjansi for the construction of the Kampala – Entebbe Express Way/Munyonyo Spur. As a result the Company also lost vast amounts of clay underneath the expropriated land which has been quantified at 900,000 tonnes.

The Company has lodged claims with the Uganda National Roads Authority for compensation for the land and loss of business profits that would have been earned from products that would have been made out of the clay lost. The Company had to file a law suit in the High Court of Uganda as part of the effort for compensation. The case is still pending hearing. However, the claim for the land has been verified and UNRA has paid UGX 2.5 billion as partial compensation for the land. The claim for the loss of business of business profits is still being pursued vigorously by the Company.

Governance

The primary role of the Board of Directors is to provide management oversight, in accordance with the established corporate governance framework, to ensure proper management and functioning of the Company and a reasonable return to the shareholders.

The Board of Directors executed this role satisfactorily through the regular Board meetings. The Board had two Committees, namely the Board Audit Committee and the Board Administration and Technical Committee. These Committees met regularly and gave due guidance to management. The Board has continued to improve the governance framework of the Company, and to strengthen the control environment to minimize risk.

During this year 2016, the Board introduced a third Committee, namely, the Board Finance Committee, whose role is to provide oversight over finance matters of the Company. The introduction of this Committee is part of the effort to improve governance of the Company. The Board renamed the Board Audit Committee as the Board Audit and Risk Committee and added to it the function of monitoring risk in the Company.

Dividends

The Board of Directors is deeply aware that the shareholders who have invested their money in the Company expect a regular and decent return on their investment.

As will be evident from the financial statements in the later sections of this Report, the loan and interest payments wiped out the profits of the Company. As earlier reported in this statement, the Company realized a net loss of UGX 1,207,254,000. Consequently, the Company is unable to pay any dividend for the year 2015.

Outlook for the Future

As will be evident from business performance for 2015 and the half-year results for 2016 already published, the Company has turned the corner and is now on trajectory for substantial growth in 2016. The positive trend is due to initiatives and developments already stated above. With this trend, we are confident that the value of the Company and the price of its shares on the Stock Exchange can only go up.

To sustain this growth, the Company will have to replace old machinery improve drying technologies at the Kajjansi factory, acquire more land with clay deposits around Kajjansi and complete the Kamonkoli factory which was partially done. The Board will continue to provide oversight to ensure that the above plans and others are successfully implemented.

A Note of Appreciation

We would like to thank the shareholders for the continued commitment to the Company. We wish to appreciate our staff for their continued effort and service to the Company. The success of the Company depends largely on their effort.

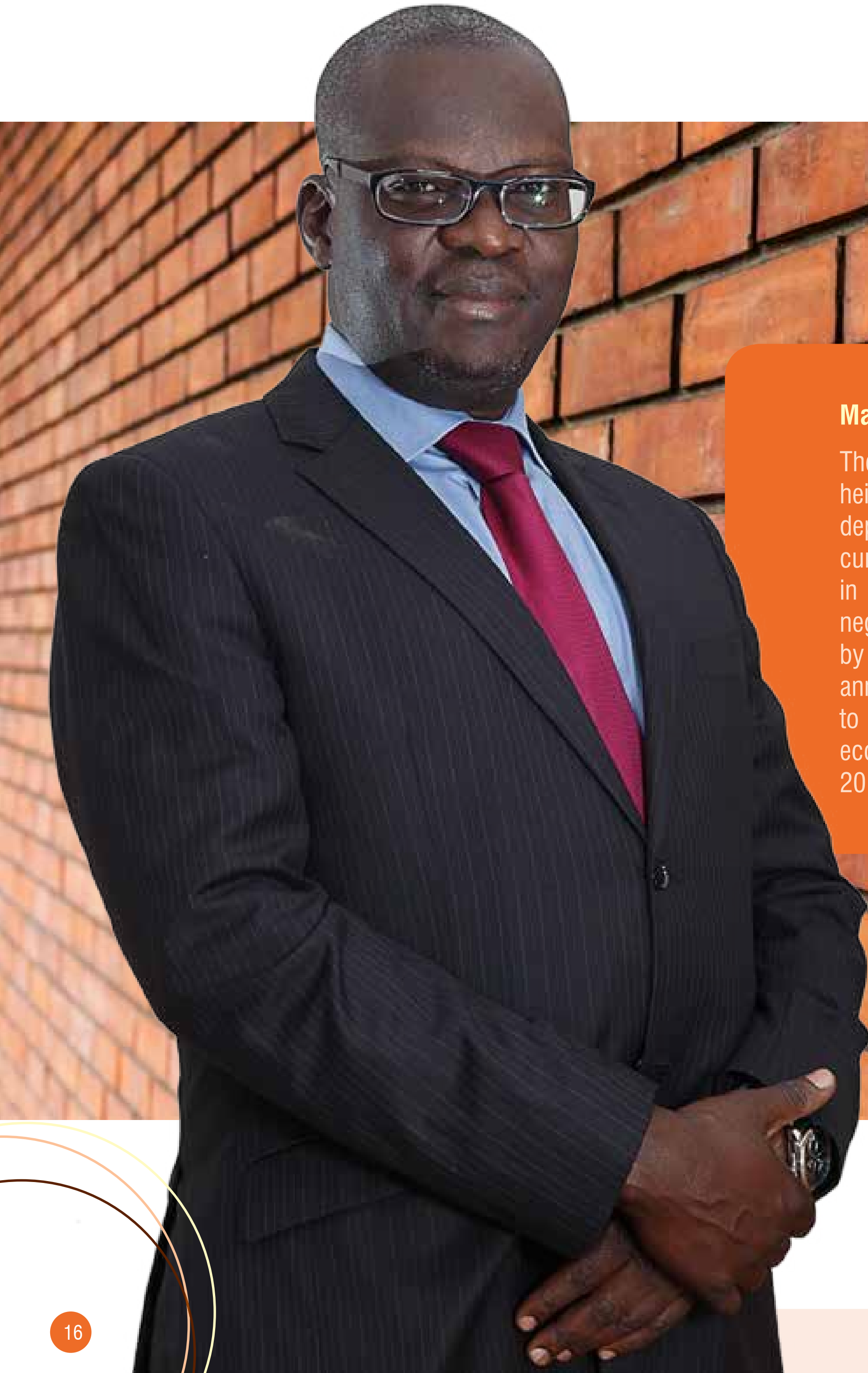
We gratefully recognise our customers for the support, loyalty to and confidence in the Company and its products, despite the challenging economic environment during the year under review.

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

We value the contribution of all who have given value to the business of the Company and assure you all of our continued dedication as we strive for better results in 2016.

Dr. Martin Aliker
CHAIRMAN BOARD OF DIRECTORS

Managing Director's Statement



Macro Economics

The economy was subdued largely due to heightened electioneering. The Uganda Shilling depreciated against the major international currencies. Political instability and civil strife in South Sudan also affected the economy negatively as exports plummeted during the year by about 55% compared to previous year. The annual average inflation rate was 5.2% compared to 4.3% to the previous year. Overall Uganda's economy grew at 4.6% for the financial year 2015/2016 against a projection of 5.8%.

Financial Results:

Revenues grew from UGX 22.1 billion in 2014 to UGX 24.1 billion in 2015 representing a growth of 9%. There was a significant improvement in the gross margin during the period (2015: 33%, 2014: 19%). This was majorly attributed to the deliberate cost efficiency measures put in place during the period that led to the reduction in the overall cost of production.

The Company overheads reduced by 5% from UGX 6.1 billion in 2014 to UGX 5.8 billion in 2015. Finance costs remained high during the year owing to the shareholder loan. All commercial debt was however settled in full by the end of the year.

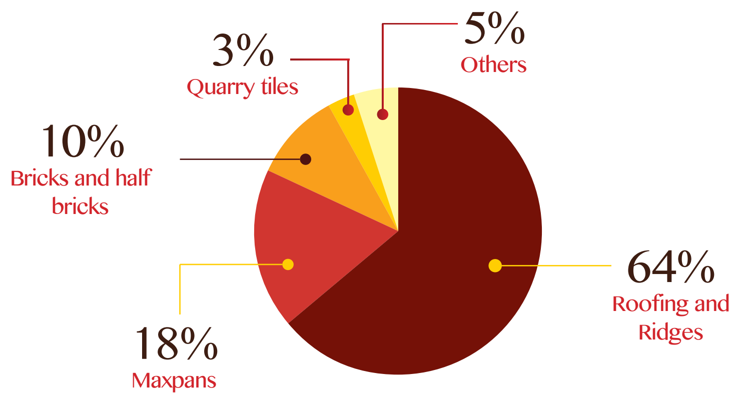
Financial Highlights 2015 – 2011:

	2015 UShs '000	2014 UShs '000	2013 UShs '000	2012 UShs '000	2011 UShs '000
Turnover	24,111,965	22,112,617	21,095,645	23,959,107	25,853,586
Profit / (Loss) before tax	(1,035,378)	(6,288,898)	(4,599,235)	3,950,779	904,354
Profit / (Loss) after tax (earnings)	(1,207,254)	(5,179,306)	(3,292,912)	2,803,599	604,820
Dividends	-	-	-	-	-
Cash generated from operations	3,007,236	4,526,527	6,101,020	4,163,366	1,405,461
Shareholders' funds	25,575,121	26,780,905	31,960,211	35,253,123	20,423,512
Capital expenditure	536,541	515,424	205,396	17,390,018	3,562,096
Total assets	**62,557,186**	**64,788,458**	**71,409,755**	**75,532,248**	**56,728,909**
Per share data					
Dividends per share (UShs)	-	-	-	-	-
Earnings / (Loss) per share (UShs)	(1.34)	(5.75)	(3.66)	3.12	0.76

Sales & Marketing

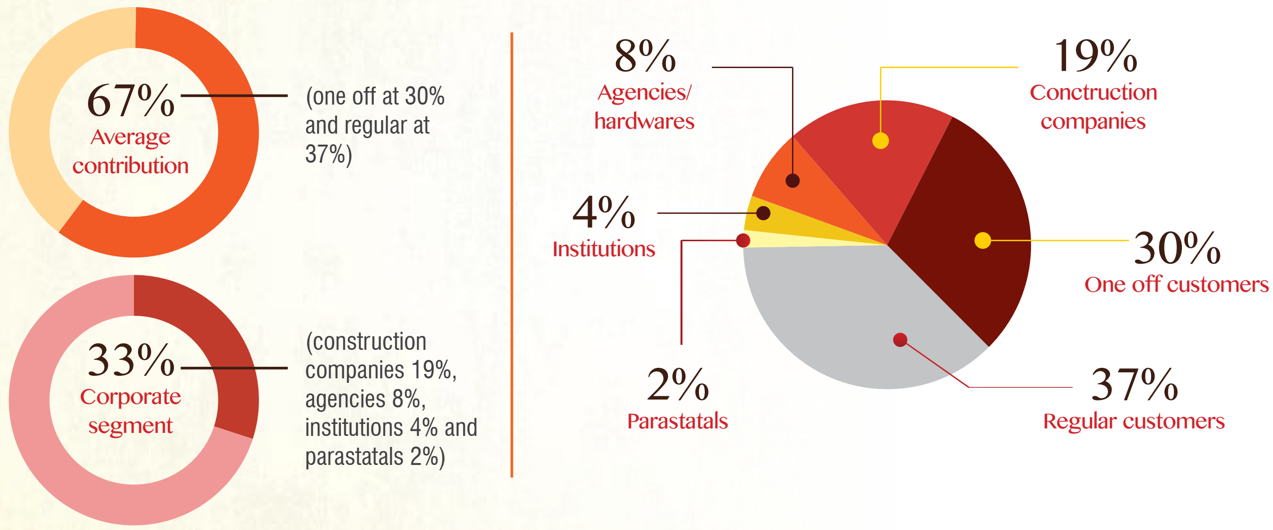
In 2015, roofing tiles, maxpans, bricks were the most sold product lines and accounted for over 75% of the revenue. The average monthly sales for 2015 were UGX 2 billion compared to UGX 1.8 billion per month for 2014 representing a growth of 10%.

Chart of value contribution per product



Contribution by Segment

Individual customers remain a dominant segment in the market with an average contribution of 67% (one off at 30% and regular at 37%). The corporate segment contributed 33% (construction companies 19%, agencies 8%, institutions 4% and parastatals 2%) as illustrated below.



Challenges affecting overall sales performance 2015

Internal factors

There were some stock-outs on our fast moving product lines. This was brought about by repetitive machine breakdowns.

External Factors

The political instability and war in South Sudan affected our off shore sales and we had to close our outlet in Juba.

We also faced price challenges from the competition on some of our product lines.

Macro Economic Issues

During the year macro economic factors that negatively affected our performance included high bank interest rates and limited remittances by nationals working abroad which in turn affected property sales.

Distribution model

The Company's distribution model includes direct sales to customers at factories, outlets and agencies. The Company is also going into partnerships with hardware dealers around the country to sell its products.

We are now re looking at a hybrid relationship where we will have both agencies and partnerships with hardware dealers as selling points.

Revenue improvement Plan

Advertising and promotion

The company is striving to increase its visibility through print and electronic media in order to reach the intended customer bases. We are currently on television (NTV, Bukedde, UBC and BBS) and on radio (Capital FM, Super FM, CBS, Radio West and upcountry stations to cover Jinja, Soroti, Mbale and Gulu.

We will also have a presence in the print media (The New Vision and the Monitor newspapers, and magazines).

Off shore opportunities

In the course of this year, we made breakthroughs into offshore markets in Rwanda and Western Kenya. We will continue to develop this market.

Ways of working

To enhance our efficiency and effectiveness in the market place, we have adopted some new ways of working. In this regard, all field sales personnel work with approved itineraries and daily targets supported by daily field sales reports.

Link with the Professionals

We have initiated and regularly hold engineers fora in which our teams engage with professionals, project developers, masons and site foremen to promote the use of our products and get feedback.

Institutional Marketing

In the course of the year, we started venturing into institutional sales and have made arrangements with companies where staff are supplied with products where payment is made through monthly remittances and is guaranteed by the employer.

Innovations

To meet the dynamic tastes and preferences of today's consumer, we have re-introduced the Merseilles tile.

Initiatives to produce glazed tiles and baked clay pavers are being explored. Our research is that there is sufficient demand for these products.

Trade Fairs

We have continued to have our presence at major trade-fairs which give us an opportunity to interface with potential customers. We have participated in the Mbarara Trade Fair, Mbale Trade Fair, UMA Trade Fair and the Kigali Expo.

Profitability

Management carefully reviewed prices of some of our leading volume drivers to make them more profitableand taking into account the effect of price changes on sales volumes.

Market survey

The Company has conducted a market survey in 15 major towns in Uganda. These included:

Central: Kampala, Mukono, Entebbe, Wakiso,

Western: Mbarara, Masaka, Fortportal, Hoima, and Kabale

Eastern: Jinja, Mbale and Soroti

Northern: Arua, Lira and Gulu.

From this survey, we were able to:

- Establish the awareness and usage habits of customers
- Identify the drivers and barriers on demand of clay products
- Assess the market needs and identify market gaps.
- Establish market share: Kampala 31%, Central 13%, Northern 39%, Eastern 48% with a national average of 25%

From these insights we are now developing a marketing and communications strategy for the business.

We also identified issues of distribution, pricing, perception, awareness and payment system.

The survey established that our distintion is quality.

Brand positioning and visibility

We aim to create a strong brand and enhance visibility through advertising and promotion.

Production highlights

Production targets were below plan due to breakdowns of our machines especially at the aging Kajjansi factory.

The production performance has improved as a result of importation and installation of new spares. Production for the two factories was as indicated in the tables (on the next page):

Established market share illustrated:

Production performance both green and offload factories

Kajjansi Factory	Green Production			Kiln Offload		
Major products	Budgeted	Actual	Bug vs Actual (%)	Budgeted	Actual	Bug vs Actual (%)
Roofing Tiles	10,176,000	5,908,560	58%	7,131,840	3,358,195	47%
Bricks	2,976,000	1,364,559	46%	2,213,760,	1,399,922	63%
Maxpans	2,832,000	2,15,551	76%	2,152,320	1,499,941	70%
Blocks	612,000	458,537	75%	465,120	199,764	43%
Grills	240,000	141,592	59%	182,400	150,251	82%
Floor & Quarry tiles	2,184,000	1,483,754	68%	1,559,520	411,479	26%
Ventillators	480,000	152,718	32%	364,800	106,7771	29%

Kajjansi Factory	Green Production			Kiln Offload		
Major products	Budgeted	Actual	Bug vs Actual (%)	Budgeted	Actual	Bug vs Actual (%)
Roofing Tiles	3,801,600	4,752,764	125%	3,166,733	3,182,082	101%
Half Bricks	5,760,000	2,865,160	50%	4,789,080	1,869,271	39%

There was emphasis on production of fast-moving products.

Future Production Plans

There is on-going research for the development of new products and improving existing ones. New products introduced on the market so far are maxpan 12” and quarry tile size 10x10. Compound clay pavers are still under production trial.

There will be a geological survey of all quarries and mapping of the quarry blocks according to quality parameters to ensure optimum utilization of the Company’s clay reserves.

Quality certification

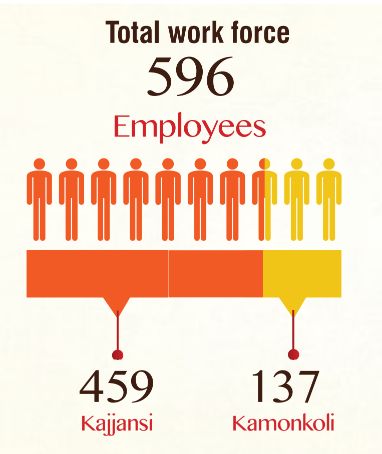
Quality is one of the hallmarks of Uganda Clays Ltd. In recognition of this, we aquired an ISO 9001:2008 certificate on 5th March 2014 awarded by International Certification Services PVT Ltd.

The ISO 9001:2008 Surveillance Audit was conducted on 13th and 14th January 2015 that confirmed that Uganda Clays Limited remains compliant to the standard and has a well-developed quality management system.

It should be noted that Uganda Clays is the first and the only ISO certified Company in the clay industry. We shall maintain all aspects of this standard. We are using this certification as a marketing tool to consolidate and widen our market share.

Our People

The Company continues to be one of the largest employers in Wakiso and Budaka districts where the Kajjansi and Kamonkoli factories are located respectively. As at 31st December 2015, the Company had a total work force of 596 employees. Kajjansi factory employed 459 while Kamonkoli had 137 employees. The Company continued to attract and retain the most suitable employees.



During May and August 2015, the Company implemented the first phase of redundancies as recommended by the effectiveness review project dubbed ***'Together for Success'*** in which 69 employees left the service of the Company.

Implementation of the new organization structure and other recommendations of the effectiveness review is taking place in 2016.

We take this opportunity to express sincere appreciation to all those who retired from serving the Company, particularly the following for their long service:

	Name	Post at retirement	Years of service
1	Mr. Richard Mugabyomu	Internal Audit Manager	21
2	Mr. John Gitta	Production Manager	17
3	Ms. Sepiranza Mayanja	ICT Manager	22
4	Mr. Michael Senfuka	Office Attendant	11
5	Mr. Paul Kigwe	Machine Operator	26
6	Mr. Charles Muluta	Picker Head Attendant	22
7	Mr. Livingstone Munyobi	Shed Attendant	12
8	Mr. Katongole Sam	Machine Operator	17
9	Mr. John Semantengo	Labourer	16
10	Mr. Vincent Mubiru	Kiln Door Sealer	31
11	Mr. Edward Mukasa	Machine Operator	26
12	Mr. Ronald Nkatuzi	Machine Operator	22
13	Ms. Premo Atiku	Carpenter	20
14	Mr. Eldad Lwanga	Compound Cleaner	21
15	Mr. Patrick Kiyimba	Headman	25
16	Mr. David Kizito	Headman	27
17	Mr. Godfrey Nkonge	Labourer	13
18	Mr. Sisto Okenyi	Operator	17
19	Mr. Jackson Mafabi	Labourer	13
20	Mr. Deogracious Kawesi	Sweeper	19
21	Mr. Anthony Kasirye	Labourer	25
22	Mr. Umar Serebe	Labourer	22
23	Mr. James Kwebehe	Labourer	10
24	Mr. Tadeo Magoba	Labourer	25
25	Mr. Francis Gwayambadde	Labourer	10

Eight new staff were recruited during the year.

Corporate social responsibility

Uganda Clays Ltd believes strongly in giving back to the communities where we operate. Towards this end the Company was actively involved in supporting community activities at Kajjansi and Kamonkoli through garbage collection, and extending free health education through clinical outreaches.

The Company supported construction of a borehole at Kamonkoli to improve access to clean water in the surrounding communities.

The Company continues to value education and grooming future leaders and employees. The Company's internship program with tertiary institutions supported student intake of 40 interns in 2015. Some were identified as potential future employees and are being followed up.

The Company identified itself with Buganda Kingdom, Bunyoro Kingdom and Tooro Kingdom by extending some support to those kingdoms on selected projects.

Future

A new Business Strategic Plan for period 2017 – 2021 is being prepared.

Our priorities will continue to be meeting and exceeding customer's expectations by delivering high quality building products at competitive prices and provide acceptable returns to the shareholders.

Our focus will therefore be on growing our revenues, improving operating margins, improving quality, reducing the cost of production and enhancing the market and distribution of the products.

We will continue to strengthen the control environment across the Company's operations in line with best practices, and continue to adhere to good corporate governance.

We have introduced a performance culture within the staff and a general overhaul in our ways of working, including open door policy, monthly communication with the Management Team, raised the bar on safety and security and developed a bias for action.

We will continue to put emphasis on building route-to-market and ensuring a good customer feel at all outlets across the country. Revenue growth and cost saving initiatives will continue to be key priorities.

Finally, I like to take this opportunity to thank all our shareholders, directors, customers, and employees for their unwavering support, commitment and confidence in the Company.

We are looking towards the future with a sense of optimism.

George INHOLO
MANAGING DIRECTOR

Directors' Report

The Directors submit their report together with the financial statements for the year ended 31 December 2015 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 products according to contribution to total turnover are roofing tiles, maxpans and half bricks.

Results

The Company posted a net loss of UGX 1,207,254,000 for the year. (2014: loss of UGX 5,179,306,000).

The directors do not recommend payment of a dividend for the year ended 31 December 2015 because of the loss position (2014: nil dividend per share).

Directors and their Emoluments

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

1.	Dr Martin Aliker	Chairman
2.	Eng. Martin Kasekende	Non-Executive Director
3.	Mr Richard Byarugaba	Non-Executive Director
4.	Mr Joseph Tukuratiire	Non-Executive Director
5.	Dr Ijuka Kabumba	Non-Executive Director
6.	Mr Richard Bigirwa	Non-Executive Director [vacated 9-12-2015]
7.	Mr Musa Okello	Non-Executive Director [vacated 9-12-2015]
8.	Mrs Agnes Kunihira	Non-Executive Director [vacated 9-12-2015]
9.	Mr Bayo Folayan	Non-Executive Director
10.	Mrs Florence N Mawejje	Non-Executive Director
11.	Mrs Marion Adengo Muyobo	Non-Executive Director
12.	Mrs Penninah Tukamwesiga	Non-Executive Director
13.	Mr George Inholo	Managing Director

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

During the year under review, other than as disclosed in note 22 to the financial statements, no Director has received or become entitled to receive any benefit other than directors' fees and retainer, and monthly emoluments in the case of the Managing Director.

The total amount of emoluments of the Directors for the year is disclosed in note 22 to the financial statements.

Board Meetings

The Board held quarterly meetings and special meetings whenever the need arose. During the year under review, the Board of Directors of Uganda Clays Ltd held a total of seven regular and special Board meetings, excluding Committee meetings. The attendance of members at Board meetings was as follows:

No.	Name of Director	No. of Board meetings attended	% of attendance of Board meetings
1	Dr. Martin Aliker	7/7	100%
2	Eng. Martin S Kasekende	7/7	100%
3	Mr. Richard Byarugaba	7/7	100%
4	Mr Joseph Tukuratiire	7/7	100%
5	Dr. Ijuka Kabumba	7/7	100%
6	Mrs. Florence N. Mawejje	1/1	100%
7	Mr. Bayo Folayan	1/1	100%
8	Mrs. Marion Adengo Muyobo	1/1	100%
9	Mrs. Peninnah Tukamwesiga	1/1	100%
10	Mr. George Inholo	7/7	100%

Company Secretary

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

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

Auditors

The Company's auditors during the year were Jim Roberts & Associates, and have expressed willingness to continue in office.

Issue of Financial Statements

The financial statements in this report were authorised for issue by a resolution of the Board of Directors passed on 22-4-2016.

By order of the Board

Lex Uganda Advocates & Solicitors
COMPANY SECRETARY

Statement of Directors' Responsibilities

The Companies Act 2012, requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results for that year.

The directors are responsible for maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company, and to enable them ensure that the financial statements comply with the Companies Act, 2012. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates consistent with previous years, and in conformity with the International Financial Reporting Standards and the requirements of the Companies Act 2012.

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 as at 31 December, 2015 and of its operating results for the year then ended. The directors further confirm the accuracy and completeness of the accounting records maintained by the company which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

Approved by the board of directors on **22nd April 2016** and signed on its behalf by:

DIRECTOR **DIRECTOR**

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 set out on pages 6 to 39, which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss, 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.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Company's Act 2012.

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair representation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an independent opinion on these 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 our 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 judgment, 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 management, 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 accompanying financial statements give a true and fair view of the financial position of Uganda Clays Limited as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting standards and the requirements of the Companies Act of Uganda, 2012.

Emphasis of matter

Without qualifying our opinion we draw your attention to note 25 of the segment information which indicates continuous loss making positions on the Kamonkoli segment of Ushs 7.076 billion (2014: Ushs 8.098 billion). This has continuously impacted negatively on the overall financial performance of the company.

Report on other legal requirements

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

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

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

(ii) The Company's statement of financial position and statement of profit or loss are in agreement with the books of account.

Certified Public Accountants
KAMPALA

REF: JT/02/0416/227

Jim Roberts & Associates

Jim Roberts & Associates
24th April 2015

Financial statements for the year ended 31st December 2015

Statement of Profit or Loss

	Notes	2015 Shs '000	2014 Shs '000
Revenue	1	24,111,965	22,112,617
Cost of sales		(16,366,799)	(17,883,442)
Gross profit		**7,745,166**	**4,229,175**
Other Incomes			
Compensation on Land		3,113,471	-
Rent and other incomes		103,364	112,690
Total income		**10,962,001**	**4,341,865**
Administrative expenses		(1,913,708)	(2,001,033)
Distribution expenses		(753,527)	(1,040,942)
Other operating expenses		(3,208,859)	(3,042,903)
Loss of Excavated Clay		(1,883,520)	-
Total expenses		(7,759,614)	(6,084,878)
Operating profit (/loss)	**2**	**3,202,387**	**(1,743,013)**
Net finance costs		(4,237,765)	(4,545,885)
Loss before tax		**(1,035,378)**	**(6,288,898)**
Tax (Charge)/Credit	5(a)	(171,876)	1,109,592
Total comprehensive loss for the year		**(1,207,254)**	**(5,179,306)**
		Ushs/share	Ushs/share
Basic and diluted gain/(loss) per share	**6**	**(1.34)**	**(5.75)**

Statement of Financial Position

As at 31 December

	Notes	2015 Shs '000	2014 Shs '000
CAPITAL AND RESERVES			
Issued capital	7	900,000	900,000
Share premium		9,766,028	9,766,027
Retained earnings		4,540,788	4,387,149
Revaluation reserve	8	10,368,305	11,727,729
Total equity		**25,575,121**	**26,780,905**
Non current liabilities			
Deferred income tax liability	10	7,693,661	7,523,255
Borrowings: non current portion	9	19,702,637	19,451,622
Total non current liabilities		**27,396,298**	**26,974,877**
Total equity & non current liabilities		**52,971,419**	**53,755,782**
REPRESENTED BY			
Non current assets			
Property, plant and equipment	11	50,233,321	54,165,907
Prepaid operating lease rentals	12	341,811	479,993
		50,575,132	**54,645,900**
Current assets			
Inventories	14	6,107,278	7,629,383
Trade and other receivables	15	3,070,775	1,866,424
Staff loans	13	98,678	99,622
Current income tax recoverable	5(b)	302,555	240,776
Cash and cash equivalents	16	1,402,768	306,353
Fixed Deposits	17	1,000,000	-
		11,982,054	**10,142,558**
Current liabilities			
Retirement benefit obligation	18	2,067,552	2,687,561
Finance lease: current portion	19	-	15,754
Borrowings: current portion	9	3,508,743	3,226,580
Trade and other payables	20	4,009,472	5,102,781
		9,585,767	**11,032,676**
Net current assets/(liabilities)		**2,396,287**	**(890,118)**
		52,971,419	**53,755,782**

The financial statements on pages 6 to 40 were authorised and approved for issue by the Board of Directors on 22nd April 2016 and were signed on its behalf by:

DIRECTOR DIRECTOR

Statement of Changes in Equity

	Issued Capital Shs '000	Share premium Shs '000	Revaluation Reserves Shs '000	Retained earnings Shs '000	Total Shs '000
Year ended 31 December, 2014					
At 1 January 2014	900,000	9,766,027	13,087,153	8,207,031	31,960,211
Loss for the year	-	-	-	(5,179,306)	(5,179,306)
Transfer of excess depreciation	-	-	(1,942,034)	1,942,034	-
Deffered income tax on transfer of excess depreciation	-	-	582,610	(582,610)	-
At 31 December 2014	**900,000**	**9,766,027**	**11,727,729**	**4,387,149**	**26,780,905**
Year ended 31 December, 2015					
At 1 January 2015	**900,000**	**9,766,027**	**11,727,729**	**4,387,149**	**26,780,905**
Prior year adjustment					
Deferred tax	-	-	-	1,469	1,469
Profit for the year	-	-	-	(1,207,254)	(1,207,254)
Transfer of excess depreciation	-	-	(1,942,034)	1,942,034	-
Deffered income tax on transfer of excess depreciation	-	-	582,610	(582,610)	-
At 31 December 2015	**900,000**	**9,766,027**	**10,368,305**	**4,540,788**	**25,575,120**

Statement of Cash Flows

	Notes	2015 Shs '000	2014 Shs '000
Operating activities			
Cash generated from operations	**20**	3,007,236	4,526,527
Interest paid/Accrued		(4,237,765)	(4,545,885)
Tax paid		(61,779)	(39,147)
Net cash (used in) operating activities		**(1,292,308)**	**(58,505)**
Investing activities			
Cash paid for purchase of property, plant and equipment	**11**	(536,541)	(515,424)
Adjustment for WIP reversal	**12**	104,250	(314,538)
Proceeds from sale of land		3,303,589	30,000
Cash paid for investment in fixed deposits		(1,000,000)	-
Net cash from/used in investing activities		**1,871,298**	**(799,962)**
Financing activities			
Repayment of leases		(15,754)	(324,621)
Proceeds from bank and shareholder's loan		3,508,743	3,537,935
Repayments of loans		(2,975,564)	(2,548,440)
Net cash from financing activities		**517,425**	**664,874**
Increase/ (decrease) in cash and cash equivalents		**1,096,415**	**(193,593)**
Movement in cash and cash equivalents			
At start of year	**16**	306,353	499,946
Increase/ (decrease)		1,096,415	(193,593)
At end of year	**16**	**1,402,768**	**306,353**

Significant Accounting Principles

1(a) General information

Uganda Clays Limited is incorporated in Uganda under the Companies Act as a public limited liability company, and is domiciled in Uganda.

1(b) Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with International Financial Reporting Standards (IFRS).

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting 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 accounting policy (b) below.

Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of 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 7 Disclosures Offsetting Financial Assets and Financial Liabilities
- IFRS10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities.
- IFRS 13 Fair Value Measurement
- IAS 19 Post Employee Benefits(Amendment)
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised 20 11)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- IAS 1 Presentation of Items of Other Comprehensive Income (Amendment)
- Improvements to IFRS (issued in 2012)

The adoption of the standards or interpretations is described below:

IFRS 13 Fair Value Management

The amendment is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single framework for all fair value measurement (financial and non financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The amendments had an impact on the company's disclosures. See note 1(E) for further disclosures.

Adoption of new and amended standards and interpretations (continued) IAS 1 Presentation of Items of Other Comprehensive Income Amendments to IAS 1

The amendments to IAS 1 which were effective for annual periods beginning on or after 1 July 2012, introduce a grouping of items presented in OCI. Items that will be reclassified ("recycled") to profit or loss at a future point in time (e.g: net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g; revaluation of land and buildings). The amendments affect presentation only and have no impact on the Company's financial position or performance.

IAS 19 Employee benefits (Amendment)

The amendments are effective for annual periods beginning on or after 1 January 2013. The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re wording. The more significant changes include the following:

- For defined benefits plans, the ability to defer recognition of actuarial gains and losses (i.e; the corridor approach) has been removed. As revised, amounts recorded in profit or loss are limited to currrent and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability), including
- Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- The distinction between short term and other long term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

The amendment had no impact on the Company's financial statements.

Improvements to IFRS 2009 2011 Cycle (issued in 2012 effective for annual periods beginning on or after 1 January 2013)

IAS 1 Presentation of Financial Statements (Amendments). The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. The improvement did not have an impact on the financial statements.

IAS 16 Property, Plant and Equipment (Amendment). The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The improvement did not have an impact on the financial statements.
IAS 32 Financial Instruments: Presentation. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The improvement did not have an impact on the financial statements.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretation issued, which the company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company expects that adoption of these standards, amendments and interpretation in most cases not to have any significant impact on the Company's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it will have an impact the Company is still assessing the possible impact.

Amendment to IAS 32 Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities

The amendments are effective for annual periods.

The following new standards and amendments to standards are mandatory for the first time the financial year beginning 1 January 2010.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

a) 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 business and is stated 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 a specific criteria has been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measured 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, type of transaction and specifics of each arrangement.

Revenue is recognised as follows:

i. Sale 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.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the finacial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss and other comprehensive incomes.

b) 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 (functional currency). Transactions in foreign currencies are converted into Uganda Shillings using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss

On monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.The gain or loss arising on transaction of non monetary items measured at fair value of the item (i.e, transaction differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively)

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met.

Land, buildings, plant and machinery are subsequently shown at fair value, based on revaluations every 3 5 years, 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 its 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 their 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 the statement of profit or loss and other comprehensive incomes. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of profit or loss and other comprehensive income) and depreciation based on the assets original cost is transferred from the revaluation reserves 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 lives. The annual rates used are as follows:

	Rate %
Plant and machinery	10%
Furniture and office equipment	10%
Motor vehicles	25%
Computers equipment and accessories	33.3%
Leasehold land & Buildings	Over the shorter of the lease period and useful life of bulidings

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 transfered 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 operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Any items of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

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.

d) Impairment of non financial assets

Assets 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 of disposal and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For the purposes of assesing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An asset's carriying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for property previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI upto the amount of any previous revaluation.

A previous 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 neither exceeds its recoverable amount, nor the carrying amount that would have been determined, net of depreciation, had not impaired loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount in which case, the reversal is treated as a revaluation increase.

e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substantial arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangemnt conveys a right to use the asset or assets, even if the right is not explicitly specified in an arrangement.

Financial leases

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the leases at the fair value of the leased property or, if lower , at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease laibility so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainlty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The details of the finance lease are in note 18

Operating lease

Leases in which the Company does not transfer substantially, all the risks and benefits of ownership of an asset are classified as operating leases. Leashold 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 profit or loss on a straight line basis over the lease term.

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by first in, first out (FIFO). The cost of finished goods and work in progress comprises of raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense.
Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

g) Financial assets and liabilities

Financial assets

The Company's financial assets with in the scope of IAS 39 are classified as loans and receivables. The Company's financial assets include the following category:

Receivables: Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the statement of financial position date. All assets with maturities greater than 12 months after the statement of financial position date are classified as non current assets. Loans and receivables are classified as trade and other receivables in the statement of financial position. Such assets are carried at an amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the statement of other Comprehensive income.

h) Trade receivables

Trade receivables are recognised at fair value and subsequently measured at an amortised cost using the effective interest rate method, less impairment.

Impairment of trade receivables is recognised in the statement of comprehensive income and expenditure under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The provision is based on the difference between the carrying amount and the present fair value of the expected cash flows, discounted at the effective interest rate. Receivables not collectable are written off against the impairment. Subsequent recoveries of amounts previously written off are credited to the statement of other comprehensive income under other operating income in the year of their recovery.

i) 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 cash flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of understanding bank overdrafts.

j) Trade payables

Trade payables are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Amortisation is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate. The amortisation is included in profit and loss.

k) Taxation

Current income tax

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

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

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

Deferred income tax

Deferred tax is provided in full, using the liability method, on all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income 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 income tax is determined using tax rates enacted or subsequently enacted at the balance sheet date and are expected to apply when the related deferred income 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 temporary timing differences can be utilised.

The carrying amounts of the deferred income tax assets are reassessed at each reporting date and reduced to the extent that it is nolonger probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are re assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will be available to enable the deferred income tax asset to be recovered. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right to set off current tax assets aginst current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

l) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation 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 only when the reimbursement is virtually certain.

m) Employee retirement benefits

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held in separate trustee admninistered 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 benfits relating to employees service in the current and prior periods. The Company and all prior oeriods. 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 chardes to profit or loss in the year in which they fall due.

The Company's bonus, gratuity and termination payments are harged to profit or loss in the year in which they fall due.

n) Borrowings

Borrowings are recognised at a fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of other comprehensive income over the period of the borrowings.

o) 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.

p) Comparatives

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

Notes to the Financial Statements

		2015 Shs '000	2014 Shs '000
1.	**Revenue**		
	Roofing tiles	15,132,661	11,789,942
	Half bricks	1,527,882	1,763,411
	Maxpans	4,536,933	5,744,652
	Ridges	782,350	732,379
	Other products	2,132,139	2,082,233
		24,111,965	**22,112,617**
2.	**Operating loss**		
	The following items have been charged in arriving at operating loss/Profit :		
	Depreciation on property, plant and equipment (Note 11)	4,279,008	4,398,888
	Amortisation of prepaid operating lease rentals (Note 12)	33,932	33,395
	Auditors' remuneration	35,000	30,050
	Employee benefits expense	5,276,410	5,956,399
	Staff costs (Note 3)	1,914,747	1,948,098
3.	**Staff costs**		
	Salaries and wages	1,869,470	1,908,534
	Other staff costs	45,277	39,564
		1,914,747	**1,948,098**
4.	**Finance costs/(incomes)**		
	Interest expense		
	bank overdrafts	3,240	336,535
	forex loss	11,142	-
	finance leases	263	23,515
	interest on borrowings	4,012,724	3,915,904
	interest on unpaid gratuity	210,396	269,931
		4,237,765	**4,545,885**

5. Income tax

a) Income tax expense
(i) Charge to profit

Current tax	-	-
Deferred tax charge/(credit) (Note 10)	171,876	(1,109,592)
	171,876	**(1,109,592)**
(ii) Charge to other comprehensive income		
Deffered income tax	**-**	**-**

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

	2015 Shs '000	2014 Shs '000
Loss before tax	(1,035,378)	(6,288,898)
Tax calculated at a tax rate of 30% (2014: 30%)	(310,613)	(1,886,669)
Expenses not deductible for tax purposes	958,812	654,817
Income not subject to tax	-	-
Deffered tax movement on balances	-	122,260
Tax charge/(credit)	**648,199**	**(1,109,592)**

b) Current income tax recoverable

The movement in current tax recoverable is as follows:

At 1 January	**240,776**	**201,629**
Current income tax paid	61,779	39,147
At 31st December	**302,555**	**240,776**

6. Loss per share

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

	2015 Shs '000	2014 Shs '000
Profit/(Loss) attributable to shareholders (Shs'000)	(1,207,254)	(5,179,306)
Weighted average number of ordinary shares in issue('000)	900,000	900,000
Basic and diluted (loss)/earnings per share (Ushs/share)	**(1.34)**	**(5.75)**

7. Issued capital

	Number of shares	Issuedcapital Ushs'000	Issuedpremium Ushs'000
At start of year	900,000,000	900,000	9,766,027
At end of year	900,000,000	900,000	9,766,027

The total authorised number of ordinary shares as at 31 December 2015 and 2014 was 900,000,000 with a par value of UShs 1. All issued shares are fully paid up.

8. 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.

	2015 Shs '000	2014 Shs '000
At 1 January	11,727,729	13,087,153
Transfer of excess depreciation for the year	(1,942,034)	(1,942,034)
Deferred tax on depreciation transfer	582,610	582,610
At end of year	**10,368,305**	**11,727,729**

9. Borrowings

	2015 Shs '000	2014 Shs '000
Non current portion		
Bank loan	-	1,321,075
Shareholder's loan NSSF (Note 21)	19,702,637	18,130,547
Total non current portion	**19,702,637**	**19,451,622**
Current		
Bank loan	-	1,514,684
Bank overdraft	-	139,806
Shareholder's loan NSSF (Note 21)	3,508,743	1,572,090
Total current portion	**3,508,743**	**3,226,580**
Total borrowings	**23,211,380**	**22,678,202**

The movement in borrowings is as follows:

	2015 Shs '000	2014 Shs '000
At 1 January	**22,678,202**	**21,688,708**
Loan received from banks	-	2,300,000
Accrued interest	3,508,743	4,944,319
Overdraft received	-	139,805
Overdraft repayments	(3,240)	(1,912,811)
Loan repayments	(2,972,325)	(4,481,819)
At 31 December	**23,211,380**	**22,678,202**

Weighted average effective interest rates:

	2015 %	2014 %
Bank overdraft	-	19.05
Bank borrowing	-	19.05
Shareholder's loan NSSF	15.00	15.00

Maturity of non current borrowings		
Between 1 and 2 years	19,702,637	3,144,180
Between 2 and 5 years	-	4,716,269
Over 5 years	-	11,591,173
Non current portion	**19,702,637**	**19,451,622**

10. Deferred tax

Deferred tax is calculated on all temporary differences using the liability method and a principal tax rate of 30% (2014: 30%). The movement on the deferred tax account is as follows:

	2015 Shs '000	2014 Shs '000
At 1 January	7,523,255	8,632,847
Income statement charge/(credit)	170,407	(1,109,592)
At end of year	**7,693,662**	**7,523,255**

Deferred tax liabilities and (assets), deferred tax charge/(credit) in the income statement is attributable to the following items:

	At 01 January Shs'000	Charged to statement of comprehensive income Shs'000	Prior year adjustment Shs'000	At 31 December Shs'000
Deferred tax liabilities				
historical cost	7,719,130	(546,253)	19,174	7,192,051
revaluation surplus	6,211,713	-	-	6,211,713
	13,930,843	**(546,253)**	**19,174**	**13,403,764**
Deferred tax assets				
Tax losses carried foward	(4,604,716)	1,793,062	(20,643)	(2,832,297)
Other deductable temporary differences	(1,802,872)	(1,074,933)	-	(2,877,805)
	(6,407,588)	**718,129**	**(20,643)**	**(5,710,102)**
Net deferred tax liability	**7,523,255**	**171,876**	**(1,469)**	**7,693,662**

11. Property, plant and equipment

Year ended 31 December 2015

	Freehold land & 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 or valuation						
At start of year	13,765,800	60,743,080	750,823	3,035,492	1,965,001	80,260,196
Disposals	(207,776)	-	-	-	-	(207,776)
Additions	-	129,549	145,139	-	261,853	536,541
Transfers/ Capitalization	6,913	329,759	-	-	(336,672)	-
At end of year	**13,564,937**	**61,202,388**	**895,962**	**3,035,492**	**1,890,182**	**80,588,960**
Depreciation						
At start of year	2,114,903	20,539,500	495,549	2,944,337	-	26,094,289
Disposals	(17,658)	-	-	-	-	(17,658)
Charge for the year	266,107	3,906,854	95,689	10,358	-	4,279,008
At end of year	**2,363,352**	**24,446,354**	**591,238**	**2,954,695**	**-**	**30,355,639**
Net book value						
At end of year	**11,201,585**	**36,756,034**	**304,724**	**80,797**	**1,890,182**	**50,233,321**

Year ended 31 December 2014

	Freehold land & 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 or valuation						
At start of year	13,765,800	60,483,013	692,350	3,009,642	1,909,717	79,860,522
Disposal	-	-	-	(115,750)	-	(115,750)
Additions		260,067	58,473	141,600	55,284	515,424
At end of year	**13,765,800**	**60,743,080**	**750,823**	**3,035,492**	**1,965,001**	**80,260,196**
Depreciation						
At start of year	1,851,358	16,611,330	427,074	2,921,389	-	21,811,151
Disposals	-	-	-	(115,750)	-	(115,750)
Charge for the year	263,545	3,928,170	68,475	138,698	-	4,398,888
At end of year	**2,114,903**	**20,539,500**	**495,549**	**2,944,337**	**-**	**26,094,289**
Net book value						
At end of year	**11,650,897**	**40,203,580**	**255,274**	**91,155**	**1,965,001**	**54,165,907**

12. Prepaid operating lease rentals

The movement of prepaid operating rentals is as follows:

	2015 Shs '000	2014 Shs '000
Cost		
At start of year	569,127	254,589
Reclassification from prepayments	-	314,538
Reclassification to work in progress	(104,250)	-
At end of year	**464,877**	**569,127**
Amortisation		
At start of year	89,134	55,739
Charge for the year	33,932	33,395
At end of year	**123,066**	**89,134**
Net book value	**341,811**	**479,993**

13. Staff advances

Staff advances comprise the following:

	2015 Shs '000	2014 Shs '000
Gross Staff advances	98,678	99,622
Provision for doubtful debts	-	-
	98,678	**99,622**

All staff advances are not secured and due within 1 year from the reporting date. The weighted average interest rate on staff advances was 5%

14. Inventories

Spares and consumables	2,032,685	1,611,270
Work in progress	366,835	2,719,104
Finished goods	2,780,268	3,228,684
Goods in Transit	927,490	70,325
	6,107,278	**7,629,383**

During 2015, Ushs 2,801 million (2014: Ushs 3,029 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales. There are no inventories committed as security.

The net closing inventory of 6.1 billion is net of provision for obsolete and breakages amounting to Ushs. 82,736,295.

Opening inventory worth 1.88 billion work in progress was expensed as a result of excavated clay lost to UNRA construction works.

15. Trade and other receivables

	2015 Shs '000	2014 Shs '000
Trade receivables	1,890,111	1,087,261
Less: provision for impairment of trade receivables	(570,850)	(502,125)
Net trade receivables	**1,319,261**	**585,136**
Prepayments	439,567	383,948
Amount due from employee retirement fund administrator	313,542	313,542
Other receivables	979,898	-
Staff Debtors	18,507	583,798
	3,070,775	**1,866,424**

Trade and other receivables are non interest bearing and are generally on 30 - 90 day terms. As at 31 December 2015, trade receivables of an initial value of Ushs 570,850,048 (2014: Ushs 502,125,000) were impaired and fully provided for. (see credit risk disclosure for further details).

Individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

16. Cash and cash equivalents

	2015 Shs '000	2014 Shs '000
Cash at bank	1,400,534	270,464
Cash in hand	2,234	35,889
Cash at bank and in hand	**1,402,768**	**306,353**

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the above.

The company is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions.

	2015 Shs '000	2014 Shs '000
Cash at bank and in hand	1,402,768	306,353
Bank overdraft (Note 9)	-	(139,806)
	1,402,768	**166,547**

17. Other investments

Fixed deposits	1,000,000	-

During the year, Uganda Clays placed a fixed deposit of 1 Billion shillings with Standard Chartered Bank at an interest rate of 17% with a maturity date of 21st March 2016

18. Retirement benefits obligations

	2015 Shs '000	2014 Shs '000
At 1 January	2,687,561	3,083,713
Contributions for the year	1,396,438	1,244,977
Payments during the year	(2,016,447)	(1,641,129)
At 31 December	2,067,552	2,687,561

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;

- 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
- Employees in salary scales UC 4.1, 4.2 and 5.1: The annual contribution comprises the Company contribution of 20.8% and employee contibution 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 16.7% and employee contribution of 5% of gross monthly salary.

19. Finance leases

	2015 Shs '000	2014 Shs '000
Not later than 1 year current portion	-	15,754
	-	**15,754**

The finance lease related to a facility that was obtained from stanbic Bank Uganda Limited to finance the purchase of machinery and generators. The limit of the transaction was for Ushs 1.6 billion and the interest on the amount drawn is 0.5% below the Uganda Shillings 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.

	2015		2014	
	Minimum Payments	present value of payments	Minimum payments	present value of payments
Within one year	-	-	16,017	15,754
After one year but not more than five years	-	-	-	-
Total minimum lease payments	**-**	**-**	**16,017**	**15,754**
Less amounts representing finance charges	-	-	(263)	-
Present value of minimum lease payments		**-**	**15,754**	**15,754**

20. Trade and other payables

	2015 Shs '000	2014 Shs '000
Trade deposits	1,946,002	1,686,449
Trade payables	817,614	1,380,912
VAT payable	258,835	593,095
Accrued expenses	347,722	120,763
Unpaid dividends	376,170	376,170
National social Security Fund contributions payable	84,110	344,357
Pay As You Earn	151,248	591,155
Other payables	27,771	9,880
Total trade and other payables	**4,009,472**	**5,102,781**

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 have an average term of six months.

The maturity analysis of trade and other payables is as follows:

At 31 December 2015

	0 to 3 months Shs '000	3 to 6 months Shs '000	6 to 12 months Shs '000	Over 1 year Shs '000	Total Shs '000
Un paid dividends	376,169	-	-	-	376,169
Statutory payables	494,194	-	-	-	494,194
Trade payables	630,054	42,164	6,127	139,269	817,614
Accruals	347,722	-	-	-	347,722
Other payables	27,771	-	-	-	27,771
Trade deposits	1,946,002	-	-	-	1,946,002
	3,821,912	**42,164**	**6,127**	**139,269**	**4,009,472**

21. Cash from/(used in) operations

	2015 Shs '000	2014 Shs '000
Reconciliation of Loss before tax to cash from operations		
Loss before tax	(1,035,378)	(6,288,898)
Adjustments for:		
Depreciation (Note 11)	4,279,008	4,398,888
Amortisation of prepaid operating lease rentals (Note 12)	33,932	33,395
Profit from sale of property	(3,113,471)	(30,000)
Net interest expence	4,237,765	4,545,885
Changes in working capital:		
Inventory	1,522,105	3,112,306
Trade and other receivables	(1,204,351)	(282,719)
Trade and other payables	(1,093,309)	(601,121)
Staff loans	944	34,943
Retirement benefits obligation	(620,009)	(396,152)
Cash from operations	**3,007,236**	**4,526,527**

22. Related party transactions

The following transactions were carried out with related parties:

	2015 Shs '000	2014 Shs '000
i) Key management compensation		
Salaries and other short term employment benefits	1,036,882	1,023,906

The key management personnel include the Managing director, Internal audit manager, Finance manager, Human resource and administration manager, Quality manager, Marketing manager and production manager.

	2015 Shs '000	2014 Shs '000
ii) Directors' remuneration		
Fees	54,042	44,375
Other	74,629	59,547
	128,671	**103,922**
iii) Shareholder's loan		
At 1st January	19,702,637	16,666,943
Accrued interest	3,508,743	3,035,694
At 31 December	**23,211,380**	**19,702,637**
Current portion	3,508,743	1,572,090
Non current portion	19,702,637	18,130,547
	23,211,380	**19,702,637**

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 7.1 billion was drawn 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).

During 2012, Ushs 0.87 billion was drawn down to pay off critical current liabilities.

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 accrued during the grace period. Interest amounting to, Ushs 2.07 billion , 2.22 billion, 3.04 billion and 3.508 billion was accrued as at 31 December 2012, 2013,2014 and 2015 respectively.

23. Financial risk management objectives and policies

Financial Risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, 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 the Company's financial performance.

Risk management is carried out by the board of directors. The board identifies, evaluates and hedges financial risks in close co operation with various staff in the Company.

a) Market Risk

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 variations in other currencies donot 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.

At 31 December 2015	SSP	USD	Ushs	Ushs
Financial assets				
Trade and other recievables	-	-	3,070,775	3,070,775
Staff loans	-	-	98,678	98,678
Cash and bank balances	131,174	71,663	1,199,931	1,402,768
	131,174	**71,663**	**4,369,384**	**4,572,221**
Financial liabilities				
Retirement benefit obligations	-	-	2,067,552	2,067,552
Finance lease: non current portion	-	-	-	-
Borrowings: non current portion	-	-	19,702,637	19,702,637
Trade and other payables		-	4,009,472	4,009,472
Finance lease: current portion	-	-	-	-
Borrowings: current portion	-		3,508,743	3,508,743
	-	**-**	**29,288,404**	**29,288,404**
Net foreign exchange gap		**202,837**		

At 31 December 2014				
Financial assets				
Trade and other receivables	-	-	1,296,530	1,296,530
Staff loans	-	-	99,622	99,622
Cash and bank balances	-	206,462	99,891	99,891
		206,462	**1,496,043**	**1,702,505**
Financial liabilities				
Retirement benefit obligation	-	-	2,687,561	2,687,561
Finance lease: non current portion		-	-	-
Borrowing: non current portion	-	-	17,574,752	17,574,752
Trade and other payables		-	4,532,886	4,532,886
Finance lease: current portion	-	-	15,754	15,754
Borrowings: current portion	-	-	5,103,450	5,103,450
	-	**-**	**29,914,403**	**29,914,403**
Net foreign exchange gap		**206,462**		

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

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 on page 33 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

As at 31 December 2015	1 to 3 months Ushs '000	3 months to 1 year Ushs '000	1 - 5 years Ushs '000	Non interest bearing Ushs '000	Total Ushs '000
Financial assets					
Trade and other receivables	-	-	-	327,271	327,271-
Staff loans	4,775	93,903	-	-	98,678
Cash and bank balances	-	-	-	1,402,768	1,402,768
	4,775	**93,903**	**-**	**1,703,039**	**1,828,717**
Financial liabilities					
Finance leases	-	-	-	-	-
Retirement benfit obligation	-	-	-	2,067,552	2,067,552
Trade and other payables	-	-	-	4,009,472	4,009,472
Borrowings	-	-	20,592,838	-	20,592,838
	-	**-**	**20,592,838**	**6,077,024**	**26,669,862**
Interest rate gap	**4,775**	**93,903**	**(20,592,838)**	**(4,346,985)**	**(24,841,145)**

As at 31 December 2014	1 to 3 months Ushs '000	3 months to 1 year Ushs '000	1 to 5 years Ushs '000	Non interest bearing Ushs '000	Total Ushs '000
Financial assets					
Trade and other receivables	-	-	-	912,584	912,584
Staff loans	3,658	95,964	-	-	99,622
Cash and bank balances	-	-	-	1,583,705	1,583,705
	3,658	**95,964**	**-**	**2,496,289**	**2,595,911**
Financial liabilities					
Finance leases	15,754	-	-	-	15,754
Retirement benefit obligation	2,687,561	-	-	-	2,687,561
Trade and other payables	-	-	-	4,508,161	4,508,161
Borrowings	954,268	2,443,387	19,280,547	-	22,678,202
	3,657,583	**2,443,387**	**19,280,547**	**4,508,161**	**29,961,678**
Interest rate gap	**(3,653,925)**	**(2,347,423)**	**(19,280,547)**	**(2,083,872)**	**(27,365,767)**

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 of deposits and balances due from banks, loans, recievables, 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 (2014:3%), the impact on the Company's profit before tax and equity is as follows:

	2015 Ushs '000	2014 Ushs '000
Profit before tax		
Cash flow interest rate risk	679,812	761,446
Equity	475,868	533,012

Fair values of assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2015 Ushs '000	2014 Ushs '000	2015 Ushs '000	2014 Ushs '000
Non current assets				
Property, plant and equipment	50,233,321	54,165,907	50,233,321	54,165,907
Prepaid operating lease rentals	341,811	490,039	650,000	650,000
	50,575,132	**54,655,946**	**50,883,321**	**54,815,907**
Current assests				
Current income tax recoverable	302,555	240,776	302,555	240,776
Staff loans	98,678	99,622	98,678	99,622
Inventories	6,107,279	7,629,383	6,107,279	7,629,383
Trade and other receivables	3,070,775	1,296,530	3,070,780	1,296,530
Cash and bank balances	1,402,768	306,353	1,402,768	306,353
	10,982,055	**9,572,664**	**10,982,060**	**9,572,664**

Total Assets	**61,557,187**	**64,228,610**	**61,865,381**	**64,388,571**
Non current liabilities				
Finance lease: non current portion	-	-	-	-
Borrowings: non current portion	19,702,637	19,280,547	19,702,637	19,280,547
	19,702,637	**19,280,547**	**19,702,637**	**19,280,547**
Current liabilities				
Retirement benefit obligations	2,067,552	2,687,561	2,067,552	2,687,561
Finance lease: current portion	-	15,754	-	15,754
Borrowings: current portion	3,508,743	3,397,655	3,508,743	4,547,655
Trade and other payables	4,009,472	4,532,886	4,009,472	4,532,886
	9,585,767	**10,633,856**	**9,585,767**	**11,783,856**
Total Liabilities	**29,288,404**	**29,914,403**	**29,288,404**	**31,064,403**

Fair values of assets and liabilities

The fair values of the Company's financial assets and liabilities are included at the amount at which the instrument could be exchanged in an ordinary transaction between willing parties other than in a forced or liquidation sale

The following table represents the fair value measurement hierarchy for the groups assets at fair value

	Total Ushs '000	Quoted prices in active markets (Level 1) Ushs '000	Significant observable inputs (Level 2) Ushs '000	Significant unobservable inputs (Level 3) Ushs '000
At 31 December 2015				
Revalued property, plant and equipment	50,233,321	-	-	50,233,321
	-	**-**	**-**	**-**
At 31 December 2014				
Revalued property, plant and equipment	54,165,907	-	-	54,165,907

The carrying amounts of property, plant and equipment no longer equal to their fair value as the last revaluation was done as at 31 December 2012.

The following methods and assumptions were used to estimate the fair values:

Trade and other receivables and staff loans are evaluated by the Company based on parameters such as individual credit worthiness of the customer/staff. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2015, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of loans from banks and other financial liabilities, as well as other non current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The risk of the Company's plant and equipment is determined based on the property valuations which were done by a proffesional valuer on the basis of the open market value and the plant and equipment were valued on a depreciated replacement cost basis. The last revaluation was done as at 31 December 2012 and the management estimates that the carrying amounts do not materially differ from their fair values as at 31 December 2015.

b) Credit Risk

Credit risk arises from bank balances, loans and other trade 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:

	2015 Ushs '000	2014 Ushs '000
Bank balances	1,402,768	270,464
Trade receivables	1,890,111	1,097,260
Staff loans	98,678	99,622
Amount due from employee retirement fund admnistrator	313,543	313,542
Staff and other receivables	12,218	3,906
	3,717,318	**1,784,794**

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.

The analysis of trade receivables is below:

	2015 Ushs '000	2014 Ushs '000
Neither past due nor impaired	228,284	229,261
61 to 180 days	82,510	121,284
181 to 360 days	115,672	244,590
Total past due but not impaired	**198,182**	**365,874**
Impaired past due by >360 days	570,850	502,125
Gross amount	1,890,111	1,087,261
Less: Allowance for impairment	(570,850)	(502,125)
Net amount	**1,319,261**	**585,136**

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

	2015 Ushs '000	2014 Ushs '000
Movement on allowance for impairment		
At 1 January	502,125	502,125
Add: Charge for the year	68,725	-
At 31 December	**570,850**	**502,125**

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through 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 into a 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.

	Less than 1 year	Between 1 and 2 years	Over 2 years
At 31 December 2015:			
Borrowings (excluding finance leases)	-	-	23,211,380
Finance leases	-		-
Trade and other payables	3,870,203	139,269	-
	3,870,203	**139,269**	**23,211,380**
At 31 December 2014:			
Borrowings (excluding finance leases)	3,397,655	3,144,180	14,986,367
finance lease	15,754	-	-
Trade and other payable	4,532,886	-	-
	7,946,295	**3,144,180**	**14,986,367**

23. Contigencies

The company is involved in one legal and court case which is yet to be concluded upon by the date of authorisation of these financial statements. The case is not of a liability in nature.

24. Capital Risk Management

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

The debt to capital ratio at 31 December 2015 and 2014 were as follows:

	2015 Ushs '000	2014 Ushs '000
Total borrowings	19,702,637	22,678,202
Less cash and cash equivalents (Note 16)	(1,402,768)	(306,353)
Net Debt	18,299,869	22,371,849
Total Equity	25,575,121	26,780,905
Total Capital	**43,874,990**	**49,152,754**
Gearing Ratio %	42	46

25. Segment Information

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

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

	Kajjansi factory Ushs '000	Kamonkoli factory Ushs '000	Total Ushs '000
Revenue	18,354,753	5,757,212	24,111,965
profit /(loss) before income tax	6,040,670	(7,076,048)	(1,035,378)
Income tax expense/ (credit)	(171,876)	-	(171,876)
Profit/ (Loss) after tax	5,868,794	(7,076,048)	(1,207,254)
Depreciation	871,795	3,407,213	4,279,008
Interest expense	226,420	4,011,345	4,237,765
Amortisation	33,932	-	33,932

The segment results for the year ended 31 December 2014 were as follows:

	Kajjansi factory Ushs '000	Kamonkoli factory Ushs '000	Total Ushs '000
Revenue	17,904,059	4,208,559	22,112,618
Profit / (loss) before income tax	2,854,904	(9,143,802)	(6,288,898)
Income tax expense / (credit)	57,589	1,052,003	1,109,592
Profit / (loss) after tax	2,919,543	(8,098,849)	(5,179,306)
Depreciation	229,028	4,169,860	4,398,888
Interest expense	236,682	4,309,203	4,545,885
Amortisation	33,395	-	33,395

Statement of financial position

	Kajjansi factory Ushs '000	Kamonkoli factory Ushs '000	Total Ushs '000
31 December 2015			
Total assets	28,988,632	33,568,554	62,557,186
Total liabilities	36,832,900	149,165	36,982,065
Capital expenditure	303,759	232,782	536,541
31 December 2014			
Total assets	27,945,767	36,842,691	64,788,458
Total liabilities	44,690,348	(6,682,795)	38,007,553
Capital expenditure	455,139	60,285	515,424

26. Country of incorporation

Uganda Clays Limited is incorporated in Uganda under the Companies Act and domiciled in Uganda.

27. Currency

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

DIRECT COSTS

	2015 Shs '000	2014 Shs '000
(i).Cost Of Sales		
Opening stock of finished goods and work in progress	4,064,268	8,976,762
Production costs (ii)	15,449,635	14,854,468
Closing stock of finished goods and work in progress	(3,147,104)	(5,947,788)
	16,366,799	**17,883,442**

	2015 Shs '000	2014 Shs '000
(ii).Production Costs		
Clay processing and product moulding	789,963	531,926
Depreciation of plant	4,132,653	4,249,660
Drying process	49,107	70,026
Electricity and generator	1,817,063	1,374,522
Factory general maintenance	228,069	163,610
Kilns (baking process)	2,784,328	3,027,057
Other production overheads	1,476,874	1,432,005
Quarry and silo	697,004	463,510
Salaries and allowances production staff	735,442	720,236
Wages and allowances production staff	1,847,777	1,935,735
Sales outlet expenses	503,091	331,715
Transport	388,264	554,466
	15,449,635	**14,854,468**

SCHEDULE OF OTHER INCOME AND EXPENDITURE

	2015 Shs '000	2014 Shs '000
(iii). Other Income		
Compensation on Land	3,362,202	-
Rent and other incomes	103,364	112,690
Costs associated with land compensation	(248,731)	-
	3,216,835	**112,690**
(iv).Distribution Expenses		
Business promotion	697,940	995,865
Communication	6,056	29,256
Public relation and entertainment	4,330	2,692
Sports and recreation	10,310	5,513
Subscriptions	15,366	6,716
Research and development	19,525	900
Total distribution costs	**753,527**	**1,040,942**
(v).Administrative Expenses		
Annual general meeting	69,770	49,409
Audit expenses	35,000	35,531
Provision for impairment of trade receivables and staff loans	37,883	-
Company house maintenance	3,990	4,400
Compound maintenance	5,842	3,418
Consultancy	143,142	79,027
Depreciation	146,355	149,497
Directors fees and allowance	128,671	103,923
Insurance	96,277	51,436
Rental expenses	8,100	7,184
Legal fees and expenses	156,450	148,500
Local travel	122,115	164,744
Office building maintenance	10,228	7,461
Office equipment maintenance	61,948	39,992
Printing and stationery	31,390	28,394
Registrar fees	35,544	28,262
Security	101,676	100,783
Tax consultancy	9,682	38,438
Transport costs	63,778	28,637
Travel abroad	57,571	39,500
Other expenses	379,998	517,642
Uniforms	-	4,523
Software Licenses and support	10,432	-
Utilities	288	3,787
Property tax expense	75,865	272,615
Communication	87,781	60,535
Amortisation charge	33,932	33,395
Total administrative expenses	**1,913,708**	**2,001,033**

SCHEDULE OF INCOME AND EXPENDITURE

	2015 Shs '000	2014 Shs '000
(vi). Other Operating Expenses		
Bonus	217,004	44,455
Gratuity/pension	378,275	334,987
Leave transport and allowance	91,406	118,120
Medical expenses	44,820	52,198
NSSF Company contribution	233,140	226,193
Salaries and allowances	1,869,470	1,908,534
Staff Welfare	108,684	82,072
Termination pay	27,467	12,581
Training costs	6,062	36,794
Wages and allowances	190,695	209,829
Foreign exchange loss	-	1,024
Bank Charges		
Total other operating expenses	**3,208,859**	**3,042,903**

	2015 Shs '000	2014 Shs '000
(vii).Finance Costs		
Finance Lease Charges	263	23,515
Forex Loss	11,142	-
Interest on Overdraft	3,240	336,535
Interest on unpaid Gratuity	210,396	269,931
Interest expense on borrowings	4,012,724	3,915,904
Total Net finance costs	**4,237,765**	**4,545,885**

Proxy form

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

ANNUAL GENERAL MEETING OF UGANDA CLAYS LIMITED

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

Signed:..

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

Notes:

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

Notes

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