Annual Report 2016

Uganda Clays Ltd

Table Of Contents

Introduction

Celebrating the Women Of Uganda Clays

Reports

Financial Statements

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Uganda Clays Ltd [the Company] in respect of the year ended 31 December 2016 will be convened and held on Friday 7 July 2017 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 9 December 2016.
2. To receive and consider the Directors' report and audited financial statements for the year ended 31 December 2016, 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 31 December 2017 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 2016 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 30 April 2017

Nationality	Category	No. of Members	No. of Shares	Percent Holding
East African	Corporate	145	664,632,939	73.85%
	Individual	2,432	223,745,256	24.86%
		2,577	**888,378,195**	**98.71%**
Foreign	Corporate	3	864,807	0.10%
	Individual	102	10,756,998	1.20%
		105	**11,621,805**	**1.29%**
Grand Totals:		**2,682**	**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 Fund	P.O BOX 7140, Kampala	292,640,000	33
3503	12491	National Insurance Corporation Ltd	P.O. BOX 7134, Kampala	160,783,091	17.9
3676	21741	Kenya Power and Lighting Company	C/O Standard Chartered Bank Ug, P.O. BOX 7111, Kampala	20,207,200	2.2
3450	9318	Bank of Uganda Staff Retirement Scheme	C/O Standard Chartered Bank Ug, P.O. BOX 7111, Kampala	18,836,500	2.1
3682	21806	Central Bank of Kenya Pension Fund	C/O Standard Chartered Bank Ug P.O. BOX 7111 Kampala	16,793,766	1.87
3259	833	Joseph Tukuratiire	P.O. BOX 12822, Kampala	15,125,783	1.68
3683	22098	Timothy Sabiiti Mutebile	P.O. BOX 9193, Kampala	12,748,200	1.42
3608	17337	Eliphaz Maa ri	P.O. BOX 4180, Kampala	12,276,125	1.36
3893	41343	Uganda Development Bank Ltd	P.O. BOX 7210, Kampala	10,147,335	1.13
100000273	77780	National Social Security Fund	PineBridge, Kampala	9,575,568	1.06
			Total number of Shares	**569,133,568**	**63**
			AND:- 2,672 other Shareholders	**330,866,432**	**37**
				900,000,000	**100**

Summary of Shareholders as at 30 April 2017

Range ID	Description	No. of Investors	No Of Shares Held	Percent Holding
1	Less than 500 Shares	90	24,621	0.00%
2	Between 501 and 1,000 Shares	99	83,039	0.01%
3	Between 1,001 and 5,000 Shares	531	1,426,033	0.16%
4	Between 5,001 and 10,000 Shares	494	4,215,911	0.47%
5	Between 10,001 and 50,000 Shares	827	21,088,825	2.34%
6	Between 50,001 and 100,000 Shares	254	19,541,725	2.17%
7	Above 100,001 Shares	387	853,619,846	94.85%
		2,682	**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 9 December 2016. He is also Chairman of Hima Cement Ltd, National Insurance Corporation Ltd and 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 and re-appointed on 9 December 2016. 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

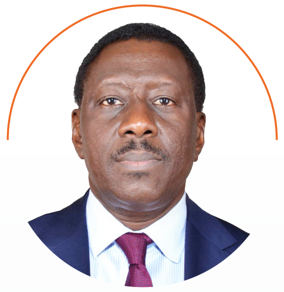
Appointed on 17 October 2014 and re-appointed on 9 December 2015. He is the Managing Director of the National Social Security Fund, a former Managing Director of Nile Bank and Global Trust Bank. He is a member of the Institute of Certified Public Accountants of Uganda.

Mr Joseph Tukuratiire
Director and Chairman of the Board Audit Committee

Appointed 30 August 2013 and re-appointed on 9 December 2016. 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 9 December 2016. 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

1 **Mr. George Inholo**
Managing Director

2 **Mr. Peter Kiwanuka**
Head of Human Resources and Support Services

3 **Ms. Jacqueline Kiwanuka**
Head of Finance

4 **Mr. Martin Mutahi**
Head of Internal Audit

5 **Mr. Nelson Kizza**
Head of Production

6 **Mr. Nazarious Rukanyangira**
Head of Sales and Marketing

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@lexuganda.com
Website: www.lexuganda.com
A member firm of TERRALEX

Registrars

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

Security Central Depository Agents/Brokers

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

African Alliance (Uganda) Ltd
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Plot 1 Pilkington Road
Tel: +256 414 235 577
Fax: +256 414 235575
Email: securities@africanallliance.co.ug.

Crane Financial Brokers (U) Ltd
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P. O. Box 22572 Kampala
Tel: +256 414 341414/345345
Fax:+256 414 231578

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Tel: +256 414 236012/3/4/5
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Email: equity@orient-bank.com

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

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

Principal Bankers

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

Stanbic Bank (U) Limited
P. O. Box 7131, Kampala

Equity Bank (U) Limited
P. O. Box 10184, Kampala

KCB Bank (U) Limited
P. O. Box 7399, Kampala

Housing Finance Bank (U) Limited
P. O. Box 1539, Kampala

Celebrating The Women Of Uganda Clays

Uganda Clays has been committed to the production of the highest quality building products since our inception in 1950. The journey to where we are today has been paved by the efforts of our diligent staff.

As an equal opportunity employer, we salute all the women who have broken stereotypes and written their names alongside their male counterparts and made Uganda Clays who we are.

BETTY Akello
Wheelbarrow Pusher

Betty joined Uganda Clays in 2010 and works as Wheelbarrow Pusher in the moulding section under the production department.

“There were previously a number of challenges, ranging from working night shifts to working in an environment that was then very much male dominated. With persistence, determination and patience I managed to overcome all the challenges. The situation became a lot better when more ladies got employed by the company. “I thank the Almighty God for His endless providence. The management of Uganda Clays Limited deserves due credit for giving women an opportunity to work with them unlike other companies”

LYDIA Akoth Otwal
Yard Assistant

Akoth Lydia Otwal joined UCL in August 2012, attached to the Yard section under Finance department as a yard checker on temporary basis for six months. Her continuous good performance got her confirmed for a permanent job as a Yard Assistant. She is in charge of supervising the correct loading of materials onto customer trucks and taking care of the customers’ safety while in the yard as well as the security of their products as they exist the yard.

“My job involves climbing on to trucks to verify products, this at first was not easy since am a woman and not a man. After several attempts I got the determination and managed to climb trucks with ease, I also started putting on female jean trousers so I could easily climb the trucks to verify products”.

KEZIA Nalunga
Security Guard

Kezia has been in this position for two years. She is responsible for ensuring the safety of property, staff, and guiding customers at all times in an efficient manner.

“The company has to deal with the reality that theft and other crimes can occur on business premises. My role is key in preventing crime, maintaining security, and assisting customers and employees to access the business premises with convenience. When I was new in the role, I was always taken for granted. As a way of averting this challenge, I learnt to assert myself and always stand by the company security procedures.”

REGINA Nakandi
Plumber

Prior to being employed by UCL, Regina did her internship with the company. Due to her outstanding performance she was retained and later confirmed a permanent employee in 2010 as a Plumbing Assistant. In this role she is responsible for troubleshooting, installing, repairing and testing plumbing systems.

“I have gained wide experience, first as a professional and secondly working in a male dominated environment. This has not come naturally, it has been determination and willingness to learn under the guidance of a good supervisor who not only helped develop my career but also helped me in overcoming my fears regarding the job.

I am particularly appreciative of the fact that the company found me worthy to be employed as the first female in an engineering field - something that wasn’t common at that time”.

RACHEAL Zawedde
Medical Laboratory Technician

Racheal has been at Uganda Clays for three years. She contributes to proper diagnosis and treatment of UCL staff and their families by conducting accurate and reliable laboratory tests.

“My role has been key in promoting good health among staff and their families which in turn provides a healthy work force that is productive.

This has improved staff attendance. When I had just joined, male employees were always afraid and shy to let me draw blood and collect urine samples from them. I listened, counseled and created rapport with them. Eventually, they developed confidence and trust in me.”

MARIA Namatovu
Weighbridge Clerk

Maria is currently the youngest female employee who joined on 1st June 2016. Her role is to ensure that accurate weights are taken of all materials received or dispatched by the company.

“I believe my role is critical in curbing the loss of revenue as well as providing value for money for items received from suppliers. In the beginning the role was challenging, mostly because the weighbridge concept was new to the business and therefore met a lot of resistance. Matters were not made any better since it was being implemented by a young lady. However, over time I learnt to assert myself and got very determined to do my job correctly. My colleagues and customers slowly began to accept change”

BARBRA Amuge
Marketing & Communications Officer

Barbra joined Uganda Clays in December 2013 as a Marketing Officer in charge of Customer Care. She later took on more responsibilities. She is now a Marketing & Communications Officer.

“Customer service is about making sure that the customer is king/queen and always happy. At the time I joined, the company was facing major supply challenges and customer complaints were overwhelming.

My first task, which turns out to be the most memorable, is that of resolving customer complaints. With all the complaints that were varying from supply to timely delivery, customers were getting discouraged from buying from us because they thought they were not going to get their products on time. I ensured that these complaints were handled one at a time, each given due consideration and with that, the customers regained confidence in the company and the sales improved by far. As of now, with the help of the other team members, there is no backlog of cases that have been raised and not attended to.

It is very fulfilling to see another person happy. For me, as a woman, I work towards ensuring that everybody gets their money’s worth and at the end of the day a beautiful home that lasts”.

GRACE Atim Ogwang
Quality Assurance Manager

Grace, an industrial ceramist by profession, joined Uganda Clays in August 1996 and is currently the longest serving female employee at Uganda Clays Limited. She has served in various capacities, from Yard Supervisor to heading the kiln and green production sections and then Quality Assurance Officer. In September 2016, she was promoted to Quality Assurance Manager.

"During the time when I was heading the kiln section and green production I supervised 120 and 200 male employees respectively some of whom were older than my late father. Being a female this was not easy, I was despised because of my gender. As a remedy I ensured I meant business and stopped being timid.

Working with diverse teams was a key core competency for my role, a skill I was lacking. I took an initiative to upgrade in Social Sciences and later obtained a postgraduate Diploma in Human Resource Management.

My other major achievement is when I initiated a Target Based Performance System (TBPS) where all factory production teams were given specific targets per shift. This improved labour utilisation and improved the quality of products. It also motivated my direct reports to work better. I am proud that this system was adopted and is still being used by the company.

UCL management greatly observes gender equality; female staff have equal opportunities for job placement. As a result of this, I have shared a lot of experience with male employees and this has helped me manage my family life very successfully."

Joyce joined Uganda Clays Limited in September 1999 as a Purchasing Assistant and in January 2008 was promoted to Procurement Officer until 1st September 2016 when she became the Procurement Manager.

"My role requires me to support and lead the implementation of the company's procurement plan, ensuring that the procurement activities are managed in a manner that adds value to the business. I ensure that procurement activities are compliant with UCL policies and procurement best practice.

My memorable experience is when the company faced cash flow problems and yet the two factories required a lot of spares, parts and consumables. I aggressively negotiated with suppliers to offer spares and services on credit and also accept payment in instalments. This went on until the company's cash flow stabilised. I now confidently engage with and demand for better terms of supply.

I am proud of my achievements thus far and looking forward to contributing to further improvement in the business performance."

JOYCE Nakalembe
Procurement Manager

JACQUELINE Kiwanuka
Head of Finance

Jacqueline has held this position since 1st February 2013. She is responsible for ensuring the financial health of the company and provides financial guidance to management and the Board. She is currently the only female member of the executive management team

"My appointment was received with some skepticism. This was mostly because it was not only rare for a female to join the UCL finance team, but it was also unprecedented for one to head the department. The biggest fear was that a woman could not deal with the financial challenges that the company was experiencing at the time.

Out of the modest successes that I can recall in the period since I joined the company, the one that gives me the most pride is that of improving the company's working capital management. At the time of my recruitment the company was faced with severe cash flow constraints so much so that the day to day running of the business operations was extremely difficult. I spent most of my first year devising means of settling the overwhelmingly high debts and statutory arrears. I was thrown out of my comfort zone because the most critical skill for me to apply at the time was not technical, but rather a whole lot of PR and negotiation. Eventually, with the support of the rest of the team we overcame these challenges.

I never focus on the fact that I am the only female on the executive management team. What is honorable to me is to do a good job while there".

The ladies of the Finance team:
(Seated L-R) Ms. Lydia Akoth Otwal, Ms. Linda Namubiru
(Standing L-R) Ms. Stella Akware, Ms. Betty Nampiya, Ms. Solome Nelima

Reports

CHAIRMAN'S STATEMENT

Performance overview

2016 was a challenging year for business generally. The Uganda economy performed below par following the conclusion of the general elections that were held earlier in the year. South Sudan, which is one of Uganda's main trading partners, continued to experience turmoil. The general global economic outlook was quite bleak. All these factors slowed down the economy.

Despite all these pressures, the Company performed well during the year under review. Revenues grew by 8%. The growth was largely driven through emphasis on the production and sale of fast moving products and the continued emphasis on cost reduction.

Profitability

Having endured some difficult years in the recent past, I am delighted to report that the Company has now turned around from persistent loss to profitability. As is evident from the financial statements in the later pages of this report, the Company registered reasonable performance and returned a profit of UGX 2,373,375,000. The profitability of the Company also improved from 32% in 2015) to 40% in 2016. We are confident that this good performance will be sustained during the current year and beyond.

Dividends

Owing to the improved performance of the Company for the year, the Board of Directors approved the payment of an interim dividend of UGX 1 per share. This was paid in March 2017.

The Board recommends approval of the interim dividend as a final dividend for the year ended 31 December 2016.

Conversion of Shareholder Loan into Equity

As the shareholders will be aware, in 2010 the Company obtained a shareholder loan from the National Social Security Fund [NSSF], which owns 32.5% of the shares of Company.

As at 31-12-2016, the NSSF loan and accrued interest stood at UGX 23.2 billion. On the Company's request, the Board of the NSSF resolved to cap the interest accrual on the loan with effect from 30-6-2015.

The Company and the NSSF have agreed in principle to convert the entire loan and interest into equity. The details of the transaction are being negotiated. Once an agreement is reached, the shareholders will be duly informed and all regulatory approvals will be sought from the CMA and the USE prior to completion of the transaction.

Compensation from UNRA

The Government of Uganda and Uganda National Roads Authority [UNRA] have compulsorily acquired some land at Kajjansi belonging to the Company for the construction of the Kampala-Entebbe Express Way/ Munyonyo Spur. The construction is currently underway.

As a result of the expropriation of the land, the Company has lost large amounts of clay. The Company filed a case in the High Court, Land Division, for compensation for the surface value of the land and economic loss resulting from the loss of the clay.

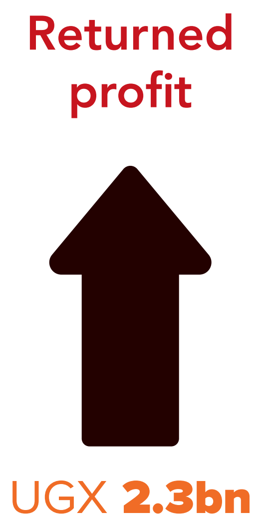
UNRA has paid partial compensation for the land and the Company is still pursuing full compensation for the surface value of the land and for economic loss resulting from the loss of the clay. Verification and computation of the claim has taken some time because UNRA has sought technical advice from several government departments.

Governance

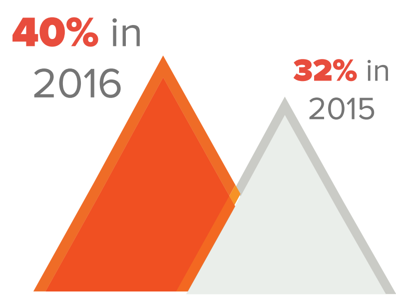
The core function of the Board of Directors is to oversee the management of the business and affairs of the Company on behalf of the shareholders, in accordance with the established corporate governance framework. The Board ensures proper management and functioning of the Company.

The Board of Directors, which is multi-skilled, executed this role satisfactorily through the regular Board meetings. The Board has three Committees, namely the Board Audit & Risk Committee, the Board Administration & Technical Committee and the Board Finance Committee.

I am pleased to report that 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, and has put in place several governance manuals and policies.



Profitability



Economic Contribution

UGX 3.14bn
as VAT

UGX 1.49 billion
income tax

UGX 3.14bn
as customs duties.

Economic Contribution

The Company is a significant player in the building industry and provides 55% of all baked clay building products. With a total workforce of 549, the Company is a major employer in Wakiso and Budaka Districts.

The Company is also a large tax payer. In 2016 the Company paid UGX 3.14 billion as VAT, UGX 1.49 billion as income tax and UGX 116 million as customs duties.

Issues that remain

To sustain growth, the Company will need to replace old machinery, improve drying facilities for green products and complete the Kamonkoli plant. There is also need to acquire more land with clay deposits in the Kajjansi area to guarantee production into the distant future. All these will require substantial amounts of capital expenditure. Given the huge call on the capital resources of the Company, the Board and management will have to prioritize expenditure.

Outlook for the Future

While the start of the year has been challenging, the Company is poised to register growth in 2017 owing to strategies put in place to improve distribution channels and product availability, drive sales and reduce costs. We are optimistic that these strategies will improve the profitability of the Company and bring better returns to the shareholders.

The Board will continue to closely monitor the implementation of the above strategies.

Appreciation

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

I 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.

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

We value the contribution of all who have given value to the business of the Company and assure you all of our continued dedication as we strive for better results in 2017 and beyond.

Dr. Martin Aliker

CHAIRMAN BOARD OF DIRECTORS

The ladies of the Sales & Marketing Team.
(Clockwise) Barbra Amuge, Rebecca Acam, Justine Semakula, Docus Nangobi, Charity Ahumuriza, Vastine Nayebale, Margaret Nassali. (Centre)Irene Isilo.

MANAGING DIRECTOR'S STATEMENT

The Ugandan Economy back then

Over all Uganda's economy grew by 4.6% during the financial year 2015/2016 against a projection of 5.8%. 2016 was an economically difficult year for Uganda's economy. The economy faced numerous challenges due to the continued uncertainty surrounding the recovery in the global economy, weak commodity prices and geo-political issues in our region. As a result, our export earnings, our FDI flows and remittances into Uganda all went down.

The economy was subdued largely due to heightened electioneering leading up to the February 2016 general elections. The Uganda shilling depreciated against the major international currencies for most of the year. Political instability and civil strife in South Sudan was a factor in the economy's subdued performance as exports plummeted during the year by about 55% compared to the prior year.

Consumer demand in the economy continues to be subdued even in 2017 as witnessed in the 1st quarter of the year.

Financial results

Our revenues grew from UGX 24.1bn in 2015 to UGX 26 billion in 2016 representing a growth of 8%. There was a significant improvement in the gross margin during the period (2016 to 40%, 2015 to 32%). This was majorly attributed to the deliberate cost efficiency initiatives put in the business.

Total overheads increased by 10% (2016: UGX 6.4 bn, 2015: UGX 5.8 bn). This increase was due to a worthwhile investment in intensifying marketing activities to grow revenue as well as implementing a comprehensive salary review to improve staff motivation and thereby improving productivity.

Summary of Financial Highlights 2012 – 2016

	2016	2015	2014	2013	2012
	UShs '000	**UShs '000**	**UShs '000**	**UShs '000**	**UShs '000**
Turnover	26,037,358	24,111,965	22,112,617	21,095,645	23,959,107
Profit / (Loss) before tax	4,030,241	(1,035,378)	(6,288,898)	(4,599,235)	3,950,779
Profit / (Loss) after tax (earnings)	2,373,375	(1,207,254)	(5,179,306)	(3,292,912)	2,803,599
Proposed Dividends	900,000	-	-	-	-
Cash generated from operations	3,142,946	3,007,236	4,526,527	6,101,020	4,163,366
Shareholders' funds	28,034,503	25,575,121	26,780,905	31,960,211	35,253,123
Capital expenditure	685,311	536,541	515,424	205,396	17,390,018
Total assets	65,263,855	62,557,186	64,788,458	71,409,755	75,532,248
Per share data					
Dividends per share (UShs)	1	-	-	-	-
Earnings / (Loss) per share (UShs)	2.64	(1.34)	(5.75)	(3.66)	3.12

Major products sold (at both factories)

Products (pieces)	2016	2015	2014	2013	2012
Roofing tiles	8,221,462	8,056,758	7,924,985	8,220,961	12,731,689
Maxpans	1,469,107	1,343,366	1,814,705	1,235,906	1,714,405
Half bricks	2,751,486	3,297,022	4,516,520	4,504,453	5,170,387

One of the major highlights is that finance costs dropped from UGX 4.2b (2015) to UGX 121m (2016). This was largely due to the capping of interest on the shareholder loan. During the year under review the Company operated without any commercial loan.

Finance costs

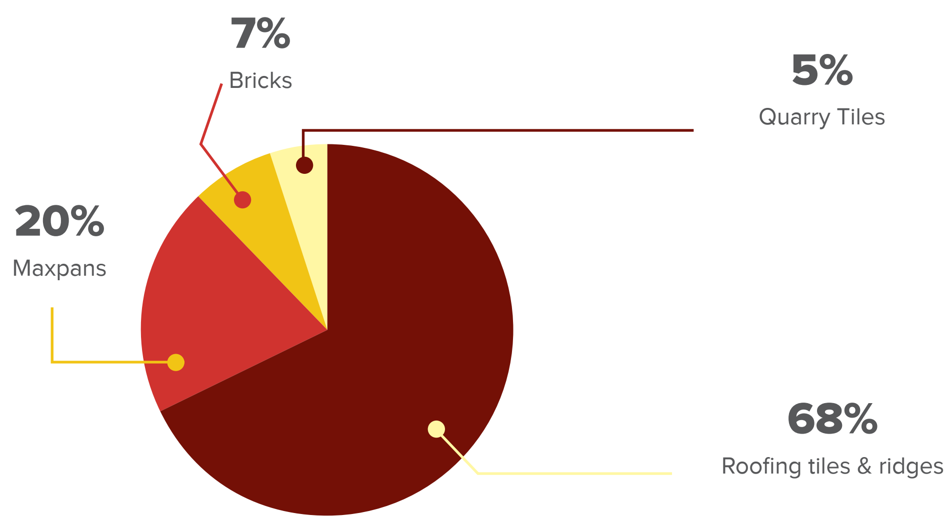
UGX 4.2b (2015)

UGX 121m (2016)

Sales & Marketing

During 2016 roofing tiles, maxpans, bricks and quarry tiles were the major products sold and accounted for over 70% of the Company's revenue.

Value Contribution per Product



Contribution by Segment

Segment		% Contribution
Individuals	*One Off	28%
	*Regular	40%
Corporates	*Construction Firms	20%
	*Agencies	9%
	*Institutions/Parastatals	3%

The 10% growth in the corporate segment is attributed to the bringing on board of 10 hardware dealers in Central and Eastern Uganda.

Challenges in 2016

Sales went down in the period leading up to the general elections in February but improved in March. The civil strife in South Sudan continued to negatively impact on the Company's performance. Predatory pricing continued to affect sales especially of maxpans.
The lack of variety of colours in our products especially roofing tiles has continued to affect us negatively.

Product Research, Development & Innovations

To maintain a competitive edge over the competition, the Company is constantly carrying our research to introduce new product ranges and improve on the quality of the current products.

New products introduced so far on the market are the maxpan 12" and quarry tile size 10x10.

The weight of the maxpan range of blocks has been reduced. This has cut down the cost of production of this product range. Compound clay pavers are still under production trial and are likely to be introduced on the market before the end of this year 2017.

An initiative of packaging our products in pallets was developed in 2016 and implementation is underway. The project will ease loading and offloading of products. Palletizing of products will also reduce breakages that occur during the manual truck loading and will cut costs of loading and offloading.

Brand Positioning & Visibility

We continue to strengthen the Company's brand and enhance brand awareness to improve visibility and loyalty through advertising and promotions in the traditional media, including radio, television and the print media.

Owing to the growth of social media, we seek to enhance our presence in the main social media channels including Facebook, Twitter, YouTube and Instagram.

Agency Set-ups & Partnerships

We have continued to create more channels of distribution of our products countrywide through the establishment of partnerships with hardware dealers and hybrid arrangements with agents to augment our own outlets.

New ways of Working

To strengthen our field presence and supervision, we have recruited new sales executives with the right skills, attitude and experience. We have adopted new ways of working for the sales executives which include:

- Daily performance targets
- Monitoring and regular reviews for all field personnel backed up with daily sales reports
- Weekly itineraries
- Weekly meetings.

Marketing initiatives

In the course of the year, seminars were organized with key decision makers like architects, civil engineers and site foremen to educate them about the product use and application and inform them of our current commission incentives for products recommended and bought.

We have recognized the dominance of Chinese and Indian firms in the construction industry and have introduced theme days to secure increased business from them.

We will also continue to participate in national and regional trade fairs, exhibitions and hold engineers' forums and workshops countrywide.

Production and Quality

In 2016 we continued to put emphasis on the production of fast moving products and the reduction of the cost of production and sales. The table below indicates the 2016 cost of production figures in comparison to 2015.

			2016			2015
	Kajjansi Factory Ushs '000	Kamonkoli Factory Ushs '000	Total Ushs '000	Kajjansi Factory Ushs '000	Kamonkoli Factory Ushs '000	Total Ushs '000
Revenue	19,282,944	6,754,414	26,037,358	18,354,753	5,757,212	24,111,965
Cost of Sales	8,867,903	6,712,264	15,580,167	8,837,535	7,529,264	16,366,799
Percentage COS	45.99%	99.38%	59.84%	48.15%	130.78%	67.88%

The table below shows the production performance of both factories against targets.

	Kajjansi Factory Green Production			Kajjansi Factory Kiln Offloads		
Prime Products	**Budget**	**Actual**	**Percetage**	**Budget**	**Actual**	**Percetage**
Roofing Tiles	7,044,000	7,024,082	100%	5,353,440	4,087,900	76%
Bricks	3,120,000	2,528,898	81%	2,371,200	1,120,376	47%
Maxpans	1,864,992	2,085,361	112%	1,417,392	1,439,214	102%
Blocks	240,000	241,227	101%	151,992	158,987	105%
Grills	240,000	67,335	28%	151,992	63,475	42%
Floor & Quarry Tiles	750,000	820,361	109%	745,872	377,016	51%

	Kamonkoli Factory Green Production			Kamonkoli Factory Kiln Offloads		
Prime Products	**Budget**	**Actual**	**Percetage**	**Budget**	**Actual**	**Percetage**
Mangalore Tiles	4,147,200	4,134,061	100%	3,151,872	2,748,016	87%
Portuguese Tiles	777,600	1,018,784	131%	590,976	793,754	134%
Half brick (Gr&Sm)	1,400,000	2,526,720	180%	1,064,000	2,347,531	221%
Quary Tiles 6*6	200,000	205,968	103%	127,500	288,176	226%
Quary tiles 8*8	400,000	995,584	249%	255,000	684,242	268%

Quarrying, Drying and Kiln Operations

Excavation of clay for both factories is done once a year. This ensures aging of the clay before milling and brings in savings on the cost of production.

Product handling has been improved and drying losses have significantly reduced to less than 5%.

In Kamonkoli the heat duct from the kiln to the drying chambers was successfully installed in 2016. Trial runs have been carried out and the chamber driers will be fully operational later in 2017 on completion of fabrication and installation of drying racks. This will significantly reduce drying time for green products from the current one month to two days. At the Kajjansi factory, drying of green products is through natural means and still takes a month. Depending on availability of funds, we plan to modernize and expand the drying sheds and also set up artificial driers.

With the importation of burner spares and efficient supply of good quality coffee husks throughout 2016, the kiln operations greatly improved and the offloads per week were able to meet the market demand at both Kajjansi and Kamonkoli. Product stock-outs is no longer a problem.

Production challenges

The cost of production at Kamonkoli remains high mainly due to load shedding. Long drying time for green products also remains a challenge for Kajjansi.

The other challenge is over-reliance on coffee husks. We are conducting studies to diversify energy sources to include carbonated bagasse and tire dust. Efforts are under way to identify reliable suppliers for these alternative fuels.

Quality Agenda

Uganda Clays Ltd is the first and the only ISO certified Company in the clay manufacturing industry in Uganda. We acquired the ISO 9001:2008 Certificate in March 2014, awarded by International Certification Services Ltd. A surveillance audit was conducted in January 2015 that further confirmed that the Company remains compliant to the standard and has a well-developed quality management system.

We have also contracted a consultant to train staff in the implementation of the ISO 9001:2015 standards which is in progress. The Company will continue to use this Certification as a marketing tool to expand and consolidate our market share.

Customer Satisfaction

Overall customer satisfaction is high. There has been a marked reduction in customer complaints. We developed a customer complaints log book. All complaints about products are followed up with physical site visits.

Our People

The Company continues to be one of the largest employers in Wakiso and Budaka Districts where the Kajjansi and Kamonkoli factories are respectively located. As of 31st December 2016, the Company had a total work force of 590 employees.

Following the organisational effectiveness review aimed at improving efficiency, we have registered the following achievements during the year:

- New company structure
- Improved remuneration
- New performance culture
- More women in leadership.

Quarrying, Drying and Kiln Operations

Product handling has been improved and drying losses have significantly reduced to less than 5%.

Our People

As of 31st December 2016, the Company had a total work force of 590 employees.

Health & Safety

As a manufacturing concern, we put cardinal emphasis on health and safety for both our staff, customers and visitors. During the year 2016 the position of Health, Safety and Environment Officer was created and filled whose role is to oversee health and safety matters. In addition, a new health and safety policy was adopted.

The Company has invested sufficient resources in health and safety and is considering implementing the Occupational Health and Safety Assessment Series (OHSAS) 18001.

The Company is in the process of conducting a comprehensive environmental audit. We have planned environmental restoration activities including restoration of clay excavation sites, improving the Kajjansi water stream, tree planting and general beautification of the general company premises and the surrounding areas.

Corporate Social responsibility

The Company's internship program with tertiary institutions supported student intake of **40 interns** in 2016

Corporate Social responsibility

Uganda Clays Ltd believes strongly in giving back to the communities where she operates. 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 on 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 in-take of 40 interns in 2016, some of whom 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 support to those Kingdoms on selected projects.

The Future

A new Strategic Plan for the period 2017 – 2021 is being finalized. This will provide a blueprint for the growth and transformation of the business over the next 5 years.

Our priorities will continue to be meeting and exceeding customer's expectations by delivering to them high quality building products at competitive prices and providing 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 marketing 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 standards.

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 a bias for action.

We will continue to put emphasis on building the route to market and ensuring a good customer feel at all our outlets across the country.

Revenue growth, cost savings, upholding quality and innovation will be our hallmarks for the balance of 2017 and 2018.

Finally, I like to take this opportunity to thank all the staff of Uganda Clays for their hard work. We are deeply grateful to our shareholders and directors for the dedication and commitment to the Company. We greatly appreciate our customers, their business and support to the Company.

We believe better and brighter days lie ahead.

Thank you all.

George INHOLO

MANAGING DIRECTOR

Ms. Justine Semakula, Sales Executive

DIRECTORS' REPORT

The Directors submit their report together with the financial statements for the year ended 31 December 2016 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 profit of UGX 2.3 Billion for the year. (2015: loss of UGX 1.2 Billion). The directors recommend the approval of the payment of a final dividend of UGX 1 per share for the year ended 31 December 2016 (2015: nil dividend per share). This has already been paid as an interim dividend.

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 Bayo Folayan	-	Non-Executive Director
7.	Mrs Florence N Mawejje	-	Non-Executive Director
8.	Mrs Marion Adengo Muyobo	-	Non-Executive Director
9.	Ms Penninah Tukamwesiga	-	Non-Executive Director
10.	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 21 to the financial statements, no Director has received or become entitled to receive any benefit other than directors' fees and retainer except the Managing Director.

The total amount of emoluments of the Directors for the year is disclosed in note 21 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 four 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	5/5	100%
2.	Eng. Martin S Kasekende	5/5	100%
3.	Mr. Richard Byarugaba	4/5	80%
4.	Mr Joseph Tukuratiire	5/5	100%
5.	Dr. Ijuka Kabumba	5/5	100%
6.	Mrs. Florence N. Mawejje	5/5	100%
7.	Mr. Bayo Folayan	5/5	100%
8.	Mrs. Marion Adengo Muyobo	5/5	100%
9.	Mrs. Peninnah Tukamwesiga	4/5	80%
10.	Mr. George Inholo	5/5	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 27-4-2017.

By order of the Board,

Lex Uganda Advocates & Solicitors

COMPANY SECRETARY

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2016 which disclose the state of affairs of Uganda Clays Limited (the Company).

Principal Activities

The principal activity of the Company is the production and sale of a wide range of clay building products. The main products according to contribution to total turnover are roofing tiles which accounted for 65% (2015:63%).

Results

	2016 Shs '000	2015 Shs '000
Profit/Loss before tax	4,030,241	(1,035,378)
Tax (charge)/credit	(1,656,866)	171,876
Total Comprehensive profit/ loss for the year	**2,373,375**	**(1,207,254)**

Dividend

The directors recommend the approval of the payment of a final dividend of UGX 1 per share for the year ended 31 December 2016 (2015: nil dividend per share). This has already been paid as an interim dividend.

Directors

The directors who served on the Board during the year ended 31 December 2016 are shown on pages 6 and 7.

Auditors

Jim Roberts & Associates were re-appointed as auditors on 9th December 2016 and have expressed their willingness to continue in office in accordance with section 167(2) of the Companies Act of Uganda, 2012.
By order of the Board,

Lex Uganda Advocates & Solicitors
COMPANY SECRETARY
27 - 4 - 2017

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 2016 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 **27th April 2017** and signed on its behalf by:

DIRECTOR DIRECTOR

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

Opinion

We have audited the accompanying financial statements of Uganda Clays Limited set out on pages 46 to 81, which comprise the statement of financial position as at 31 December, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies' Act of Uganda, 2012.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

Maintaining of an up-to-date inventory ledger

Updating of the Company's inventory ledger was not timely. The reconciliation process was done manually and then adjustments made to the system at the end of each stock take exercise.

Although the Company maintained manual stock records, it may not be able to have timely system generated inventory reports at any one time.

Our approach was to verify if indeed the inventory balance was fairly stated. We did this by:

- Reviewing inventory policies.
- Attending year end stock take.
- Carrying out inventory quantity tests.
- Carrying out inventory valuation.
- Carrying out inventory cut-off tests.
- Specifically reviewing obsolete stock policy for appropriations.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our Objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory 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

iii. The Company's statement of financial position and statement of profit or loss a agreement with the books of account.

Julius Tumuhimbise

ENGAGEMENT PARTNER

The ladies on management:
(L-R) Mrs. Grace Atim Ogwang, Ms. Jacqueline Kiwanuka, Ms. Joyce Nakalembe

Financial Statements

The ladies of the Quality Assurance Team:
(L-R) Ms. Martha Nabawanuka, Ms. Abigail Kansiime

STATEMENT OF PROFIT OR LOSS

	Notes	2016 Shs '000	2015 Shs '000
Revenue	1	26,037,358	24,111,965
Cost of sales		(15,580,167)	(16,366,799)
Gross profit		**10,457,191**	**7,745,166**
Other Incomes			
Compensation on Land		-	3,113,471
Rent and other incomes		141,508	103,364
Total income		**10,598,699**	**10,962,001**
Administrative expenses		(1,684,520)	(1,913,708)
Distribution expenses		(1,034,548)	(753,527)
Other operating expenses		(3,728,228)	(3,208,859)
Loss of Excavated Clay		-	(1,883,520)
Total expenses		**(6,447,296)**	**(7,759,614)**
Operating profit (/loss)		**4,151,403**	**3,202,387**
Net finance costs	4	(121,162)	(4,237,765)
Profit/ Loss before tax		**4,030,241**	**(1,035,378)**
Tax (Charge)/ Credit	5(a)	(1,656,866)	171,876
Total comprehensive profit/ loss for the year		**2,373,375**	**(1,207,254)**

		Ushs/share	Ushs/share
Basic and diluted gain/ (loss) per share	6	2.64	(1.34)

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2016 Shs '000	2015 Shs '000
CAPITAL AND RESERVES			
Issued capital	7	900,000	900,000
Share premium		9,766,028	9,766,028
Retained earnings		7,459,594	4,540,788
Revaluation reserve	8	9,008,881	10,368,305
Proposed dividends		900,000	-
Total equity		**28,034,503**	**25,575,121**
Non-current liabilities			
Deferred income tax liability	10	9,350,180	7,693,661
Borrowings: non-current portion	9	23,211,380	19,702,637
Total non-current liabilities		32,561,560	27,396,298
Total equity & non-current liabilities		**60,596,063**	**52,971,419**
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	11	46,974,425	50,233,321
Prepaid operating lease rentals	12	759,129	341,811
		47,733,554	**50,575,132**
Current assets			
Inventories	14	9,375,090	6,107,278
Trade and other receivables	15	3,382,237	3,070,775
Staff loans	13	94,159	98,678
Current income tax recoverable	5(b)	508,989	302,555
Cash and cash equivalents	16	4,169,826	1,402,768
Fixed Deposits	17	-	1,000,000
		17,530,301	**11,982,054**
Current liabilities			
Retirement benefit obligation	18	124,811	2,067,552
Borrowings: current portion	9	-	3,508,743
Trade and other payables	19	4,542,981	4,009,472
		4,667,792	**9,585,767**
Net current assets		**12,862,509**	**2,396,287**
Total		**60,596,063**	**52,971,419**

The financial statements on pages 46 to 81 were authorised and approved for issue Approved by the Board of Directors on 27th April 2017 and 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	Proposed Dividend Shs '000	Total Shs '000
Year ended 31 December 2015						
At 1 January 2015	900,000	9,766,028	11,727,729	4,387,149	-	26,780,906
Prior year adjustment						
Deferred tax	-	-	-	1,469		1,469
Loss for the year	-	-	-	(1,207,254)	-	(1,207,254)
Transfer of excess depreciation	-	-	(1,942,034)	1,942,034	-	-
Deferred income tax on transfer of excess depreciation	-	-	582,610	(582,610)	-	-
At 31 December 2015	**900,000**	**9,766,028**	**10,368,305**	**4,540,788**	**-**	**25,575,121**
Year ended 31 December 2016						
At 1 January 2016	900,000	9,766,028	10,368,305	4,540,788	-	25,575,121
Prior year adjustment						
Property, plant and equipment	-	-	-	(7,472)	-	(7,472)
Deferred tax	-	-	-	348	-	348
Income tax recoverable	-	-	-	93,131	-	93,131
Profit for the year	-	-	-	2,373,375	-	2,373,375
Proposed dividends	-	-	-	(900,000)	900,000	-
Transfer of excess depreciation	-	-	(1,942,034)	1,942,034	-	-
Deferred income tax on transfer of excess depreciation	-	-	582,610	(582,610)	-	-
At 31 December 2016	**900,000**	**9,766,028**	**9,008,881**	**7,459,594**	**900,000**	**28,034,503**

STATEMENT OF CASH FLOWS

	Notes	2016 Shs '000	2015 Shs '000
Operating activities			
Cash generated from operations	20	3,142,946	3,007,236
Interest paid/Accrued		(102,274)	(4,237,765)
Tax paid		(113,303)	61,779)
Net cash generated from/(used in) operating activities		**2,927,369**	**(1,292,308)**
Investing activities			
Cash paid for purchase of property, plant and equipment	11	(685,311)	(536,541)
Cash paid for prepaid operating lease	12	(475,000)	-
Adjustment for WIP reversal	12	-	104,250
Proceeds from sale of land		-	3,303,589
Prior year proceeds from fixed deposits		1,000,000	-
Cash paid for investment in fixed deposits		-	(1,000,000)
Net cash used in/generated from investing activities		**(160,311)**	**1,871,298**
Financing activities			
Repayment of leases		-	(15,754)
Proceeds from bank and share holder's loan		-	3,508,743
Repayments of loans		-	(2,975,564)
Net cash from financing activities		**-**	**517,425**
Increase in cash and cash equivalents		**2,767,058**	**1,096,415**
Movement in cash and cash equivalents			
At start of year	16	1,402,768	306,353
Increase		2,767,058	1,096,415
At end of year	**16**	**4,169,826**	**1,402,768**

* The accounting policies and notes on pages 50 to 81 form an integral part of these financial statements. Report of the independent auditors - page 40 - 41

SIGNIFICANT ACCOUNTING POLICIES

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
- IFRS 10 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 2011)
- 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 value 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.

(ii) 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 current 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 actuarial gains and losses are recognised in OCI with no subsequent recycling to profit or loss.
- 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 Properties, 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 the 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 for 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 criterion 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 financial 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 buildings

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

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining 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 assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 up to 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 arrangement 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 liability 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 certainty 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. Leasehold land is recognised as an operating lease. Any upfront lease payments are recognised as prepaid lease rentals and recorded under non-current assets to be amortised over the remaining period of the lease on a straight-line basis. Operating lease payments are recognised as an operating expense in 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 within 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 no longer 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 administered funds, which are funded by contributions from both the company and employees. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employees service in the current and prior periods. The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

The Company's contributions to the defined contribution pension scheme are charged to profit or loss in the year in which they fall due. The Company's bonus, gratuity and termination payments are charged 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.

The ladies of the Medical Team:
(L-R) Ms. Claire Barikurungi, Ms. Sarah Namubiru, Ms. Dorah Birungi

NOTES TO THE FINANCIAL STATEMENTS

		2016 Shs '000	2015 Shs '000
1.	**Revenue**		
	Roofing tiles	16,897,949	15,132,661
	Half bricks	1,367,614	1,527,882
	Maxpans	4,905,665	4,536,933
	Ridges	1,117,965	782,350
	Other products	1,418,167	2,132,139
	Bricks	329,998	-
		26,037,358	**24,111,965**
2.	**Operating loss**		
	The following items have been charged in arriving at operating profit:		
	Depreciation on property, plant and equipment (Note 11)	3,936,735	4,279,008
	Amortisation of prepaid operating lease rentals (Note 12)	57,682	33,932
	Auditors' remuneration	35,000	35,000
	Employee benefits expense	-	5,276,410
	Staff costs (Note 3)	2,221,301	1,914,747
3.	**Staff costs**		
	Salaries and wages	2,186,375	1,869,470
	Other staff costs	34,926	45,277
		2,221,301	**1,914,747**
4.	**Finance costs**		
	Interest expense		
	- Bank overdrafts	-	3,240
	- Forex loss	18,888	11,142
	- Finance leases	-	263
	Interest on borrowings	-	4,012,724
	Interest on unpaid gratuity	102,274	210,396
		121,162	**4,237,765**

		2016 Shs '000	2015 Shs '000
5.	**Income tax**		
	a) Income tax expense		
	(i) Charge to profit		
	Current tax	-	-
	Deferred tax charge (Note 10)	1,656,866	171,876
		1,656,866	**171,876**
	(ii) Charge to other comprehensive income		
	Deferred 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:

	2016 Shs '000	2015 Shs '000
Profit/(loss) before tax	4,030,241	(1,035,378)
Tax calculated at a tax rate of 30% (2015: 30%)	1,209,072	(310,613)
Expenses not deductible for tax purposes	447,794	482,489
Tax charge	**1,656,866**	**171,876**

b) Current income tax recoverable

The movement in current tax recoverable is as follows:

	2016 Shs '000	2015 Shs '000
At 1 January	302,555	240,776
Under provision of prior year income tax	93,131	-
Current income tax paid	113,303	61,779
At 31st December	**508,989**	**302,555**

6. **Profit/ loss per share**

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

	2016 Shs '000	2015 Shs '000
Profit/ loss attributable to shareholders (Shs'000)	2,373,375	(1,207,254)
Weighted average number of ordinary shares in issue('000)	900,000	900,000
Basic and diluted earnings/ loss per share (Ushs/share)	**2.64**	**(1.34)**

7. Issued capital

	Number of shares	Issued capital Ushs'000	Issued premium 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 2016 and 2015 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.

	2016 Shs '000	2015 Shs '000
At 1 January	10,368,305	11,727,729
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	**9,008,881**	**10,368,305**

9. Borrowings

	2016 Shs '000	2015 Shs '000
Non-current portion		
Shareholder's loan-NSSF (Note 21)	23,211,380	19,702,637
Total non-current portion	**23,211,380**	**19,702,637**
Current		
Shareholder's loan-NSSF (Note 21)	-	3,508,743
Total current portion	**-**	**3,508,743**
Total borrowings	**23,211,380**	**23,211,380**
The movement in borrowings is as follows:		
At 1 January	23,211,380	22,678,202
Accrued interest	-	3,508,743
Overdraft repayments	-	(3,240)
Loan repayments	-	(2,972,325)
At 31 December	**23,211,380**	**23,211,380**

	2016 %	2015 %
Weighted average effective interest rates:		
Shareholder's loan-NSSF	-	15.00
Maturity of non-current borrowings		
Between 1 and 2 years	-	19,702,637
Between 2 and 5 years	-	-
Over 5 years	23,211,380	-
Non-current portion	23,211,380	19,702,637

10. Deferred tax

Deferred tax is calculated on all temporary differences using the liability method and a principal tax rate of 30% (2015:-30%). The movement on the deferred tax account is as follows:

	2016 Shs '000	2015 Shs '000
At 1 January	7,693,662	7,523,255
Income statement credit	1,656,866	170,407
Charged to equity	(348)	-
At end of year	**9,350,180**	**7,693,662**

Deferred tax liabilities and (assets), deferred tax 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	7,192,051	(467,697)	10,790	6,735,144
-revaluation surplus	6,211,713	-	-	6,211,713
	13,403,764	**(467,697)**	**10,790**	**12,946,857**
Deferred tax assets				
Tax losses carried foward	(2,832,297)	2,163,965	(11,138)	(679,470)
Other deductable temporary differences	(2,877,805)	(39,402)	-	(2,917,207
	(5,710,102)	**2,124,563**	**(11,138)**	**(3,596,677)**
Net deferred tax liability	**7,693,662**	**1,656,866**	**(348)**	**9,350,180**

11. Property, plant and equipment

Year ended 31 December 2016

	Freehold land and Buildings Ushs '000	Plant & machinery Ushs '000	Furniture, fittings & computer equipment Ushs '000	Motor vehicles Ushs '000	Capital work in progress Ushs '000	Total Ushs '000
Cost or valuation						
At start of year	13,564,937	61,202,388	895,962	3,035,492	1,890,182	80,588,960
Additions	-	285,290	169,802	64,500	165,719	685,311
Transfer		64,500	-	-	(64,500)	-
Write off	-	-	-	-	(7,472)	(7,472)
At end of year	**13,564,937**	**61,552,178**	**1,065,764**	**3,099,992**	**1,983,929**	**81,266,799**
Depreciation						
At start of year	2,363,352	24,446,354	591,238	2,954,695	-	30,355,639
Charge for the year	266,102	3,489,661	92,865	88,107	-	3,936,735
At end of year	**2,629,454**	**27,936,015**	**684,103**	**3,042,802**	**-**	**34,292,374**
Net book value						
At end of year	**10,935,483**	**33,616,163**	**381,661**	**57,190**	**1,983,929**	**46,974,425**

Year ended 31 December 2016

	Freehold land and Buildings Ushs '000	Plant & machinery Ushs '000	Furniture, fittings & computer equipment Ushs '000	Motor vehicles Ushs '000	Capital work in progress Ushs '000	Total Ushs '000
Cost or valuation						
At start of year	13,765,800	60,743,080	750,823	3,035,492	1,965,001	80,260,196
Disposal	(207,776)	-	-	-	-	(207,776)
Additions	-	129,549	145,139	-	261,853	536,541
Transfer/ 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**

12. Prepaid operating lease rentals

The movement of prepaid operating rentals is as follows:

	2016 Shs '000	2015 Shs '000
Cost		
At start of year	464,877	569,127
Reclassification to work in progress	-	(104,250)
Additions	475,000	-
At end of year	**939,877**	**464,877**
Amortisation		
At start of year	123,066	89,134
Charge for the year	57,682	33,932
At end of year	**180,748**	**123,066**
Net book value	**759,129**	**341,811**

13 . Staff advances

Staff advances comprise the following:

Gross Staff advances	94,159	98,678
Provision for doubtful debts	-	-
	94,159	**98,678**

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	3,877,290	2,032,685
Work in progress	749,651	366,835
Finished goods	4,582,974	2,780,268
Goods in Transit	165,175	927,490
	9,375,090	**6,107,278**

During 2016, Ushs 2.185 million (2015: Ushs 2.801 million) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of sales. There are no inventories committed as security.

The net closing inventory of 9.4 billion is net of provision for obsolete and breakages amounting to Ushs. 138,934,867.

		2016 Shs '000	2015 Shs '000
15.	**Trade and other receivables**		
	Trade receivables	2,345,715	1,890,111
	Less:provision for impairment of trade receivables	(570,850)	(570,850)
	Net trade receivables	**1,774,865**	**1,319,261**
	Prepayments	285,202	439,567
	Amount due from employee retirement fund administrator	313,542	313,542
	Other recievables	990,559	979,898
	Staff Debtors	18,069	18,507
		3,382,237	**3,070,775**

Trade and other receivables are non-interest bearing and are generally on 30-90 day terms. As at 31 December 2016, trade receivables of an initial value of Ushs 570,850,048 (2015: Ushs 570,850,048) 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**		
	Cash at bank	4,168,442	1,400,534
	Cash in hand	1,384	2,234
	Cash at bank and in hand	**4,169,826**	**1,402,768**

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.

Cash at bank and in hand	4,169,826	1,402,768
	4,169,826	**1,402,768**

17. Other investments

Fixed deposits	**-**	**1,000,000**

18. Retirement benefits obligations

	2016 Shs '000	2015 Shs '000
At 1 January	2,067,552	2,687,561
Contributions for the year	1,104,584	1,396,438
Payments during the year	(3,047,325)	(2,016,447)
At 31 December	**124,811**	**2,067,552**

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 Company contribution of 12.5% and employee contribution of 2.5% of gross monthly salary.

Employees in salary scales UC 4.1, 4.2 and 5.1: The annual contribution comprises the Company contribution of 20.8% and employee contribution of 4% of gross monthly salary.

Employees in salary scales UC 5.2, 6.1, 6.2, 6.3 and 6.4: The annual contribution comprises the Company's contribution of 16.7% and employee contribution of 5% of gross monthly salary.

Effective 1st June 2016, the Board reviewed the Company contribution to 10% of gross salary, and employee contribution to 5% of gross monthly salary for all employees.

19. Trade and other payables

	2016 Shs '000	2015 Shs '000
Trade deposits	1,810,377	1,946,002
Trade payables	1,588,361	817,614
VAT payable	99,890	258,835
Accrued expenses	197,807	347,722
Unpaid dividends	376,170	376,170
National social Security Fund contributions payable	129,197	84,110
Pay-As-You-Earn	287,126	151,248
Other payables	54,053	27,771
Total trade and other payables	**4,542,981**	**4,009,472**

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 2016

	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	-	-	-	376,170	376,170
Statutory payables	516,213	-	-	-	516,213
Trade payables	1,325,486	17,149	106,197	139,529	1,588,361
Accruals	197,807	-	-	-	197,807
Other payables	54,053	-	-	-	54,053
Trade deposits	1,810,377	-	-	-	1,810,377
	3,903,936	17,149	106,197	515,699	4,542,981

20. Cash from/(used in) operations

	2016 Shs '000	2015 Shs '000
Reconciliation of Profit/(loss) before tax to cash from operations		
Profit/(loss) before tax	4,030,241	(1,035,378)
Adjustments for:		
Depreciation (Note 11)	3,936,735	4,279,008
Amortisation of prepaid operating lease rentals (Note 12)	57,682	33,932
Profit from sale of property	-	(3,113,471)
Net interest expense	102,274	4,237,765
Changes in working capital:		
Inventory	(3,267,812)	1,522,105
Trade and other receivables	(311,461)	(1,204,351)
Trade and other payables	533,509	(1,093,309)
Staff loans	4,519	944
Retirement benefits obligation	(1,942,741)	(620,009)
Cash from operations	**3,142,946**	**3,007,236**

21. Related party transactions

The following transactions were carried out with related parties:

	2016 Shs '000	2015 Shs '000
i) Key management compensation		
Salaries and other short term employment benefits	959,655	1,036,882

The key management personnel include the Managing director, Head of Internal audit, Head of Finance, Head of Human resource and Support Services, Head of Marketing and Head of production.

	2016 Shs '000	2015 Shs '000
ii) Directors' remuneration		
Fees	46,500	54,042
Other	61,433	74,629
	107,933	128,671
iii) Shareholder's loan		
At 1st January	23,211,380	19,702,637
Accrued interest	-	3,508,743
At 31 December	**23,211,380**	**23,211,380**
Current portion	-	3,508,743
Non-current portion	23,211,380	19,702,637
	23,211,380	23,211,380

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. In 2016, there was no interest accrued on the loan as it had been waivered off.

22. 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 do not have a material impact on the Company's results.

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

At 31 December 2016

	SSP Ushs '000	USD Ushs '000	Ushs Ushs '000	Ushs Ushs '000
Financial assets				
Trade and other receivables	-	-	3,382,237	3,382,237
Staff loans	-	-	94,159	94,159
Cash and bank balances	241,515	84,946	3,843,365	4,169,826
	241,515	**84,946**	**7,319,761**	**7,646,222**
Financial liabilities				
Retirement benefit obligations	-	-	124,811	124,811
Finance lease: non-current portion	-	-	-	
Borrowings: non-current portion	-	-	23,211,380	23,211,380
Trade and other payables	-	-	4,542,981	4,542,981
Finance lease: current portion	-	-	-	-
Borrowings: current portion	-	-	-	-
	-	**-**	**27,879,172**	**27,879,172**

Net foreign exchange gap	**326,461**

At 31 December 2015

Financial assets				
Trade and other receivables	-	-	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 obligation	-	-	2,067,552	2,067,552
Finance lease: non-current portion	-	-	-	
Borrowing: 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**

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

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for borrowings.

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

All figures are in thousands of Uganda shillings.

As at 31 December 2016	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	-	-	-	3,382,237	3,382,237
Staff loans	-	94,159	-	-	94,159
Cash and bank balances	-	-	-	4,169,826	4,169,826
	-	**94,159**	**-**	**7,552,063**	**7,646,222**
Financial liabilities					
Finance leases	-	-	-	-	-
Retirement benefit obligation	-	-	-	124,811	124,811
Trade and other payables	-	-	-	4,542,981	4,542,981
Borrowings	-	-	23,211,380	-	23,211,380
	-	**-**	**23,211,380**	**4,667,792**	**27,879,172**
Interest rate gap	-	94,159	(23,211,380)	2,884,271	(20,232,950)

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**	**-**	**1,730,039**	**1,828,717**
Financial liabilities					
Finance leases	-	-	-	-	-
Retirement benefit 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)**

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, receivables, payables and borrowings.

The table below summarises the Company's cash flow interest rate risks sensitivity at 31 December. Assuming a market interest rate variation of 3% points from the rates ruling at year-end (2015:3%), the impact on the Company's profit before tax and equity is as follows:

	2016 Ushs '000	2015 Ushs '000
Profit before tax		
Cash flow interest rate risk	696,341	679,812
Equity	487,439	475,868

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	
	2016 Ushs '000	2015 Ushs '000	2016 Ushs '000	2015 Ushs '000
Non-current assets				
Property, plant and equipment	46,974,425	50,233,321	46,974,425	50,233,321
Prepaid operating lease rentals	759,129	341,811	782,879	650,000
	47,733,554	**50,575,132**	**47,757,304**	**50,883,321**
Current assets				
Current income tax recoverable	508,989	302,555	508,989	302,555
Staff loans	94,159	98,678	94,159	98,678
Inventories	9,375,089	6,107,279	9,375,089	6,107,279
Trade and other receivables	3,382,237	3,070,775	3,382,237	3,070,780
Cash and bank balances	4,169,826	1,402,768	4,169,826	1,402,768
	17,530,300	**10,982,055**	**17,530,300**	**10,982,060**
Total Assets	**65,263,854**	**61,557,187**	**65,287,604**	**61,865,381**
Non-current liabilities				
Borrowings: non-current portion	23,211,380	19,702,637	23,211,380	19,702,637
	23,211,380	**19,702,637**	**23,211,380**	**19,702,637**
Current liabilities				
Retirement benefit obligations	124,811	2,067,552	124,811	2,067,552
Borrowings: current portion	-	3,508,743	-	3,508,743
Trade and other payables	4,542,981	4,009,472	4,542,981	4,009,472
	4,667,792	**9,585,767**	**4,667,792**	**9,585,767**
Total Liabilities	**27,879,172**	**29,288,404**	**27,879,172**	**29,288,404**

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				
2016				
Revalued property, plant and equipment	46,974,425	-	-	46,974,425
At 31 December				
2015				
Revalued property, plant and equipment	50,233,321	-	-	50,233,321

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 2016, 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 valuationswhich were done by a professional 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 2016.

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:

	2016 Ushs '000	2015 Ushs '000
Bank Balance	4,169,826	1,402,768
Trade receivables	2,345,715	1,890,111
Staff loans	94,159	98,678
Amount due from employee retirement fund administrator	313,543	313,543
Staff and other receivables	8,573	12,218
	6,931,816	**3,717,318**

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:

	2016 Ushs '000	2015 Ushs '000
Neither past due nor impaired	187,450	228,284
61 to 180 days	603,020	82,510
181 to 360 days	244,742	115,672
Total past due but not impaired	**847,762**	**198,182**
Impaired-past due by >360 days	570,850	570,850
Gross amount	2,345,715	1,890,111
Less: Allowance for impairment	(570,850)	(570,850)
Net amount	1,774,865	1,319,261

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

	2016 Ushs '000	2015 Ushs '000
Movement on allowance for impairment		
At 1 January	570,850	502,125
Add: charge for the year	-	68,725
At 31 December	**570,850**	**570,850**

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 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 2016:			
- Borrowings (excluding finance leases)	-	-	23,211,380
- Trade and other payables	4,542,981	-	-
	4,542,981	**-**	**23,211,380**
At 31 December 2015:			
- Borrowings (excluding finance leases)	-	-	23,211,380
- Trade and other payable	3,870,203	139,269	-
	3,870,203	**139,269**	**23,211,380**

23. Contingencies

The company is involved in two legal and court cases which are yet to be concluded. The cases the Company is involved in are as below:

a) 32 former employees of the Company have lodged complaint before the labour suite in which they are disputing compensation from the Company for redundancy. As at the time of the audit, the Commissioner - Labour was yet to deliver a ruling on this matter.

b) The Company has been sued by Ronald Mutimba, a former employee under Entebbe Chief Magistrate on grounds of damages for defamation.

In the unlikely event that the Plaintiff succeeds, he may be awarded damages and costs in the region of Ushs 5,000,000

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 2016 and 2015 were as follows:

	2016 Shs '000	2015 Shs '000
Total borrowings	23,211,380	19,702,637
Less cash and cash equivalents (Note 16)	(4,169,826)	(1,402,768)
Net debt	**19,041,554**	**18,299,869**
Total equity	28,034,503	25,575,121
Total capital	**47,076,057**	**43,874,990**
Gearing ratio %	**40**	**42**

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.

The segment results for the year ended 31 December 2016 were as follows;

	Kajjansi factory Ushs '000	Kamonkoli factory Ushs '000	Total Ushs '000
Revenue	19,282,944	6,754,414	26,037,358
Cost of sales	(8,867,903)	(6,712,264)	(15,580,167)
Gross profit	**10,415,041**	**42,150**	**10,457,191**
Other operating income	140,325	1,183	141,508
Total income	**10,555,366**	**43,333**	**10,598,699**
Administrative expenses	(1,478,194)	(206,326)	(1,684,520)
Distribution expenses	(972,704)	(61,844)	(1,034,548)
Other operating expenses	(3,257,786)	(470,443)	(3,728,228)
Total expenses	**(5,708,684)**	**(738,613)**	**(6,447,296)**
Operating profit/ loss	**4,846,682**	**(695,280)**	**4,151,403**
Net finance costs	(104,205)	(16,957)	(121,162)
Profit/ loss before tax	**4,742,477**	**(712,237)**	**4,030,241**

The segment results for the year ended 31 December 2015 were as follows:

	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

Statement of financial position

	Kajjansi factory Ushs '000	Kamonkoli factory Ushs '000	Total Ushs '000
31 December 2016			
Total assets	34,556,712	31,536,567	65,263,855
Total liabilities	34,587,960	1,866,066	37,229,352
Capital expenditure	474,677	210,634	685,311
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

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

	2016 Shs '000	2015 Shs '000
(i). COST OF SALES		
Opening stock of finished goods and work- in progress	3,147,104	4,064,268
Production costs **(ii)**	17,765,688	15,449,637
Closing stock of finished goods and work- in- progress	(5,332,625)	(3,147,104)
	15,580,167	**16,366,799**

(ii). PRODUCTION COSTS		
Clay processing and product moulding	1,943,614	789,963
Depreciation of plant	3,837,876	4,132,653
Drying process	70,595	49,107
Electricity and generator	1,973,729	1,817,063
Factory general maintenance	382,302	228,069
Kilns (baking process)	2,488,009	2,784,328
Quarry and silo	1,048,846	697,004
Other production costs	1,920,183	1,476,874
Salaries and allowances- production staff	787,056	735,442
Wages and allowances -production staff	2,269,044	1,847,777
Sales outlet expenses	1,019,109	503,091
Transport	-	388,264
Quality assurance	25,325	-
	17,765,688	**15,449,635**

SCHEDULE OF OTHER INCOME

	2016 Shs '000	2015 Shs '000
(iii). OTHER INCOME		
Compensation on Land	-	3,362,202
Costs associated with land compensation	-	(248,731)
Rent and other incomes	141,508	103,364
	141,508	**3,216,835**

SCHEDULE OF EXPENDITURE

(iv). DISTRIBUTION EXPENSES		
Business promotion	990,842	697,940
Communication	13,025	6,056
Donation	9,000	-
Public relation and entertainment	900	4,330
Sports and recreation	8,780	10,310
Subscriptions	12,001	15,366
Research and development	-	19,525
Total distribution costs	**1,034,548**	**753,527**

		2016 Shs '000	2015 Shs '000
(v).	**ADMINISTRATIVE EXPENSES:**		
	Annual general meeting	74,595	69,770
	Audit expenses	35,000	35,000
	Provision for impairment of trade receivables and staff loans	-	37,883
	Company house maintenance	-	3,990
	Compound maintenance	11,327	5,842
	Consultancy	54,822	143,142
	Depreciation	98,859	146,355
	Directors fees and allowance	107,933	128,671
	Insurance	107,156	96,277
	Rental expenses	8,100	8,100
	Legal fees and expenses	224,662	156,450
	Local travel	155,089	122,115
	Office building maintenance	16,675	10,228
	Office equipment maintenance	54,681	61,948
	Printing and stationery	48,800	31,390
	Registrar fees	36,759	35,544
	Security	113,913	101,676
	Tax consultancy	55,581	9,682
	Transport costs	72,357	63,778
	Travel abroad	4,080	57,571
	Other expenses	170,706	379,998
	Uniforms	2,736	-
	Software Licences and support	2,950	10,432
	Utilities	2,782	288
	Property tax expense	38,139	75,865
	Communication	129,136	87,781
	Amortisation charge	57,682	33,932
	Total administrative expenses	**1,684,520**	**1,913,708**

		2016 Shs '000	2015 Shs '000
(vi).	**OTHER OPERATING EXPENSES**		
	Bonus	282,550	217,004
	Gratuity/pension	324,747	378,275
	Leave transport and allowance	135,091	91,406
	Medical expenses	124,363	44,820
	NSSF - Company contribution	278,863	233,140
	Salaries and allowances	2,186,375	1,869,470
	Staff Welfare	116,995	108,684
	Termination pay	20,183	27,467
	Training costs	36,207	6,062
	Wages and allowances	185,471	190,695
	Bank Charges	37,383	41,836
	Total other operating expenses	**3,728,228**	**3,208,859**
(vii).	**FINANCE COSTS**		
	Finance Lease Charges	-	263
	Forex Loss	18,888	11,142
	Interest on Overdraft	-	3,240
	Interest on unpaid Gratuity	102,274	210,396
	Interest expense on borrowings	-	4,012,724
	Total net finance costs	**121,162**	**4,237,765**

Notes

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.

The ladies of the Admin Team:
(L-R) Mrs. Mary Ainembabazi, Mrs. Irene Misanvu Omara, Ms. Teopista Nyakaisiki, Mrs. Anne Namuganyi

Some of the ladies of the Production Team

14 kms Entebbe Road, Kajjansi
P. O. Box 3188 Kampala Uganda
Tel: +256 312 305 403 / +256 312 305 400

Kamonkoli 5 km Tirinyi Road, Mbale
Tel: +256 392 260 091

Email: uclays@ugandaclays.co.ug
Website: www.ugandaclays.co.ug

@UgandaClaysLimited @ugandaclays

Sales & Marketing Contacts

Kajjansi	0392 750 154
	0772 700 255
Kamonkoli	0392 260 091

Sales Outlets

Ntinda	0392 266 963
Lugogo	0414 221 926
Mbarara	0485 660 027
Natete	0392 112 082
Kyaliwajala	0392 947 576
Soroti	0772 448 662