2021 INTEGRATED REPORT

We are transforming

Uganda Clays Ltd.

Beauty to Last


Patio
28

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Let's talk numbers

2021 performance

Numbers tell a story. In this case, it's a story of progress and performance. In 2021 Uganda Clays Limited (UCL) continued to implement its ambitious strategy for growth successfully, as the numbers in this report show. Behind each and every number, however, there are people and even more stories to be told.

Financial highlights

Revenue

UGX 36.7bn

2020: UGX 29.7bn
2019: UGX 30.7bn

Return on capital employed

11%

2020: 10%
2019: -1%

EBITDA

UGX 11.2bn

2020: UGX 9.7bn
2019: UGX 2.8bn

Earnings per share

UGX 6.6

2020: UGX 5.4
2019: UGX -0.1

Operating cashflow

UGX 9.3bn

2020: UGX 6.1bn
2019: UGX 6.3bn

Non-financial highlights

Employee engagement index

78%

2020: 47%
2019: N/A

Customer satisfaction index

81%

2020: 66%
2019: N/A

Lost Time Injuries

13

2020: 20
2019: N/A

**N/A - Was not measured in that financial year*

About this report

We are transforming UCL

Welcome to Uganda Clays Limited's 2021 Annual Report – **'We are Transforming UCL"** *This year, we report on the transformational progress towards delivering on our vision – to drive radical improvements in building solutions through unmatched simplicity, convenience, and quality. We report on this year's journey as well as our 2023 aspirations to deliver on that vision.*

This gives prominence to all the company transformations that have brought us closer to our previous year's aspirations and also laid the foundation for our future ambitions.
Our recognition is that these elements play an important role in our success as Uganda Clays Limited. We believe that we can achieve a balance between profit and sustainability, returns and reductions, today's owners and their expectations and those of future generations.

Every day this year, we aimed to create enduring value by ensuring that we transformed our technologies to bring utmost value to all company operations. For us, profit, growth and sustainable decision-making are 100% consistent with transformation.

Our Report aims to reflect this, along with our enduring respect for the interests of our stakeholders and our relationships with our partners, our people, our communities and, most of all, the material elements which contribute so much to who we are and our endeavours to succeed.

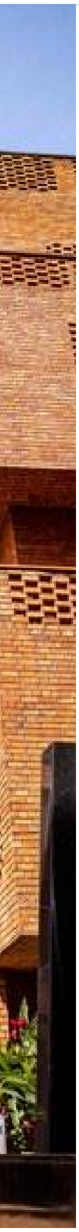
Much as this report celebrates our achievements, it also acknowledges the long journey ahead of us. This discernment keeps us keen and focused, committed and tenacious to progress. In a year filled with ups and unprecedented downs, we accepted transformation and remained agile and adaptable.

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

Forward looking statements

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

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



Report structure

How to navigate this report

This Report is our value creation story. It presents our strategy and business model for the year ended 31 December 2021, how we performed, the value we created and our plans for the future. The Report focuses on what matters most to our stakeholders and our business, namely the material issues, in the short, medium and long term.

To provide an overview of our business, we start by outlining quick facts about ourselves – the many places where we operate. We then set out our business model, illustrating the processes by which we create value.

Our Chairman and Managing Director reviews cover the financial year, our performance and its connection to our strategy and other material and relevant matters on ***page 58***.

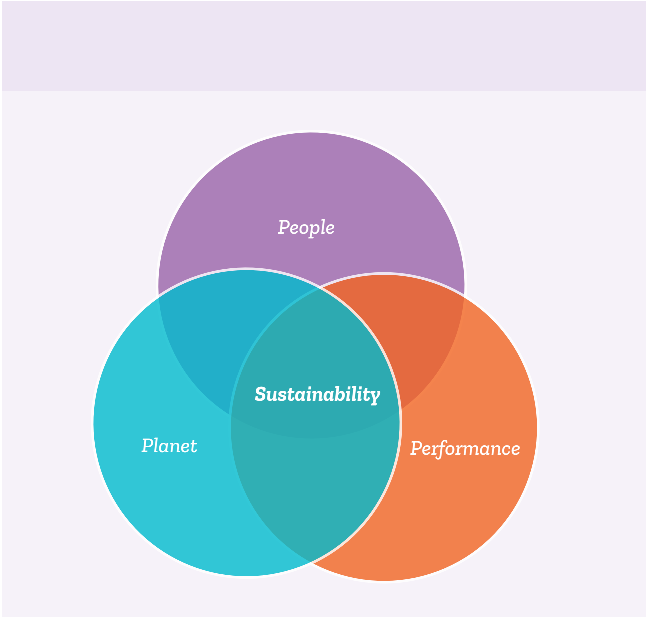
Because our 2021 operations were largely impacted by the COVID-19 pandemic, we cover our response on ***page 20***.

We report on our strategy for our value creation approach (transforming how we do business) to deliver value to our stakeholders through our business model ***page 24***, market dynamics ***page 26***, value creation model on ***page 30***, and strategy overview on ***page 32***.

In reporting what matters, on ***pages 58 - 64***, we set the scene for the diverse range of stakeholders we touch and how we engage on what matters most to them, as identified through our materiality and enterprise risk processes.

These informed our transformation approach to sustainability and the three pillars on this transformation that is to say: People, Planet, and Performance (Product and Profit).

The related material issues and value creation are then presented, focusing on what matters most to our stakeholders and the business over the short, medium and long term, alongside progress against our 2021 targets.



We cover our approach to sustainability and how we transformed our approach to value creation for Our People ***page 66***, Our Planet ***page 88***, and Our Performance (product and profit) ***page 96.***

In the People Pillar, we elaborate on Health, Safety and well-being ***pages 70,*** Our response to customers needs ***page 76,*** our suppliers ***page 80,*** Our Corporate Social Responsibility on ***page 82*** in addition to other material topics.

In each of these chapters we start with the global context, showing how we contribute towards achieving the United Nations Sustainable Development Goals (SDGs).

We conclude each chapter with a 'Future Focus' setting out our targets for 2022 and beyond, moving us towards our 2023 aspirations and ultimately our vision.

Our Key Performance Indicators are documented on ***page 34***, and our audited Financials are on ***page 176*** We are confident that Uganda Clays Limited will continue to deliver improved financial returns, while living up to our values, commitments and aspirations, as detailed throughout this Report.

Our approach to sustainability

Our material pillars of people, planet and performance are designed to enable us to deliver on our vision. They provide a structured and considered approach to enable integrated value creation across our business.

These materiality pillars enable each part of our business to build a vivid roadmap of the processes and outcomes necessary to achieve our vision, as well as align our operations to the set measurable targets.

The materiality assessment guided our company to focus our sustainability strategies on the areas and topics that are most impactful. Through this materiality assessment, we are able to understand stakeholder priorities and deliver decision-useful sustainability reporting to them Our sustainability teams build shared understanding of relevant functions by taking lead on these priorities.

For this reason, these pillars are highlighted through this report as the key drivers of how we transformed our approaches and operations in the year 2021.

Global ambitions: United Nations Sustainable Development Goals (UNSDGs) that we relate to

We have also aligned our sustainability strategy with the UN Sustainable Development Goals (SDGs), and report on the ten SDGs most relevant to us. The SDGs have continued to challenge us to stretch our aspirations further, particularly in areas such as climate action, responsible consumption and production and decent work and economic growth. We have captured these on *page 60*, and throughout the Report they are represented by their global icons.

Value creation: The five capitals (Inputs)

1. Human and intellectual capital

2. Natural capital

3. Manufactured capital

4. Financial capital

5. Social capital

This year we continued to explore in more detail the value we derive from the five capitals, as set out in our Business Model 'Our Key Resources'.

Examples in this year's report included investments in key transformation areas based on our materiality pillars as identified by root cause analysis. We have additionally advanced our closer-to customer strategy by expanding our sales force and further investing in our brand across Uganda. We have worked hard to further build up our social and relationship capital through our communications channels and by talking even more to our stakeholders and the communities where we operate.

Recognising that UCL's future is in the hands of its people, we have kept up our efforts to keep them engaged, safe, challenged and growing, both personally and professionally.

Finally, we aim to make sure that everything we achieve will contribute to the natural capital that supports our business, as well as many others, over the long term.

Corporate governance

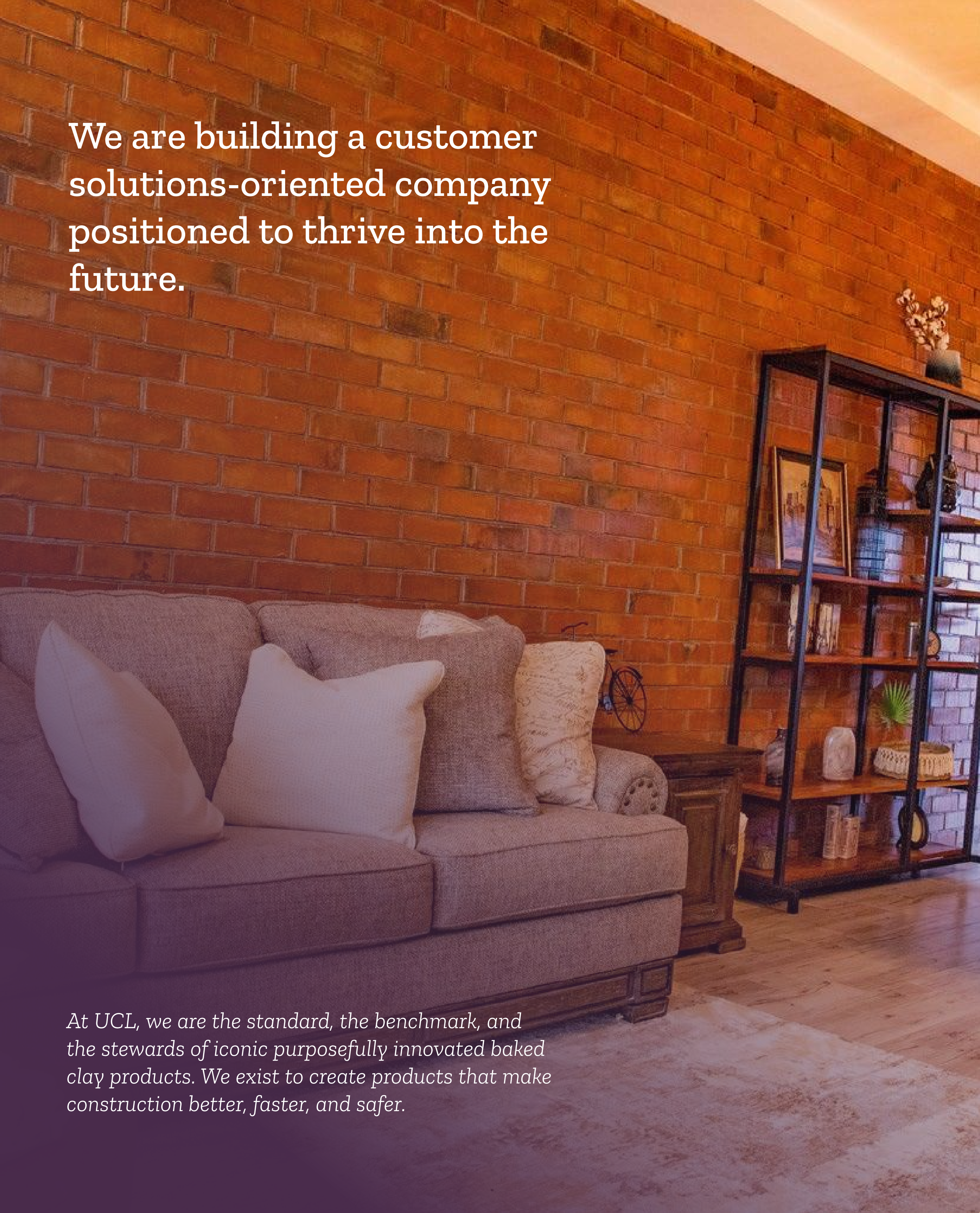
This section (*page 140*) includes the rules and procedures that we rely on to make sound decisions in corporate affairs. It is a reflection of how we monitor our actions, policies, practices and decisions as well as the effect of our actions on our affected stakeholders.

Disclosure

Unless otherwise indicated, this report covers performance from all our operations at our Kajjansi and Kamonkoli factories as well as our agents all over the country. All financial data is represented in Uganda Shillings (UGX) unless otherwise stated. Any changes or restatements of previously reported figures are identified throughout the report.

This report, produced by Uganda Clays Limited's management team and reviewed by the executive team and the Company Secretary, has been signed off by the Managing Director Mr. Reuben Tumwebaze, as an accurate picture of our transformation during the year.

The Directors are pleased to present Uganda Clays Limited's annual report for the year ended December 2021.



We are building a customer solutions-oriented company positioned to thrive into the future.

At UCL, we are the standard, the benchmark, and the stewards of iconic purposefully innovated baked clay products. We exist to create products that make construction better, faster, and safer.

Our products

The market's most popular products

Portuguese tiles

This carefully curated work of art is most favored by our luminary construction company clients. It has stood the test of time and continues to do so even with the current generation of clients. At UCL, we are always aware of the constant changes in trends, that is why our team of highly trained and experienced staff members went all the way in producing these durable tiles and we are therefore very proud of this product.

The tile is lightweight at 3.3kg when fired, and is used for extremely strong buildings. Because many of our clients have embraced the culture of modern construction settings, these Portuguese tiles are known as the ultimate luxury.

Like the great empty roman arenas and the beautiful structures in Vienna, this tile is unaltered class upon class.

Features + benefits

- Greater curvature than other roofing tiles.
- Bent tile appearance once the roof is completed.
- Improved tightness and slippage features. It is also highly resistant to the cold.

Mangalore tiles

This was the first introduced tile in Uganda. The original "Tegula". The Mangalore is our indomitable, most trusted standard tile that has received no complications and no complaints over the years. It continues to thrive deep with construction companies, builders, and real estate owners, and overall, the brand has maintained exponential growth both in brand love and positive sentiments.

Features + benefits

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

Marseille tiles

This is our hidden gem that has enabled our clients to create structures that are continuously loved through time. Despite its name, the Marseille tile is 100% forged from Ugandan clay and therefore continues to see marked growth in its equity. It is greatly associated with class.

Ugandans love to be different. We thrive on being extremely unique, interesting whilst maintaining our originality. This tile was upgraded from the original Mangalore without compromising the quality that they are well known for. Buildings that utilize the Marseilles are glamorous, appealing and are for those customers greatly influenced by panoramic, picturesque settings and views.

Features + benefits

These were the first interlocking tile to be given a ribnin the center of the tile. The central ribnstrengthened tile installation and made maintenance easier.

Maxpans

UCL always steps ahead of her competitors in maxpan production because of our powerful extruder that has the ability to fire up large max pans at very high pressure.

Our maxpans are for strong, but lighthouses. For stored houses that go up to 30 stories, our maxpans are the advisable choice. With retained strength and lightweight, what more would anyone need.

Quarry tiles

They have been given the title of "the best gift for your parents" when renovating their house. They are the icing on the cake for a couple that is constructing their dream home, where they will raise their children. Quarry tiles are very safe. They are slip-proof when they come into contact with water. They are double-sided and when tapped with an iron rod, can be easily separated into two.

The ability to split our Quarry tiles into two different pieces after firing is another perfect factor to consider. They are also easy to lay as they are easy to align into neat straight lines, as per the client's preference. They are beautiful tiles that can be used. They are not smooth, and surprisingly this is what our clients love the most about them.

Features + benefits

Hard-wearing, and often used in bathrooms, living areas and/or outdoor patio areas.

Facing bricks

You say it, we make it. Our facing bricks are our vibrant trademark that appeals to a broad range of consumers, delivering fabulous value for the business.

We value beauty and as such, we customize the colors of the bricks we make, based on the client's preference. Over the years, we have created dark brown, extremely red, green, yellow, off-red, grey patched bricks, to mention but a few.

Our facing bricks are a perfect size. The jointing is regular, neat, and beautiful in houses that use fencing bricks made by UCL.

Features + benefits

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

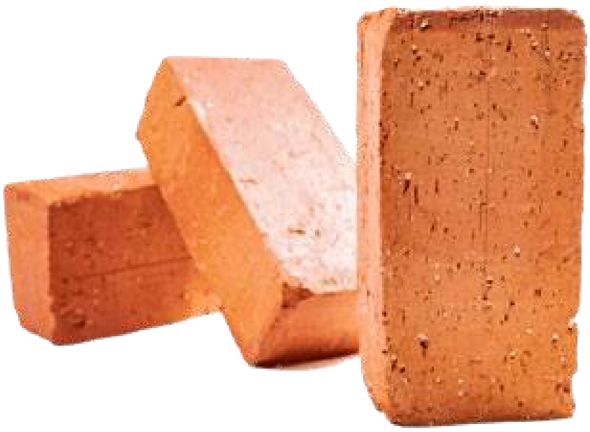
Select bricks

Our partitioning bricks deliver an understated sophistication to any erected structure. Ever heard of soundproof bricks without soundproofing? These are a dream come true for customers who value their privacy and love discretion. Our partitioning bricks are highly sought after for constructing music studios, bars, and other structures that require soundproofing and value discretion.

Are you amazed yet? Well, it is extremely rare to find a crack in these bricks. We stand by this statement with proof and declaration because, in comparison to other hand-made bricks, ours have low capillary attraction. When painted over, the paint will never smudge or disintegrate because our bricks do not retain water that may cause damage to the paint and the overall general structure.

In addition to these bricks' outstanding qualities, a builder only needs 15 bricks for construction per square meter. With each brick weighing 4.3kg for a partition 4 brick type and 8.3kg for a partition 6 brick type, this is agreeably a much cheaper option in the long run.

With this kind of high quality, we are confident that we have developed the momentum needed to maintain market leadership amongst other competitors.



Features + benefits

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

Our national footprint

Getting closer to our customers

14

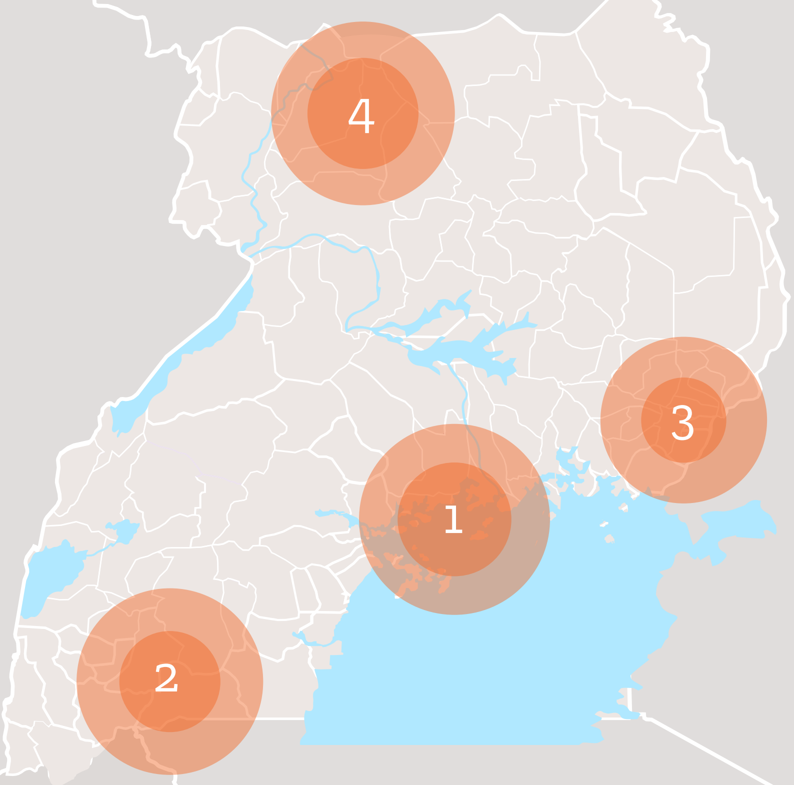
Agents across the country

2

Sales outlets

2

Manufacturing sites



1. Central

Kajjansi factory and headquarters
Wakiso District

Ntinda outlet
Plot 71 -72 Semawata Rd.

Lugogo outlet
UMA Grounds

Ggaba road
Akajuma Agencies Ltd.

Nateete
Kampala Construction and Shelter Ltd.

Kyaliwajjala
Kiky's Building Solutions Ltd.

Seguku
Akajuma Agencies Ltd.

Gayaza
Stevelyn's Investments Ltd.

2. Western

Mbarara
Fast Home Consultants Ltd.

Kabale
Fast Home Consultants Ltd.

Fort Portal
MIJ Fort Services

Kasese
MIJ Fort Services

3. Eastern

Kamonkoli factory and sales outlet
Budaka District

Jinja
Baliyo Traders

Soroti
Green gold Hardware

4. Northern

Lira
Greengold Hardware

Gulu
Eleora Investments Ltd.

Arua
Northgate Construction Solutions

Uganda Clays Limited at a glance

Uganda's leading manufacturer of baked clay construction materials.

Our purpose, vision and business model

UCL exists to drive radical improvements in building solutions through unmatched simplicity, convenience, and quality.

We create value through every stage of our business model, transforming raw materials into a range of sustainable building products that support the needs of Uganda's construction sector.

Drive our strategy

A roadmap to achieving our ambitions

Four strategic priorities drive performance and create value for all our stakeholders.

Strategic Priorities

Customer Focus: *Solve Customers' Building Problems*

Operational and Systems Focus: *Embrace Lean/Agile Manufacturing*

People Focus: *Create a High Performance Culture*

Growth Focus: *Build a Sustainably Profitable Business*

Shaping the way we work

Our values and culture

Our culture is rooted in a deep sense of our purpose and values. Our values underpin our business, sitting at the heart of our culture and guiding all our work:

- Customer First
- Quality
- Teamwork
- Bold
- Accountable
- Integrity

Aligned to stakeholders interests

Who we create value for

The interests of our stakeholders are integral to the way we work and the decisions we make.

- Shareholders
- Employees
- Customers
- Community
- Suppliers
- Regulators

And informs our commitment to sustainability

Our goal to drive radical improvements in building solutions will only be possible through attaining the highest standards of stewardship of our natural resources, care for our planet, and the support of our employees and our local communities.

In 2021 we have further developed our focus on environment, social and governance matters, committing to set a number of new challenging targets split between three key pillars.

- **People** – *we care about the health, safety and wellbeing of our people, their families and the communities we work within*
- **Planet** – *we aspire to positively impact our planet, creating a better environment for future generations to inherit*
- **Performance**–*our products build and enhance communities , we continue to develop new, innovative and sustainable solutions*

Fueling our remuneration policy

The shareholders and board of directors arbitrate fair rewards for directors' contributions while protecting the company's assets and interests.

Our remuneration policy supports the company's strategic goals and our operations therefore it is assessed based on weighted areas of performance. With the interests of the company at hand, the roles of the remuneration committee are evidently described and specific performance targets for each statutory executive director are used in the determination of this remuneration.

This year, with the transparent and clearly defined framework, a UGX 196m director's remuneration was allocated.

Our impact on global sustainable goals

UCL. has continued to take a step forward in understanding the opportunities the United Nations Sustainable Development Goals (SDG) framework provides to create value for our stakeholders, whilst continuing to contribute towards achieving the Goals. This year, we have continued to focus on the ten SDGs that are most relevant to our business and have informed our material issues review and strategy identification.

SDG3 - *Good health and wellbeing,*

SDG4 - *Quality education,*

SDG5 - *Gender equality,*

SDG7 - *Affordable and clean energy,*

SDG8 - *Decent work and economic growth,*

SDG9 - *Industry, innovation and infrastructure,*

SDG10 - *Reduced inequalities,*

SDG12 - *Responsible consumption and production,*

SDG13 - *Climate action,*

SDG17 - *Partnerships for the goals*

Chairman's statement

Transforming Uganda Clays Limited for a successful future.

I am very delighted to present our 2021 Integrated Report, which shows how well we've navigated around the COVID-19 pandemic and achieved the set goals for the period. We are proud of our success, consistency, and growth while giving back to the society in which we operate.

Remoulding UCL for a golden future.

Driven by a clear purpose, we continue to implement sustainable solutions whilst creating more opportunities, that leave a positive impact on the society and Ugandan economy at large. For the most part of 2021, the corona virus- delta variant created such an ordeal for Uganda most especially, the imposition of the 42-day national lockdown from mid-June to the end of July. Whilst presenting challenges for the business and impacting on trading, the pandemic acted as a catalyst for change and prompted us to take decisive action to transform the business.

Our agile response allowed us to continue operation and make progressive improvements in production and sales, despite the fact that some employees had to work remotely.

This year, our focus was to create sustained improvement through robust transformations and initiatives that support long term growth.

Strategic initiatives

The strategic progress made, particularly within our key people, planet and performance pillars, builds on that achieved over the two preceding years.

With a stronger platform in place, we have a range of attractive growth opportunities with tenacious potential to create significant value for our stakeholders over the long term.

For the second year in a row, the Company has registered exceptional performance. We are confident of our growth trajectory and are focusing on initiatives that support long term growth.

UGX 10.5bn

Capital Expenditure (CapEx) investment in 2021

UGX 36.7bn

Sales revenues obtained across 2021

UGX 1.5

Dividend per share recommended by the Board

In 2021 the strategic plan was in its third year

Throughout the period, we took appropriate actions to balance operational output and inventory levels as demand recovered. Utilising the additional capacity created through our recent capital enhancements, and by recommissioning idled and mothballed capacity, we increased efficiency as market conditions improved.

We ensured that our inventory levels continued to provide an effective buffer to serve customers and manage the balance between supply and demand during the lead-time associated with these actions.

UGX 10.5bn of the approved CapEx for the financial year 2021 was spent. Of this, we procured a tunnel kiln and a tunnel drier and related works at the Kajjansi factory, and the repair and extension of the Kamonkoli kiln.

Additionally, we purchased 140 acres of clay reserves near the Kajjansi area.

We are optimistic that these strategic initiatives will steer the Company to greater heights, and maintain its position as the undisputed market leader in clay-baked building products.

Performance overview

On account of the powerful and effective leadership at the Board and Management level, the Company survived the storm and even thrived.

We made a 21% jump in profit after tax with UGX 5.7bn in comparison to 2020 where we made UGX 4.9bn. Our sales revenue was an impressive UGX 36.7bn, implying that we undertook the right strategic initiatives.

Stock exchange excellence

We registered strong performance on the stock exchange and according to the Uganda Securities Exchange (USE) statistics, the Company's shares were the most traded (in volume) on the bourse after those of Stanbic Bank.

Our share price started rising from UGX 5 in the second half of 2021 and closed at UGX 23.

Dividend

In light of the strength of our recent trading performance and cash generation, and after taking into account the prospects for the business, the Board of Directors recommended a dividend payment of UGX 1.35 bn (UGX 1.5 per share) for the year ended 31st December 2021. The total dividend represents 23% of the net profit for the year. In arriving at this recommendation, the Board took into consideration the need to retain substantial cash for capital expenditure to improve production capacity at both factory plants and to improve product quality.

The Board was also cognizant of the current uncertainty of the business environment and the need to preserve some cash since the pandemic is still with us.

Governance

Our Board of Directors superintend the management of the business and affairs of the Company on behalf of the shareholders, in accordance with the established corporate governance framework. The Board ensures proper management and functioning of the Company and a reasonable return to the shareholders.

The Board of Directors, which is multi-skilled has implemented this oversight role satisfactorily through its three board committees, namely: the Board Audit and Risk Committee, the Board Administration and Technical Committee, and the Board Finance Committee. I am pleased to report that despite the COVID-19 pandemic lockdown, the full Board and its three Committees held systematic and special meetings to execute their mandate.

All the meetings were held virtually in order to comply with the COVID-19 restrictions put in place by the Government. The Board has continued to progress the governance framework of the Company, and to brace the control environment to address revenue leakage and loss of value and to minimize risk.

This has been achieved by the several governance manuals and policies that the board has successfully enforced, such as the Board Manual and the Procurement Policy.

Our culture is engrossed in continuous improvement.

UCL demonstrated commitment to sustainability by strengthening the link between corporate and societal value creation.

Even with accelerating growth momentum, we remain aware of our responsibility in ensuring that we create shared value, deliver consistent performance for our stakeholders ***(page 96)****, and create a positive impact on our community, especially those neighboring our manufacturing locations.* ***(page 82)***

Future prospects

The Board has recommended capital expenditure of UGX 17.8bn in the budget for the financial year 2022 to implement the key goals in the strategic plan. These include enhancing production capacity and processes to achieve increased production and quality, increasing revenue and profitability, developing high-performance culture and systems, creating a customer-focused business, and acquiring more land with clay reserves.

This expenditure will be financed entirely from the Company's earnings. We are confident that these investments will propel the Company to sustained growth and profitability for many years to come.

The Company is also in discussions with the National Social Security Fund (NSSF) to restructure and pay off the shareholder loan, currently standing at UGX 20.6bn, within a period of 7 years starting from 2024. According to current projections, the Company's cash flows should be able to support the loan repayment.

Sustainability and our social impact

Our commitment to sustainability flows through all that we do as a business. We are strongly committed to leading our sector in Sustainable Accountability Standard matters (through SASB) and we believe that performance in this area will be an important differentiator for our business in the years ahead.

Our Sustainability Roadmap 2023, will set out clear objectives and targets for the business in the period to 2030, including a commitment to a minimum reduction in carbon emissions ***(page 102)****.*

As part of this process, we will look to optimise the application of existing and emerging manufacturing technologies including energy efficiency and fuel switching.

This year, all our developments and transformations were made with sustainable development considerations. We engage in multi-stakeholder initiatives advancing sustainable development; to promote business coalitions and partnerships to work with policy makers and provide them relevant information and expertise to pass meaningful, practical regulation.

We are optimistic that these strategic initiatives will steer the Company to greater heights, and maintain its position as the undisputed market leader in clay-baked building products.

Our goal is to support high level partnerships advocating for responsible public policies on the environment. *(refer to page 88)* We adopted 2021 as our baseline year for environmental impact reporting, as explained further in our materiality determination process *(on pages 58)*.

Strategic outlook

Looking ahead, our investments for growth will be focused on capacity, efficiency and sustainability enhancement to optimise the performance of our existing business; and on innovation and extension into new markets, to diversify our revenue base within Uganda. We plan to:

- Grow annual sales revenues to UGX 72bn by 2023;
- Revamp production to increase the quantity and quality of products; whilst reducing wastage of products to 5% by automating manufacturing processes;
- Increase staff engagement index to 80% through establishing a high performance culture guided by the balanced scorecard and rewarding performance through the proposed bonus system *(page 172)*,
- Achieve a customer satisfaction index of 90%.

Appreciation

On behalf of the Board, I would like to thank the shareholders for their continued commitment and faith in the Company. I wish to appreciate our staff for their continued effort and service to the Company as the success of the Company depends largely on their effort. We especially salute the staff who worked under difficult conditions during the COVID-19 lockdown.

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

I applaud 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 2022 and beyond.

Mr. Martin Kasekende
Chairman Board Of Directors

Managing Director's statement

Ownership, efficiency and action at the speed of thought.

2021 has been a transformational year for UCL.

> *One thing that hasn't changed and that I have noted in my first year as MD is the incredible spirit of the UCL staff. I applaud our people for embracing our sustainable transformation initiatives. Their commitment is greatly valued.*

Staff as drivers of our strategy

The pandemic came with many challenges but also amplified our great qualities. One of the opportunities I found at UCL is the deep commitment and pro-activity of staff. There's a strong sense of oneness with the Company and they show great concern whenever a challenge arises.

We have created an environment that allows for free expression and idea-sharing between management and staff.

This year, as part of our strategic initiative to sustainable transformation, we appointed a new dynamic management team. We saw in a new Managing Director, Head of Finance, Head of Sales and Marketing, Head of Production, Head of Human Resources and Support Services, General Manager Kamonkoli, Procurement Manager, and a Quality Manager.

We reviewed and upgraded our organisational structures within our plants, alongside standard reporting and tier meetings, to highlight performance gaps and drive faster issue resolution within our day-to-day operations.

68%

recovery rate, an improvement from **55%** *in 2020*

78%

employee engagement index, an improvement from **44%** *in 2020*

+21%

net profit improved to UGX **5.9bn** *in 2021 from* UGX **4.9bn** *in 2020*

My management style is a passionate belief in idea-sharing. I deviate from irrational thinking and conduct debates with staff on topics before closing in on final decisions.

To comply with our tag line of 'action at the speed of thought', we have removed unnecessary bureaucracies and embarked on process optimisation as a conjoint goal.

Through training and educating our employees on process flows, they have developed deeper understanding of the product that they aid to produce. As such, our efficiency exponentially rose to an average of 68% at both Kajjansi and Kamonkoli, up from 55% last year.

The end result of these operational and management transformations was a 78% employee engagement, up from 47% last year, a figure we are profoundly proud of.

Operations at both Kajjansi and Kamonkoli

Our focus on operational excellence and preventative maintenance enabled us to continue production without halt whilst optimising inventory and other working capital as we responded to the COVID-19.

We continued to enhance standard practices for maintenance and capital expenditure, raw materials and quality systems across the year.

Owing to the newly constructed chamber drier, Kajjansi which initially operated at 90% natural drying capacity, this year, observed a shift to 40%. Kajjansi is averaging 600,000 tiles per month in comparison to the previous 300,000 tiles prior to this innovation. I hasten to add that none of the materials or labour for the construction were imported as the construction was fully executed by our in-house team.

Notably, we have observed increased efficiencies in kiln offload at both Kajjansi and Kamonkoli.

At Kamonkoli, subsequent to the kiln repairs, the production gained stability at 360,000 tiles per month an increase from 270,000.

With these volumes, we are in a much better position to serve our customers.

Amongst other innovations, we have constructed and brought to completion a big capacity husk at UGX 400m, versus the budgeted UGX 600m.

Whilst COVID-19 impacted our ability to meet face-to-face with customers, this year, we managed to reduce our missed opportunities from approximately UGX 2bn to about UGX 500m. Revamping our customer relations through the sales and marketing departments allowed us to standardize processes, generate efficiencies and improve both commercial execution and service levels to customers.

We have created an environment that allows for free expression and idea-sharing between management and staff

We have eased product accessibility through our widened agent network as described in detail by The Head of Sales and Marketing on *pages 118 - 121.*

Additionally, our turnaround time too has augmented as orders are now fulfilled on the same day or latest 2 days

Financial highlights

Our transformations have vividly translated into growth in revenue. I am happy to report that despite the downturn in the economy, we were able to close the year at a revenue of UGX 36.7bn, compared to our target of UGX 38bn. This is a 24% increase from last year when we sold UGX 29bn. The Head of Finance delves deeper into these numbers on *page 130*.

Health and safety

We continuously monitored the national situation and developed appropriate processes and measures to keep our people safe and healthy.

This year, we conducted an internal assessment based on a comprehensive framework whose results call for improvement. As a Company that prides itself in continuous monitoring, learning and evaluation, this will baseline our future health and safety plans and targets.

Our safety structures are being revamped with a focus on accountability. It is the responsibility of every supervisor and employee to respond to and respect health safety and the environment.

We are delving into the Visible Felt Leadership Program (VFLP) where managers directly interact with other staff and offer relevant guidance. Additionally, we are reinforcing plant safety through machine guarding at both Kajjansi and Kamonkoli as part of our Company's Health and Safety augmentation.

In inclusion are relevant trainings on suitable measures in case of an incident or Health and Safety breach.

Our health and safety approach extends beyond the plant to our community, customers, and suppliers. Next year, we plan to embed health and safety structures in all our external entity interactions. A variable example is our procurement processes; where we follow safety standards for our equipment supplies. We share a safety requirements document that details these specifications with our importers.

Thinking ahead

Our business continuity plan is supported by both emergency response and disaster recovery plans. We are able to envisage the worst case scenarios in all areas of the business and allocate relevant resources and substantial buffers.

One such example this year, was the procurement of 2 fuel trucks to mitigate the impact of the lockdown which would have halted production.

140

acres of clay reserves purchased

2022

regional market expansion to begin

These plans ensured that we were well prepared for the disruptions of COVID-19 this year. Similar to 2020, on announcement of the lockdown, production remained at full scale with 181 of our production staff, and 244 casual workers remaining situated on ground at Kajjansi and Kamonkoli.

We have acquired 140 acres of clay reserves and are set to buy up to 600 acres in the near future.

Creating a clay manufacturers association

As the leading manufacturers of baked clay products, we believe in creating and strengthening substantial relationships with external entities for collective benefits. Therefore, we are currently working on forming an association that brings together clay manufacturers in the country. The association will provide a prime advocacy for clay manufacturers' needs, as well as spark the conversation of creating clay products standards.

Collectively the group will allow for self-regulation, government support, and environmental protection.

Future plans

We plan to embark on several key transformational projects, that will optimize the management of our clay quarries, and improve materials management across our clay factory network.

We plan on additionally investing in talent development pools and leadership programmes, to ensure that we can attract, retain and develop our leaders of tomorrow.

We are very excited for what the mid and long term future holds for Uganda Clays Limited.

By the end of 2024, we will be operating at a different capacity. With our focus directed to exporting our products to as far as Europe, we are optimistic that our shareholders will remain with us on this journey.

Mr. Reuben Tumwebaze
Managing Director

COVID-19

Our response to COVID-19

The outbreak of the COVID-19 pandemic in March 2020 sparked a health concern that rapidly heightened into an economic crisis that quivered global demand and supply.

In Uganda, to curb the spread of the pandemic, extensive measures were effectuated and they comprised restricted movement that consequently slowed down production as well as general business operation shutdown.

Early stages

Having monitored the developing situation at the beginning of 2021, with reference to the Ministry of Health guidelines and keeping up with any and all updates, we took the initiative to establish standard operating procedures and issue guidance to our employees on how to navigate the pervasive situation.

Business as usual

UCL introduced comprehensive control measures and risk assessment to inculcate employee compliance to government guidelines and World Health Organisation general standard procedures at all our industrial facilities and depots for the phased reopening of our operations.

Control measures

We established compulsory fever screening with temperature guns, hand hygiene, and use of medical masks and facial shields for all day to day company operations.

We sensitised our employees to maintain an alert mindset and report any individual that exuded signs and symptoms of the virus.

Further physical controls included the rearrangement of workstations to enable people to maintain the appropriate social distance and, where this was not possible, screens were put in place. Hand sanitizer stations, antiviral wipes and other cleaning related precautions were introduced at all sites and offices.

Our Health and Safety team conducts regular training sessions that provide an opportunity for every employee to go through existing health and safety procedures, and to ensure that the company at large remains compliant. We owe the low COVID-19 contracted patients registry to the compliance of all our employees to these procedures.

We encouraged quarantine and maintained full pay regardless of their ability to work from the company premises. Concurrently, those with the ability to execute their duties remotely were provided with adequate support and equipment.

16.4% positive cases.

100% recovery

Staff medical expenses

2021: UGX 280M

2020: UGX 236M

Lockdown

UCL employs business continuity plans to maintain pre-eminent position for all company operations, as well as disaster recovery plans to maintain control in the case of the occurrence of any such disaster.

During the 42-day total lockdown from 19th June to 30th July, full production scale was maintained. The production and sales team were retained on ground at both Kajjansi and Kamonkoli factories with over 300 contractors and permanent staff residing on the company premises during this period.

Business continuity plan

UCL runs on a continuous business plan which doesn't allow room for halting production. We take pride in learning from mistakes and the sudden changes in operations from COVID-19 in the year 2020 educated the company on better planning and triggered our preparedness on the measures that should be implemented in the case of recurrence of such an abrupt lockdown.

We anticipated the second lockdown of 2021, and promptly activated our response plan when it was announced by the government.

We procured plentiful materials that were used by the 300+ staff that remained situated on company premises for the 42 day period, such as mattresses, food and other general hygiene supplies.

Additionally, clay stock and fuel enough to last a period of 5 months with full scale production were procured.

As such, the production operations continued successfully without a halt in spite of the reclusion.

Disaster recovery plan

Medical personnel were situated at the company premises full time, to cater to the staff in case of any sicknesses during the lockdown period. Fortunately for us, our COVID-19 measures were effective and we did not register any deaths by the pandemic. However 58 staff contracted the virus and have all since recovered. Our department heads ensured employee assistance with constant interactive activities whilst obeying the set guidelines. They provided a temperate environment so that the employees remained reassured and safe during the lockdown.

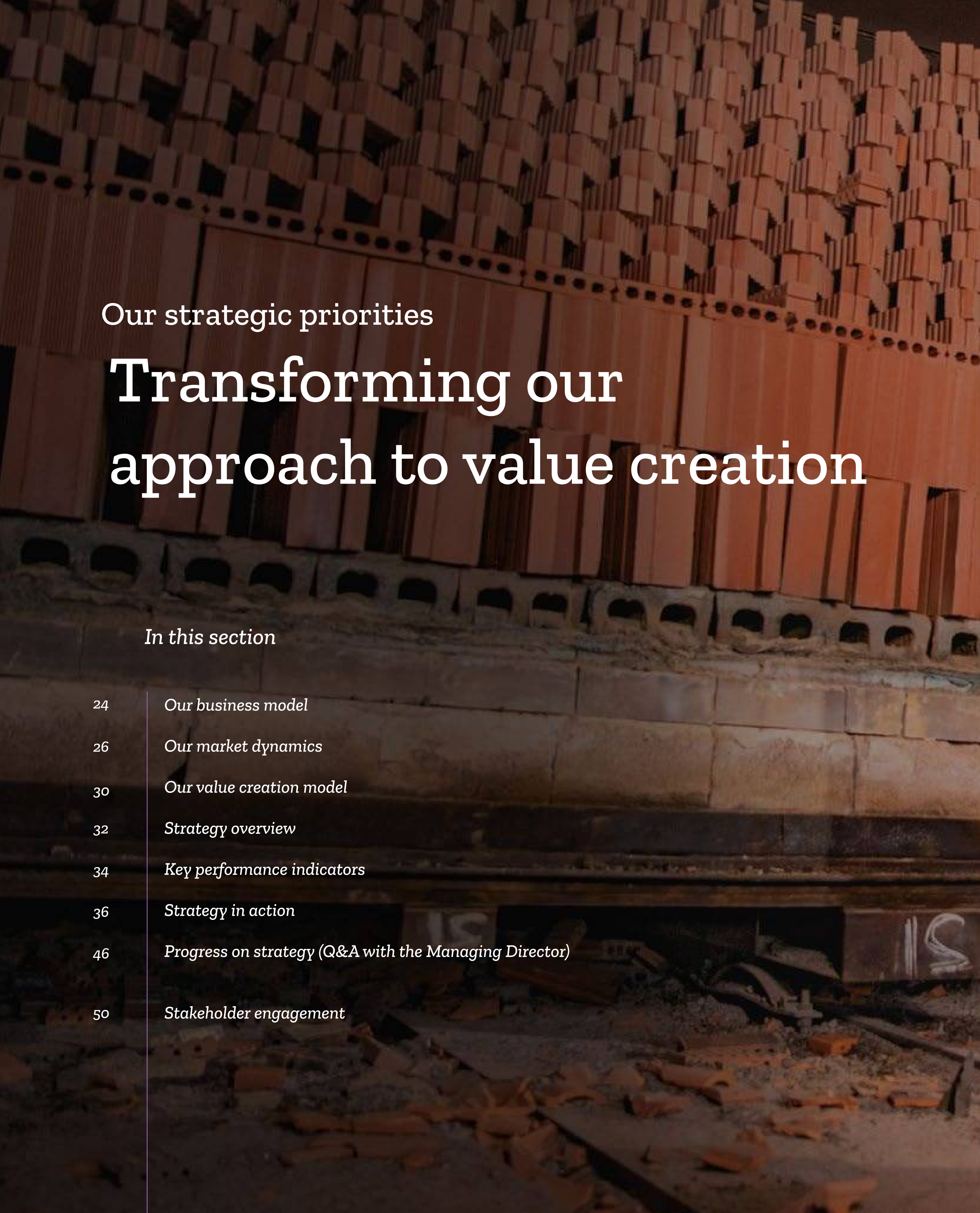
We renovated our on-site clinics and have been able to provide continuous rapid COVID-19 tests and full dose vaccination to our employees. As of December 2021, Kamonkoli factory was at 90% vaccination for permanent staff, casual workers and service providers who work closely with us and Kajjansi was at 87%.

Ultimately, as the world recuperates from the pandemic, we continue to monitor the situation and base our prospects on these changes whilst keeping our people safe.

We ensured compliance to these guidelines and identification of any of our workforce who may have been vulnerable to the virus.

We shall continue facilitating the efficient and clear dissemination of relevant information to this cause.

The pandemic, despite being gravely challenging, amplified our great qualities. We have become stronger as a team, our production recovery rates reached all time highs and we are half-way our UGX 72bn goal. We move into 2022 with a heightened appreciation for our ability to evolve amidst unprecedented circumstances.



Our strategic priorities

Transforming our approach to value creation

In this section

Our business model

How we create value

Our business model shows how the company creates long-term value for all stakeholders. It offers a detailed overview of the company's multidimensional approach to value creation, covering both tangible and intangible, financial and nonfinancial aspects of the business.

What we do

We deliver our strategic priorities through a business model that leverages local expertise, has the customer at its heart and puts our responsibilities to our stakeholders front and center.

Our key resources

Human and intellectual capital

We hire highly skilled, diverse people who innovate and create solutions, while working as one team.

Natural capital

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

Manufactured capital

Tangible, production-orientated goods and infrastructure owned, leased or controlled by UCL that contributes to the delivery of our products and services.

Financial capital

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

Social capital

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

2
Factories

16
Outlets and agents across the country

318
Employees

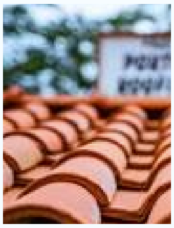
Underpinned by our values

Customer first

We work hard to develop strong, mutually beneficial relationships that ensure we are a supplier of choice.

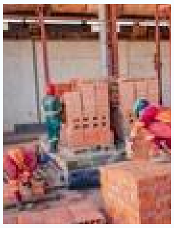
Quality

We set the quality bar for people, products, and performance irritatingly high.



Teamwork

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



Core business activities

Quality assurance

From raw materials to intermediaries to the finished product, quality assurance carries out several laboratory tests during production to ensure their conformation to the set standards.

Production

Following the set standard operating procedure as per Quality Assurance, the production team ensures proper blending of raw materials as well as foolproof intermediary and final product handling.

Sales and marketing

Our devoted sales and marketing team upholds customer standards, delivering their desired outcomes (sometimes exceeding expectations), identifying improvement options, obtaining feedback and reporting these customer challenges to Quality Assurance for resolution.

Who we do it for

Our shareholders

We aim to maximise long-term shareholder returns through consistent, efficient growth and a disciplined approach to capital allocation.

Our staff

We want our people to be the best they can be. We offer a diverse and inclusive workplace with opportunities for development and progression.

Our customers

We work closely with customers to ensure that their building and construction needs are satisfactorily met.

Our communities

We help build thriving communities by making lasting contributions where we live, work, source and sell.

Our suppliers and partners

We partner with suppliers to ensure long-term, mutually beneficial relationships. Respect for human rights is embedded throughout our global value chain.

Our government and regulators

We contribute to economic and development priorities and advocate laws that protect communities where these are not already in place.

Bold

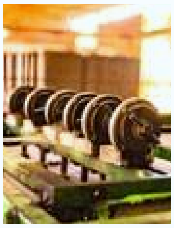
We pursue radical changes to the business.

Accountable

We do not make excuses for inaction. We are responsible for outcomes—good or bad.

Integrity

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



Market dynamics

Our resilience in uncertain times

UCL's products are used exclusively in the construction sector of Uganda, their demand is directly related to levels of Uganda's construction activity. The levels and growth of construction activity were influenced by a number of macroeconomic factors in 2022, including general economic prosperity, government policies, construction projects availability, and interest rates.

Macro economic trends

In spite of the challenges of dealing with the COVID-19 pandemic and its mandatory government-imposed restriction measures, the Ugandan economy remained generally resilient, expanding by 3.4% in real terms during FY 21 compared to 3.0% in FY 20. This was a result of the fiscal and monetary policy interventions to support the recovery in economic activities, which were complemented by the easing of some of the pandemic-related measures. In nominal terms, the economy expanded to an estimated UGX. 148tn in FY 2021 from UGX. 140tn in FY 2020. The construction sector grew by 3.3% in FY 2021 compared to 3.8% in the previous year, contributing over 5.2% of Uganda's GDP.

Levels and growth of construction are influenced by several macroeconomic factors, including general economic prosperity, interest rates, level of employment, inflation, foreign exchange rates etc.

Below we elaborate on some of the factors and their impact on our business in 2021.

Interest rates

The Central Bank engaged an accommodative monetary policy stance aimed at supporting economic recovery from the adverse effects of the COVID-19 pandemic, the average central bank rate was 6.7% in 2021 compared to 7.6% in 2020.

Construction sector growth

2021: 3.3%

2020: 3.8%

Bank lending rates charged on the shilling denominated credit dropped to a weighted average of 18.1% in 2021 from 19.1% in 2020. Commercial banks' credit to building, mortgage, construction and real estate grew from UGX 3.4tn in 2020 to UGX. 3.9tn in 2021. Of this, growth in mortgages was 10% from UGX. 1.4tn to UGX. 1.5tn; property developers, estate agents and letting agents was 25% for UGX 1.025tn to UGX. 1.3tn. Commercial banks' credit to building and construction materials grew by 56% from UGX. 156bn in 2020 to UGX. 242bn in 2021.

Commercial banks' credit to building and construction materials

2021: UGX 242bn

2020: UGX 156bn

UCL benefited from the sustained appreciation of the shilling against global currencies as imported inputs were cheaper compared to the previous period.

What this meant for UCL

We saw an influx of demand for our products due to improved access to credit in 2021 compared to the previous period. The excess demand created a shortage of supply in the market, this observation led to our decision to invest further in expansion and process automation to increase our capacity.

Inflation

Annual headline inflation increased to 2.9% in 2021 from 2.5% in 2020 due to increases in prices of energy, fuels, and utilities. Energy fuel and utilities (EFU) inflation increased to a six-month average of 0.6% in the last half of 2021 from an average of -2% in the first half of the same period.

The increase in EFU inflation was largely attributed to a rise in domestic fuel prices particularly petrol, diesel, paraffin and liquefied gas prices, whose increase was a feed through effect of the soaring international oil prices witnessed in the same period.

What this meant for UCL

The increase in EFU inflation in the last 6 months of 2021 greatly increased our production and distribution costs prompting an upward revision in our prices.

Exchange rate

The Ugandan shilling remained relatively strong against the US dollar, trading at an average mid rate of USD 3,587 compared to an average mid rate of USD 3,718 in the previous year, translating into an appreciation of 3.5%.

What this meant for UCL

UCL benefited from the sustained appreciation of the shilling against global currencies as imported inputs were cheaper compared to the previous period.

Population growth

Uganda has an estimated population of 44m, 27% of these are urban residents and an average household has 4.6 people.

According to the National Household Survey FY 2020, the unemployment rate reduced from 10 percent in FY 2017 to 9 percent in FY2020. In the survey, the size of the labour force was estimated at 9m, out of which 58 percent were male.

What this meant for UCL

A growing population size combined with decreasing household size drives the need for continued housing development.

Annual inflation

2021: 2.9%

2020: 2.5%

A growing population size combined with decreasing household size drives the need for continued housing development.

Industry trends

According to the National Planning Authority, Uganda faces an 8m unit housing shortage. With an estimated 300,000 housing units needed per year, commercial construction and residential construction is booming in Uganda.

According to the national household survey 2019/20, the major types of roofing material in Uganda were iron sheets, thatches, and other forms at 76%, 23% and 1% respectively. Tile roofing is clearly still low in Uganda, meaning there's plenty of opportunity for expansion.

Roofing tiles are mostly used in high-end residential construction, approximately 70% of our revenue in 2021 was derived from sales of roofing tiles.

Market trends and developments

There's an increasing awareness of the impact a building has on the environment and the desire to limit this and transition towards more sustainable buildings is growing. We offer support in best application of our products therefore enabling construction efficiency and less wastage.

There's a growing demand for multi-coloured tiles, affordable bricks, and quarry tiles. Bricks are the most widely used material in residential projects now, these demand trends require mass production, a positive for our business given the present economies of scale at our factories.

We have invested significantly in the expansion and improvement of our production facilities in 2021. We continue to invest in organic opportunities to enhance production capabilities for the long term.

Competitive environment

Our market has several players, however, UCL has the largest production capacity for baked clay building products in Uganda and continues to enjoy a market leading position.

Quality is a huge differentiating factor and presently UCL is one of the few baked clay building products manufacturers with an ISO9001 certification in Uganda, a demonstration that we meet customer and other stakeholder needs within statutory and regulatory requirements related to product or service.

Innovation is key; therefore, we plan to continue investing in research and development to keep up with changing customer preferences.

Importation of baked clay building products was modest in 2021, with only architecturally driven supplies not available in Uganda. This is however a reserve for the wealthy with a taste for European products. The government has, in an effort to encourage consumption of locally manufactured products, imposed excise duty on imported ceramic tiles. This has to some extent limited the importation of baked clay building products.

The bottom line

We at UCL, as a leading supplier of clay-baked building products, are ideally placed to benefit from government policies that will be focused on house building and infrastructure investment in 2022. We believe that working at full capacity will bring us closer to our goal of UGX 72bn by the year 2023.

Value creation model

How we created sustainable value in 2021

The value creation model transcribes how we endeavored to transform our internal and external environments to deliver attractive long-term shareholder returns through the material pillars of people, planet, and performance.

1. Inputs

Resources and relationships that UCL draws upon for its business activities.

2. Value creation process

Our core business activities optimally utilize available resources, under the stewardship of our staff, guided by our strategic objectives.

People

62
New employees hired

11,398
Training hours

450
Customer queries logged

Performance

1.8bn
Raw material procured (UGX)

510
Raw material procured (mT)

2
Factories

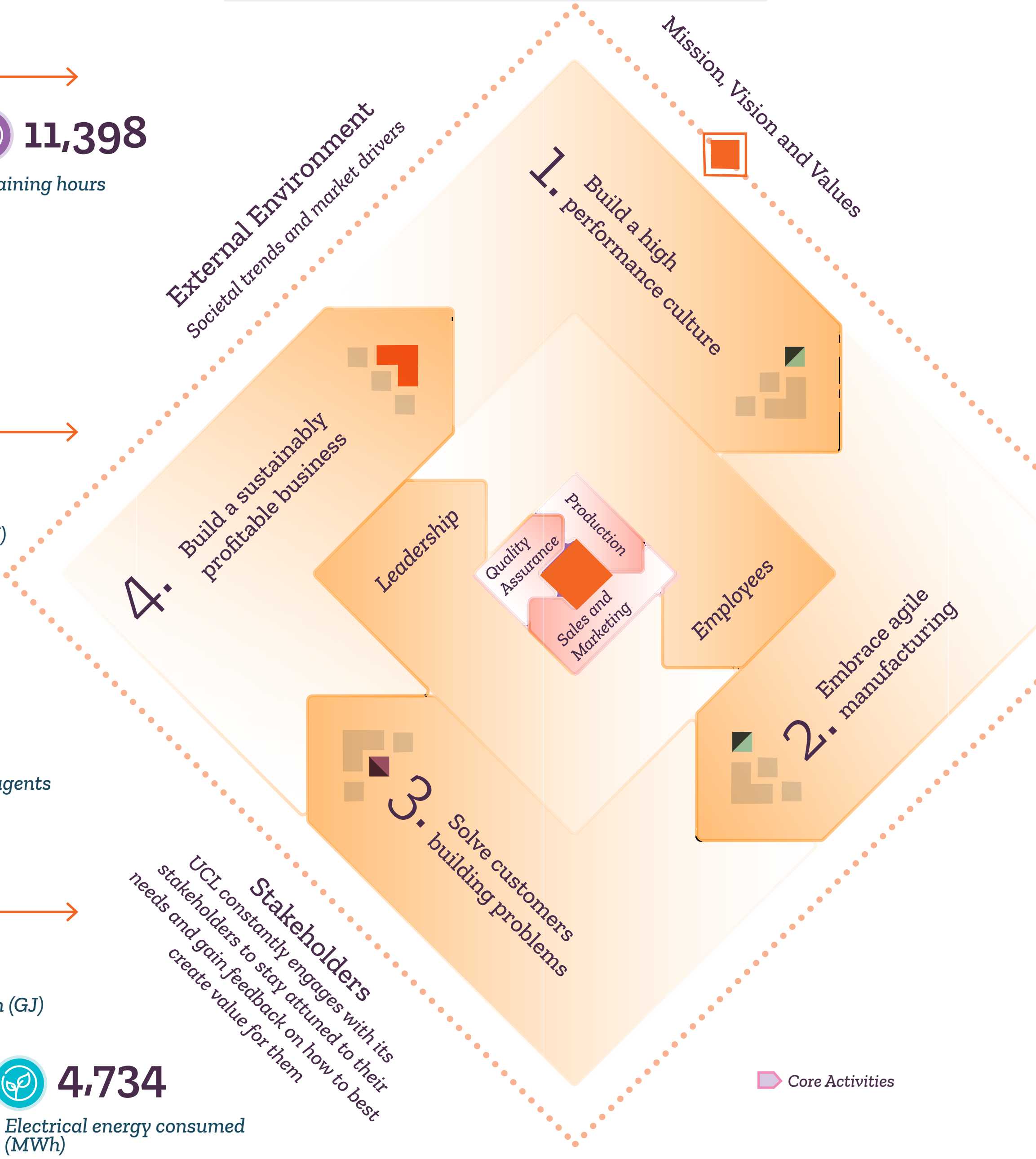
16
Outlets and agents countrywide

Planet

175,807
Thermal energy consumption (GJ)

6,942
Water consumption (m³)

4,734
Electrical energy consumed (MWh)



3. Value created

Results from UCL's business activities

People

318 *Staff in full time employment*

13 *Lost Time Injuries*

37 *Net Promoter Score*

98% *Local suppliers*

Performance

36.7bn *Revenue (UGX)*

9.3bn *Operating Cash flow (UGX)*

11.2bn *EBITDA (UGX)*

11% *Return on Capital Employed*

21.1m *Production volume (mT)*

Planet

0.234 *Greenhouse gas emissions (TCO_2e/t)*

4. Our impact

Value added statement for the year ended 31 December 2021.

As the largest clay product manufacturer in the country, we are committed to the advancement of the critical sectors of the economy and the country at large.

Our value added statement testifies to our social, economic and environment impact in the areas that directly influence our people, planet and performance. The percentage of wealth created is a clear indicator of how we transformed our operations to create value this year in comparison to the previous year.

	2021 UGX 000'	% of wealth created	2020 UGX 000'	% of wealth created
Value Added				
Sales revenue	36,686	219%	29,663	241%
Other incomes	2,312	14%	1,843	15%
Cost of sales	(12,085)	-72%	(9,845)	-80%
Other overhead costs	(6,478)	-39%	(5,632)	-46%
Depreciation	(3,699)	-22%	(3,725)	-30%
Wealth created	**16,737**	**100%**	**12,304**	**100%**
Distribution of wealth				
Employees	7,261	43%	4,991	41%
Government	3,556	21%	2,438	20%
Ordinary shareholders	1,350	8%	1,350	11%
Retention for expansion	4,571	27%	3,524	29%
Wealth created	**16,737**	**100%**	**12,304**	**100%**

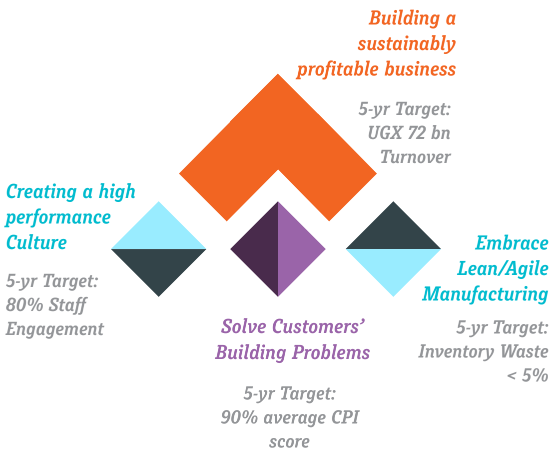
Our 5 capitals

Natural | Financial | Manufactured | Human & intellectual | Social & relational

Strategy overview

How we achieve our ambitions

We are dedicated to accelerating the delivery of our Strategic Objectives. In particular, increasing by focusing our efforts on solving customers building problems, increasing our efforts to optimise our manufacturing process and driving this change with a team of skilled, motivated and talented people.



Our ambitions	2023 targets
People focus: *Create a high performance culture.*	***80% Staff engagement***
Operational and systems focus: ` *Embrace lean/agile manufacturing.*	***Inventory waste < 5%***
Customer focus: *Solve customers' building problems.*	***90% CSI score***
Growth focus: *Build a sustainably profitable business.*	***UGX 72bn turnover***

Underpinned by data analytics

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

Performance indicator	2021 progress	2022 priorities
• *% of the budgeted training plan implemented.* • *% of staff engagement.* • *Lost Time Injuries*	***78% Staff engagement*** • *Developed talent and leadership.* • *Prioritized health, safety and wellbeing.* • *Conducted company-wide employee engagement surveys.*	• *On-board an HR management system.* • *Improve employee engagement.* • *Re-engineering, optimizing and automating our business processes.*
• *Number of New Products Commercialised.* • *Turn around time for delivery of products/services to customers.* • *Increased Factory Utilisation Capacity.*	***32% Inventory waste*** • *Focused on efficiency and effectiveness throughout our value chain.* • *Improved quality and capacity utilization.*	• *Automate advise on appropriate application of our products.* • *Evolve our data tools.*
• *Customer Satisfaction Index score.* • *Net Promoter Score.*	***81% CSI score*** • *Strengthened customer relationships and service improvements.* • *Developed the 4 in 1 customer management system.* • *Offered regular business updates.*	• *Addressing Customer Pain points.* • *Brand Health.* • *Customer Satisfaction.*
• *Average Monthly Revenues.* • *Earnings per share.* • *Total costs as a percentage of revenue.*	***UGX 36.7bn turnover*** • *Tightly controlled discretionary spend and drive for efficiency.* • *Realigned sales agency model and developed market effectiveness tools.* • *Leveraged strong positions within the market.*	• *Use data, digital tools and insights to extend our sales reach, improve our execution and help generate value for us and for our customers.* • *Develop commercial excellence initiatives and optimize our supply chain to maximize value.*

Fueled by our resources

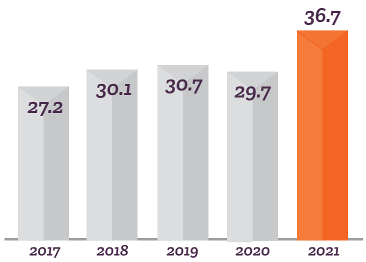
Our four strategic priorities drive performance and create value for all our stakeholders.

Key Performance Indicators

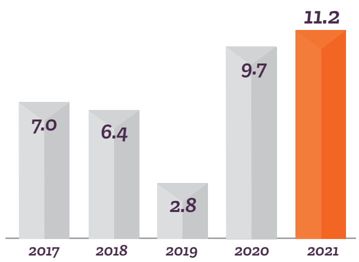
Transforming how we measure performance

Financial indicators

Revenue (UGX bn)



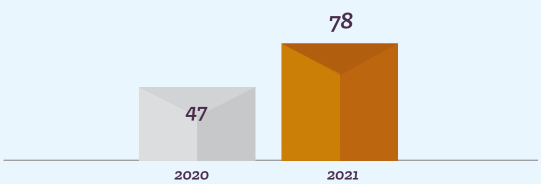
EBITDA (UGX bn)



	Revenue (UGX bn)	EBITDA (UGX bn)
Definition	Revenue represents the sale of our products, exclusive of discounts, and value-added taxes.	EBITDA represents the profit before interest, taxation, depreciation, and amortization. It also excludes non-cash expenses which may or may not reflect a company's ability to generate cash.
Why we measure	Revenue measure is key to understanding the profitability of our business. The metric explains how much of every shilling in sales, flows to the bottom line (net profit) and provides a measure of growth of the company.	EBITDA measure is key to understanding the management's ability to generate cash flow for its owners and evaluating the company's operating performance.
2021 performance	Revenue increased by 24% compared with 2020, driven by an improvement in production process and a change in the sales business model.	EBITDA increased by 9% from 2020 attributed to higher revenue generated during the period and cost management measures instituted by management.

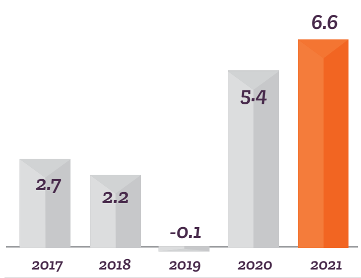
Non-financial indicators

Employee Engagement Index (%)



	Employee Engagement Index (%)
Definition	Employee engagement is the assessment of the level of enthusiasm and dedication of the employees towards their role in the organization.
Why we measure	Employee engagement is a key focus area of our strategy and performance. It enables the entity to measure the employee satisfaction about their performance, reward, leadership, and the values of the company and how they support the organization to achieve their goals.
2021 performance	This year, 78% of the staff were identified as engaged compared to 47% in 2020. 94% declared themselves proud to work for UCL, 90% would recommend UCL as a great place to work and 74% were satisfied with UCL as a place to work.

Eanings Per Share (UGX)

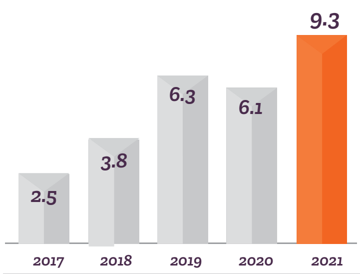


The EPS of a company is attributable to equity shareholders of the company, divided by the weighted average number of shares in issue.

EPS indicates how much money a company makes for each share of its stock and is a key measure for shareholders.

The EPS increased to UGX 6.6 in 2021, primarily driven by an increase in operating profit.

Operating Cash Flow (UGX bn)

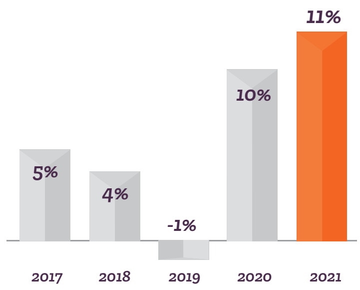


Operating cash flow (OCF) is a measure of the amount of cash generated by a company's normal business operations.

Operating cash flow key indicator that indicates whether a company can generate sufficient positive cash flow to maintain and grow its operations, otherwise, it may require external financing for capital expansion.

The OCF increased by 53% compared with 2020, primarily driven by an increase in trading activities of the company and working capital management.

Return on Capital Employed (%)

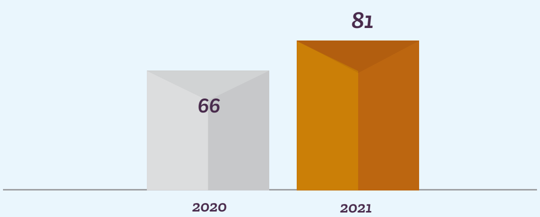


Return on Capital Employed (ROCE) is a ratio of profit before interest and taxation to average net assets and debt.

Return on capital employed is an indicator that shows how efficiently the business is using its capital to generate profits.

The ROCE increased by 1% against 2020, driven mainly by operating profit growth.

Customer Satisfaction Index (%)

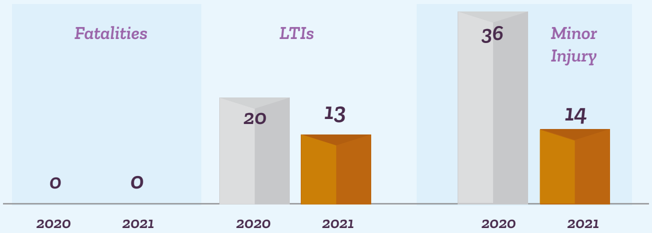


Customer satisfaction is a measurement that determines how well a company's products, services or capabilities meet customer expectations.

Customer satisfaction is another key focus area of our strategy and performance. By regularly measuring and tracking customer satisfaction, UCL can make informed decisions by putting new processes in place to improve the overall quality of our customer service and elevate itself above the competition.

The overall CSI improved to 81% from 66% in 2020, primarily driven by the improved customer care services and availability of quality products.

Lost Time Injuries



Loss Time Injuries (LTI) are the number of accidents resulting in time lost from work. Fatalities are injuries that result in death and first aid injuries are minor injuries suffered at work.

The measure gives a picture of how safe a workplace is for its workers.

The total injuries suffered reduced by 52% with no cases of fatalities. This is an indication of an improvement in the health and safety at the two factories which is driven by strict adherence to the health and safety rules.

Strategy in action:

Enhancing customer experience

As we continue to prove that UCL is the leading manufacturer of building and construction baked-clay products, we strive to consistently meet and even exceed our customers' expectations.

To enhance our customer journey, we have put into place continuous customer service training for every staff that comes into direct contact with our customers. This year our successful internal customer care training improved the front-line team's skills, including staff in customer care, sales, and distribution teams.

In like manner, our dedicated team of consultant engineers offers free technical advice to our customers during their construction projects.

Such services include; accurate measurements of the number of tiles and/or bricks that a client would need for their structure, how to align the roofing tiles for maximum efficiency, and general engineering and architectural consultancy support.

2021 Progress

- *Strengthened customer relationships and service improvements.*
- *Developed the 4 in 1 customer management system.*
- *Offered regular business updates.*

2022 Ambitions

- *Addressing Customer Pain points.*
- *Brand Health.*
- *Customer Satisfaction.*

Improving our payment options

We have reconstructed our modes of payment and made them client-centric by providing tools and options that accommodate their needs.

We have emplaced agent banking and mobile money options which are less cumbersome and totally reliable payment methods that have improved our customers' payment convenience.

Our newly acquired MTN and Airtel network merchant codes have further widened these options.

Bringing our products closer to customers

We believe that expanding our distribution network was a key driver of our success this year.

Our products were brought closer to our customers when we increased the number of agents across the country. (5 agents situated in Kampala and 10 spread across the rest of the country) As a result, there has been notable reduction in customers' transportation costs to acquire products, a factor that influenced our customer satisfaction index.

Moreover, our continuous awareness project has ensured that our customers and agents develop and strengthen trust with one another. This growth in our footprint across the country.

Strategy in action:

Creating a high performance culture

We are well aware that culture changes take time and ours is a step-by-step implementation.

During employee induction, we employ a daily, 3 and 6-month employee engagement plan that ensures the organisational core values are deeply instilled, and employees continuously apply them in their daily operations. This system ensures that all employees have unified key drivers to our visions. Additionally, our HR team accesses the skills of all our employees and ensures that their performance abilities are fully explored to enable them to succeed both as individuals and as part of a team.

2021 Progress

- *Developed talent and leadership.*
- *Prioritized health, safety and wellbeing.*
- *Conducted company-wide employee engagement surveys.*

2022 Ambitions

- *On-board an HR management system*
- *Improve employee engagement.*
- *Re-engineering, optimizing and automating our business processes.*

Maintaining a safe work environment

We take concrete steps that actively foster and promoter a strong safety culture at both Kajjansi and Kamonkoli. Our 3-legged employee wellness plan encourages diet focus, physical activity and aerobics, and general stress and emotional health management.

We have developed a health centre level 3 clinic in Kamonkoli that is open to both staff and the community while that in Kajjansi has also been renovated.

Improving employee engagement

The re-emphasis of our daily toolbox meetings has brought about uniform commitment and sharing of ideas that influence decision-making. Our Asante recognition scheme which was introduced in April 2021, recognises our outstanding staff.

The employees are nominated by fellow staff and are rewarded per department. With justification, deserving winners are rewarded accordingly.

Becoming more transparent with our people

With the recent advancements in management, we have implemented an open-door policy where staff easily interact with management.

We have broken down the bureaucratic hierarchy barriers that mystified information. That is to say, information was initially lost in both delivery and translation between management and general staff.

The MD also started holding quarterly meetings with all staff to update them on the company's journey for the year.

Strategy In Action:

Improving efficiency and embracing agile manufacturing

Despite the pandemic, UCL. has continued to effortlessly work to obtain maximum operational efficiency and ensure that the set goals of 2021 were fully met.

To identify the areas that require revamping so as to improve overall efficiency, our company carried out root cause analysis in both production and management at both factories Kajjansi and Kamonkoli, and we were able to identify the causes of inefficiency and therefore defined the appropriate solutions and remedies by taking the defined measures.

2021 Progress

- *Focused on efficiency and effectiveness throughout our value chain.*
- *Improved quality and capacity utilization.*
- *Adopted system to system integration between Navision (UCL) and EFRIS of URA.*

2022 Ambitions

- *Develop e-commerce platform.*
- *Integrate ERP (Navision) with the 4 in 1 customer management system.*
- *Automate advise on appropriate application of our products.*
- *Evolve our data tools.*

Root cause analysis

To identify the areas that require revamping so as to improve overall efficiency, UCL carried out root cause analysis in both production and management at both factories Kajjansi and Kamonkoli, and we were able to identify the causes of inefficiency. The root cause analysis not only identified the loopholes in our managerial practices but also the easily negligible production inefficiencies.

We took defined measures to solve these inefficiencies and provide defined appropriate solutions.

Accelerating production efficiency

In the first quarter of 2021, the kiln walls at Kamonkoli had collapsed, and the roof had been shattered which resulted in low recovery in terms of volumes being recorded.

The aftermath of the root cause analysis was a deliberate halt in production in June 2021. For about 3 weeks the kiln walls were repaired by in-house staff. On commencement of production, a massive jump in recovery from 55% to 68% that is to say: 30,000 pieces of the major products are being produced every day.

Enhancing fuels supply

Along with production equipment enhancements, we initially faced the problem of fuel supply in terms of cost. To overcome this, we devised alternative methods such as the usage of bagasse (biomass) in addition to the coffee husks at a ratio of 25:75. So far, this has bridged the fuel scarcity gap during production as we are continuing to adverse this matter further.

Strategy in action:

Building a sustainably profitable business

As a publicly traded company, we owe it to our shareholders to take prudent decisions that ensure a formidable return on their investment.

Failure to generate adequate revenue affects our ability to innovate and grow our business.

Additionally, innovation is what sets us apart from all competition as we able to provide diversified products and services to our customers.

UGX 10.5bn CapEx investment

Our pattern of cash inflows as distinctly registered in the financial section of this report enables, our shareholders to examine movement and/or changes in the revenue, so as to make well-informed decisions.

UGX 5.3bn was spent on the purchase of land and the kiln at Kamonkoli was repaired and expanded at UGX 138m.

For our transformational roadmap in the areas of sustainability, UGX 73m was allocated for research and development which was centred around meeting the requirements of our customers through new products, our transition to low carbon operations, and safe product usage.

2021 Progress

- *Tightly controlled discretionary spend and drive for efficiency.*
- *Realigned sales agency model and developed market effectiveness tools.*
- *Leveraged strong positions within the market.*

2022 Ambitions

- *Addressing customer pain points.*
- *Brand health.*
- *Customer satisfaction.*

140 acres of clay reserves acquired

We are proud to have closed the deal on our interminable land acquisition process this year 2021. Having conducted a series of detailed analyses on different clay reserve belts, we reached a final agreement on the specific reserve belts that will last 50-70 years. A dedicated and knowledgeable team of geologists carried out detailed surveys and calculations to formulate mining and excavation plans which were in turn confirmed by the Quality Assurance department to dictate the different quarry segmentations and their compositions.

The parameters considered included the sand composition, moisture content, particle size, plasticity, and colour of the clay deposits.

Based on the withering patterns, the Quality Assurance team defined the concentration of the components and provided a general estimate of the overall cost per tonne. Good reserves require fewer additives and are therefore more profitable in the long run. The analysis guided the Board's decision to allocate UGX 5.4bn to acquire these clay reserves.

Our transformation to sustainability has prompted our increased awareness and protection of ecosystems. UCL is developing an effective environmental management mining plan including tree planting before use and restoration during site decommissioning. On the 140 acquired acres, tree planting will commence and continue on some sections that will remain untouched for the years to come.

How we performed against our 2021 targets

Strategic objectives	Key Performance Indicator	2021 target	2021 performance	Key initiatives
1. People focus: Build a high performance culture (Employee engagement index = 80%)				
Enhance performance culture/ process re-engineering.	Staff engagement score	70%	*Employee engagement:* 78% (2021.) 47% (2020)	We invested in skills development (staff training). We had daily operations meetings to give staff a voice. We introduced social platforms like the quarterly MD town halls.
Improve health, safety and wellness.	Lost Time Injuries	10	*Lost Time Injuries:* 13 (2021) 20 (2020) *Fully vaccinated staff:* 84%	We had free testing and vaccination for COVID-19 drive for staff. We improved usage of PPE, worked on machine guarding, improved equipment protection, installed platforms. We started training staff on basic safety concepts.
2. Operations and systems focus : Improve efficiency and embrace agile manufacturing (Inventory waste < 5%)				
Improve service delivery.	Turn around time for delivery of products/ services to customers	7 days	*Turn Around Time:* 7 days	We carried out restoration and repairs of the kiln in Kamonkoli. We constructed a new chamber dryer improving our artificial drying capacity, shortening the production cycle. We embarked on kiln extension.
	Recovery rate	55%	*Recovery rate:* 68% (2021) 55% (2020)	We carried out quality awareness and sensitization. We carried out a root cause analysis to improve raw material quality.

Strategic priority (2023 Targets)

1. (Employee engagement index = 90%) **2. (Inventory waste < 5%)** **3. (Customer satisfaction index = 90%)** **4. (Revenue = UGX 72bn)**

Strategic objectives	Key Performance Indicator	2021 target	2021 performance	Key initiatives
2. Operations and systems focus : (Continued)				
Improve innovation	Number of new products commercialized/ improved existing products.	2	*New products:* 3	We introduced a chocolate black brand of half bricks. We redesigned partitions and conventional half bricks from Kamonkoli to improve strength.
3. Customer focus: Solve customers building problems (Customer satisfaction index = 90%)				
Enhance customer experience.	Customer satisfaction score	75%	*Customer Satisfaction Index:* 81% (2021) 66% (2020)	New payment platforms launched. Investment in a 4-in-1 CRM system software. Investment in meaningful public relations.
Improve brand and market presence.	Brand health survey rating	30	*Net Promoter Score:* 37% (2021) 11% (2020)	Reactivation of all UCL social media platforms (Twitter, Facebook and Instagram). Media coverage for all CSR activities. Recruitment of 3 new agents.
4. Growth focus: Build a sustainably profitable business (Revenue = UGX 72bn)				
Increase Revenue.	Total Annual Revenue.	UGX38bn	*Sales revenue:* UGX. 36.7bn (2021) UGX. 29.7bn (2020)	We realigned sales agency model and developed market effectiveness tools. We also leveraged strong positions within the market.
	Earnings Per Share.	2.4	*Earnings Per Share:* UGX. 6.6 (2021) UGX. 5.4 (2020)	Our half year performance boosted investor confidence in our stocks on the Uganda Securities exchange. This drove up the value of each of our shares.
Reduce Costs.		20%	*EBITDA margin:* 32.6% (2021) 33.2% (2020)	We tightly controlled discretionary spend and continued to drive efficiency and effectiveness saving.

When it comes to our people, we are creating a performance based culture. We recognise the need for trained and motivated staff.

Reuben Tumwebaze
Managing Director

Progress on strategy

Q&A with the Managing Director

To share insights on the company's performance, how UCL has created value in 2021 and how they plan to continue to do the same going forward, the Managing Director answers some questions.

Q. UCL is being guided by a 5-year strategy, currently in its 3rd year. How close is the company to achieving the targets set?

As a recap, there are 4 strategic goals to our 5-year plan: To have made UGX 72bn in revenue by 2023, to achieve a customer satisfaction rating of 90%, to have a wastage rate of 5% which means that our recovery should be at 95% and to have a staff engagement rating of 80%.

These 4 work hand in hand. We know that if we invest in staff and improve processes, it will lead to an increase in the customer satisfaction rating and the revenue will increase to UGX 72bn.

To answer your question, we monitor our strategic goals using a performance appraisal tool, The Balanced Scorecard and from that, we have noted the progress as follows:

On sustainable profitability:
Our target for this year was UGX 38bn. This relatively conservative figure was informed by a number of factors, key of which were the effects of COVID-19 on the economy.

Despite slower economic growth than earlier projected, we registered UGX 36.7bn in sales revenue putting us at 96% of our set target for 2021. This puts us at more than halfway of the UGX 72bn 5-year target with two years left.

On operational efficiency:
Our target is to obtain product recovery of 95% and only 5% waste during production. I am glad to say that our recovery rate has improved to 68% from 55% in the prior period.

On customer satisfaction:
According to our customer satisfaction survey, we are at 81% in 2021 compared to 66% in 2020. I can tell you that we are very optimistic that this number will continue to go up due to a number of interventions. First, our process improvements have led to a shorter wait time for tiles, from 2-3 weeks to under 5 days. As of November, customers were able to get tiles on demand. Secondly, we have changed our sales model and capitalised on the agency model.

This has given customers convenience and the ability to get the same product they would get from the factory from a more convenient location closer to where they are.

On staff engagement:
We have been carrying out surveys, and staff training and notably, there has been an overall cultural shift to a performance culture. A clear indication is our staff engagement rating this year which was 78%, up from 47% last year.

Q. How does the company intend to make it the rest of the way? What needs to be done to get Uganda Clays Ltd. where it needs to be?

This is an ongoing process so I would frame my answer this way; what we need to do and what we need to continue doing to get us where we need to be.

We believe that continuous investment in leadership and human resource is a necessity for success and the changes in management this year are testament to that.

This year, there was a change in management seeing in a new MD and Heads of Department; Finance, Sales and Marketing, Production, Human Resources, General Manager Kamonkoli, Procurement and Quality Assurance.

This team is driving the strategy and the results can be seen in the profitability as well as the share price.

Our people

When it comes to our people, we recognise the need for trained and motivated staff, therefore we are instilling a performance-based culture.

To further support our people, we are pushing Uganda Clays to become a data-driven company. We have a deliberate plan for training staff in analytics and have set up a planning and analytics section which will look at the internal aspects of the organisation.

By the end of 2022, we plan on setting up a business intelligence and strategy section to look at our competition, where we stand and what we need to do.

For any business to survive, it needs to assess its market, its external environment, the overall business environment, and the economy and look out for opportunities.

Raw material sourcing

An important aspect of our business is the raw material; clay. We have been using the same reserves since 1950 and they were almost depleted. Management and the Board approved a CapEx budget to purchase land with clay reserves. We have so far purchased 140 acres, and we should be able to utilise them for the next 50-70 years.

Process improvements

We plan to continue to improve the efficiency in production and a CapEx budget towards that was approved as well. We're getting new tile lines, a new kiln and a new tunnel dryer for Kajjansi. By the second quarter of next year, we should have completed this.

Process improvements will be made at both Kajjansi and Kamonkoli. It will be a phased project with Kajjansi improvements being done in 2021-22 and Kamonkoli in 2022-2023.

Currently, we are extending the kiln in Kamonkoli and another tunnel dryer was set up at Kajjansi. This dryer was set up by internal staff, speaking to the impressive capacities in both human resources and systems. With all this in place, production efficiency will increase six fold.

Our footprint

We are making moves to expand regionally. Kenya is 3 times the size of our economy so there is great potential there and we are eager to get it right. We will be on boarding agents from Kisumu and Mombasa. There are also prospects in Burundi and eventually Northern Tanzania, Congo and South Sudan.

We are taking a cautious approach due to the instability of the latter 2 regions, however, there is great promise. Our goal is to have a presence across the greater East African region.

Our customers

Finally, when it comes to our customers, we are planning to move towards ubiquity. We want to leverage technology to enable the customer to be able to order from the comfort of their seat. The customer service report on *pages 76* delves deeper into that.

Q. What market trends are you seeing that could impact Uganda Clays and how do you plan to exploit or navigate them?

There has been a shift in demand for our products within the country. Roofing tiles still make up the bulk of our sales but we've seen an increased uptake of quarry tiles (the floor tiles).

We are putting the demand down to our quality, although we still think we can do better if the government intervenes in promoting Ugandan products. The government introduced excise duty on imported ceramic tiles and for this reason, the quarry tile became our second top-selling product.

Maxpans have also had an interesting trajectory. People are building high rises and this has increased the demand for maxpans which are cheaper than concrete. They are very popular, and while our quality is the best, they can be produced by anyone. To exploit the increase in demand, we are looking at a way to maintain the quality we currently offer while fitting into the customer's pocket.

Another noteworthy trend has been the increased use of facing bricks. Instead of painting, customers are opting to wrap their houses in these bricks for a beautiful finish. Regionally, we are seeing more customers from South Sudan and Kenya buying our roofing tiles and Maxpans.

Q. What operational changes at Uganda Clays have impacted or could impact the environment?

Climate consciousness has moved to the forefront of every business. It is not a trend, it is a part of our lives and we are happy to comply. When it comes to fuel, we exclusively use alternative fuels, majorly coffee husks and bagasse. In addition, planting trees is one of the plans we have to sustain our environment.

As I mentioned earlier, we have just bought new land which we cannot excavate at a go. There is a big opportunity to incorporate large scale tree planting into our mining plan.

We have already made an effort to get ahead of environmental challenges that may arise due to our activities. For instance; since we buy land in wetlands, we work on alternative water channels to avoid flooding the community.

The impact of COVID-19 has affected us in more ways than one. It has also caused supply chain challenges due to the limitations in the movement of cargo vessels. As a result, costs have increased. significantly e.g. we are importing our kiln and spare parts so that is likely to have an effect on our cost.

Another thing we are planning around next year are the Kenyan elections in August. Because we use Mombasa as our port, we are looking at importing things much earlier, or alternatively using Dar es Salaam as an alternative in case the need arises, so as to keep our projects on track.

We are on track to deliver value to stakeholders

In 2022, we will be expanding our regional presence, looking more at production process improvement, injecting CapEx investments, completing renovations, increasing production a 6-fold, making use of data analytics and technology, assessing the market and continuing to train and hiring more skilled staff.

We are transforming

How we engage with stakeholders

Table 1: Stakeholder engagement

Stakeholder group	Alignment with values	What matters to them
Our People 	*Bold* *Quality* *Teamwork*	We are a value-driven company that understands that our staff performs best when highly valued and well taken care of. Our employees' wellbeing is a top priority so we provide good meals, a safe working environment, and health services. Also available are several growth opportunities, job security, competitive wages, and benefits. We value transparency and integrity so proper communication and freedom of thought and expression are key.
Customers 	*Quality* *Customer First*	We are highly appreciative of the people that continue to choose us, our products, and our services. We, therefore, offer products of high value and quality, at reliable supply. We also have a strong collaborative relationship with our customers because of the excellent customer service that we offer. In addition, we have developed more flexible payment options for all our customers.
Suppliers and Partners 	*Quality* *Integrity*	We appreciate and value strong mutually beneficial partnerships, fair contracts, and payment terms. We also encourage strategic alignment of growth opportunities between our company and suppliers, with adherence to solid two-way communication channels.
Shareholders 	*Integrity* *Bold* *Accountable*	We understand that the key material issues for our shareholders relate to shareholder returns/ dividends, the viability of long-term success, corporate governance, and social commitments and progress.

How we engage at board level	How we engage across the company	Link to business model
Our employee engagement survey reports are shared with the Board. Board members visit our factories and senior management joins meetings for specific items.	We engage our employees in a range of ways; • Tiered meetings cascading information. • Senior leadership site visits/ visible felt leadership. • Employee engagement surveys. • Roadshows/ Town hall talks. • WhatsApp employee engagement forum.	A trusting, respectful and inclusive culture, commitment to create opportunities for career growth and building a continuous learning culture.
The market assessment and customer satisfaction survey report is fed into board discussions, which ultimately shapes strategic decisions.	We engage our customers in a range of ways; • Social media. • Customer satisfaction survey. • Customer relationship management. and complaints system. • Customer service team. • Account management support.	Nurture mutually beneficial relationships that deliver joint value.
The Board receives regular updates on matters relating to; partnerships and opportunities, procurement efficiencies etc.	We engage our suppliers and partners in a range of ways; • Procurement team meetings. • Inception meetings for contracts. • Due diligence surveys. • Sharing best practice and learning.	Ensure long-term mutually beneficial relationships.
The Board meets and interacts with shareholders at the annual general meetings. We publish results and trading updates at certain points in the year.	We engage our shareholders in a range of ways; • We deliver results presentations on release of full and half year results. • Annual general meetings. • Uganda Securities Exchange announcements.	Maximize long-term shareholder returns.

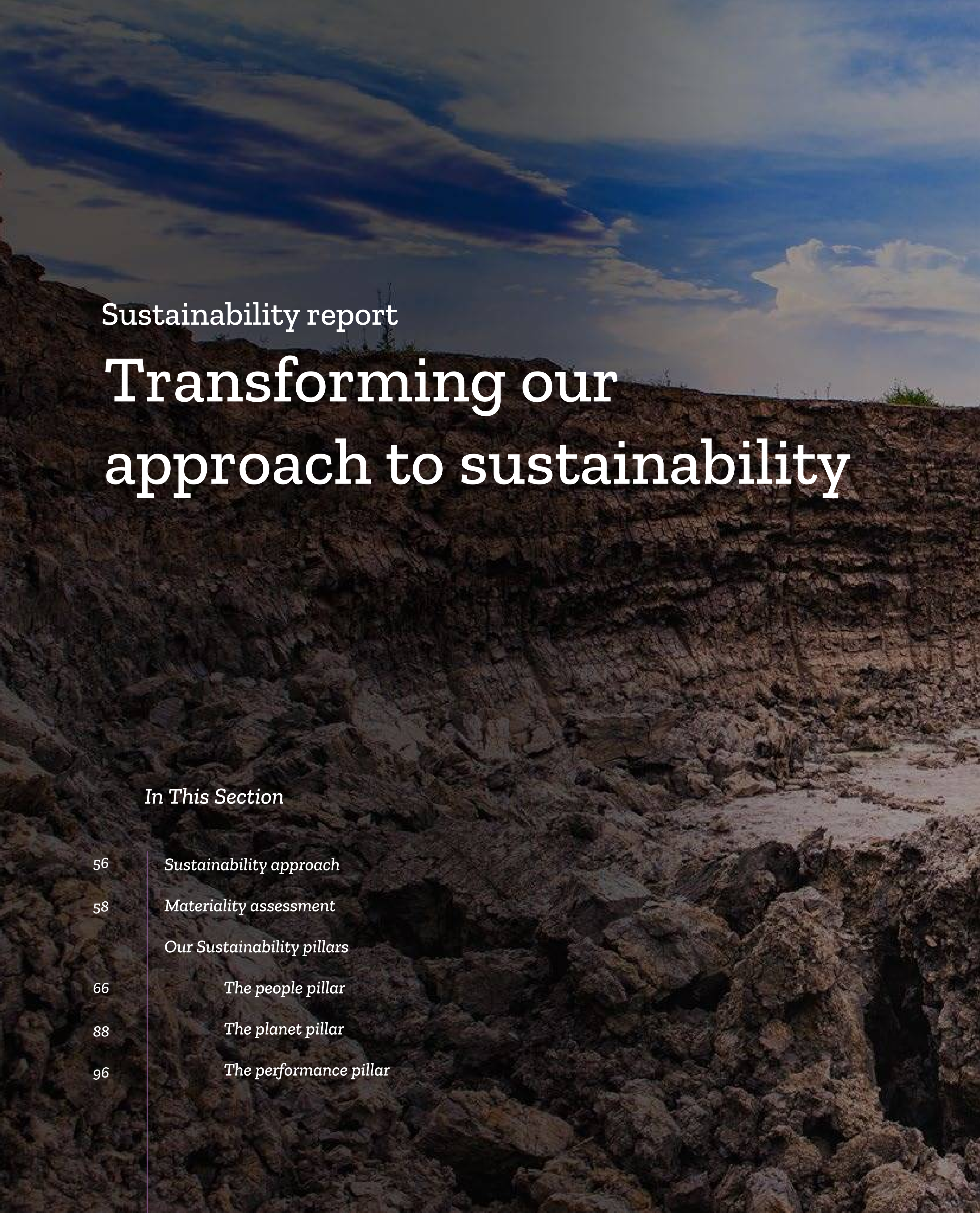
We are transforming

How we engage with stakeholders (Continued)

Table 1: Stakeholder engagement

Stakeholder group	Alignment with values	What matters to them
Community 	*Integrity* *Accountable*	We are passionate about the communities we serve and as such, we respond to local concerns and provide basic services support. We take full responsibility for the natural resources that we use and we, therefore, encourage sustainable economic participation of the members of our community.
Environment 	*Integrity* *Accountable*	We are aware of the long-term effects of clay quarrying on land, and that is why our regeneration policy is fundamental to the stakeholder's environmental concerns. In addition, we observe the other key material issues for the environment including reducing our carbon emissions, our water footprint, and 100% waste recycling and reuse.
Government and Regulators 	*Integrity* *Accountable*	We live by our core values of accountability and integrity to the government and our regulators by remaining compliant with all applicable laws and regulations. We also take responsibility for the natural resources that we use and provide accountability.

How we engage at board level	How we engage across the company	Link to business model
The board are kept up to date with community projects on a regular basis through the Managing Director's report. Board members are also provided with the opportunity to join in the activities to understand how UCL's broader social and environmental concerns are addressed in practice.	We engage our communities in a range of ways; • School visits • Community health access to the clinic • Community water, sanitation and hygiene programs	Build thriving communities by making lasting contributions.
At every board sitting, updates on our functional land regeneration policy are provided. Also from the recent meeting, the board agreed that we embark on environmental energy audits, and research on the topic is currently in progress.	We engage our environment in a range of ways; • Full commitment of production teams to our 100% waste recycling and reuse policy. • Tree planting on the recent 140 acres of land reserves is in progress. • Purchased energy meters. • Utilize 66% recycled water in production. • Energy/ Environmental Audit research engaging all sectors.	Contribute to local and national economic development priorities.
The Board receives regular updates on matters relating to regulatory horizon scanning. Board representatives regularly engage with the leadership of the Uganda Securities Exchange.	We engage our government and regulators in a range of ways; • We participate in the government business and industry advisory groups. • Tax settlements. • Ongoing dialogue on regulatory objectives.	Contribute to economic development priorities.



Sustainability report

Transforming our approach to sustainability

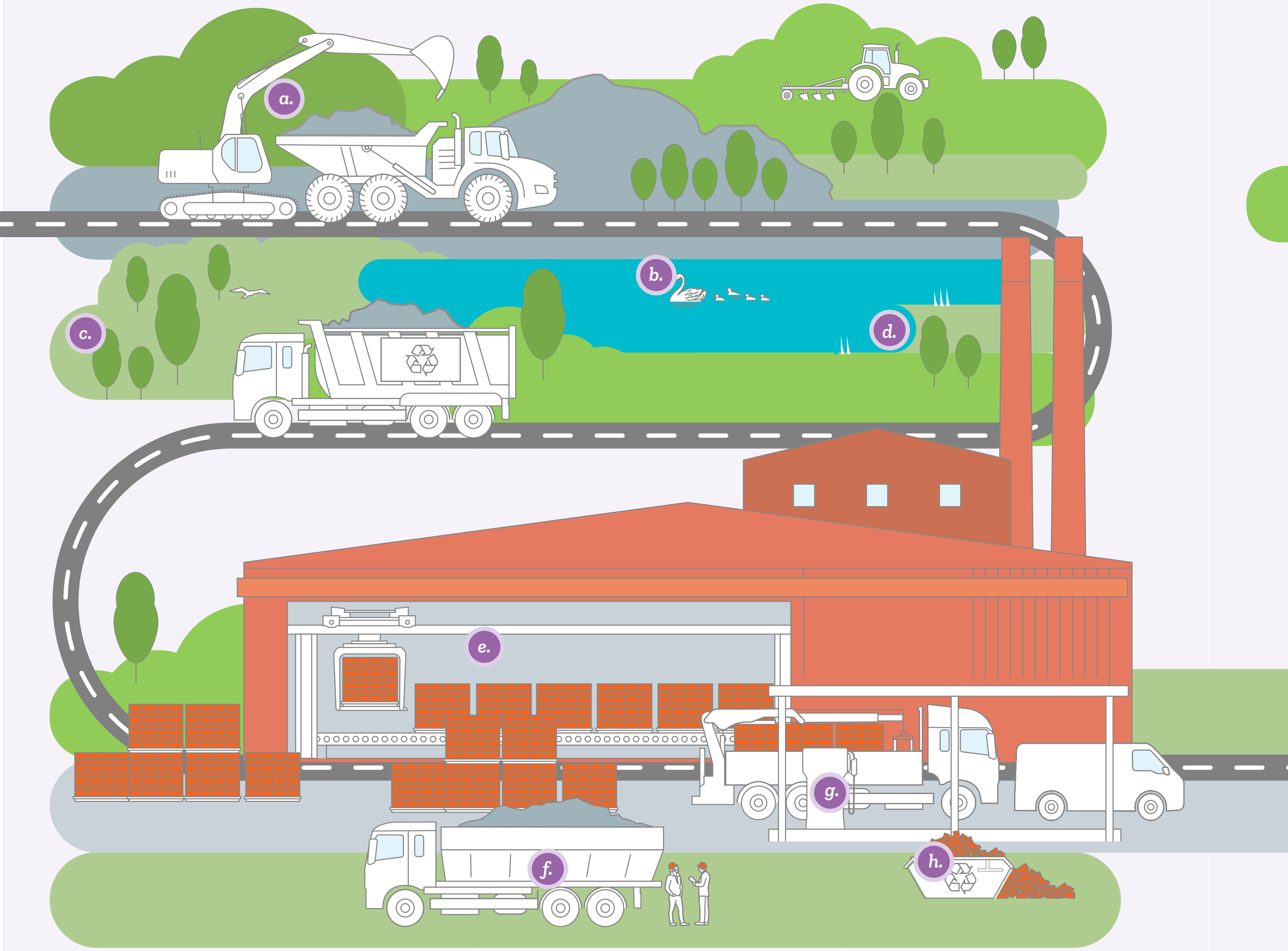
In This Section


SEM

Sustainability approach

Assessing our environmental impact

Fig 1: Our environmental impact



- **a.** *We extract clay from our quarries.*
- **b.** *We restore our quarries to nature when mineral extraction is done.*
- **c.** *We are deliberate in our choice to use green fuel like coffee husks.*
- **d.** *We mostly depend on our on-site water reservoirs and recycling system for water.*
- **e.** *We conserve electricity use at all our factories and facilities.*
- **f.** *We purchase raw material from suppliers supporting jobs in our supply chain.*
- **g.** *Our plant and equipment currently run on electricity. At the end of their life our products are recyclable.*

h. *Our waste in some cases is a resource we recycle e.g. we use broken clay to renovate roads in our community.*

i. *We provide products that match our customers desired aesthetics.*

j. *We are committed to biodiversity and run a tree planting campaign.*

k. *We provide employment to over 400 people (staff and contractors), playing an integral role in our local communities.*

Materiality assessment

Determining what really matters

In 2021, we considered materiality assessment as compared to the previous years, but because of the COVID-19 pandemic, the company was unable to satisfactorily focus and deploy resources on the topic as our priorities were rapidly shifted to accommodate the challenges of the pandemic, which required swift action and all-out priority.

Despite this setback, we devised means for the assessment as we are aware of the significance it holds for the company's growth and future.

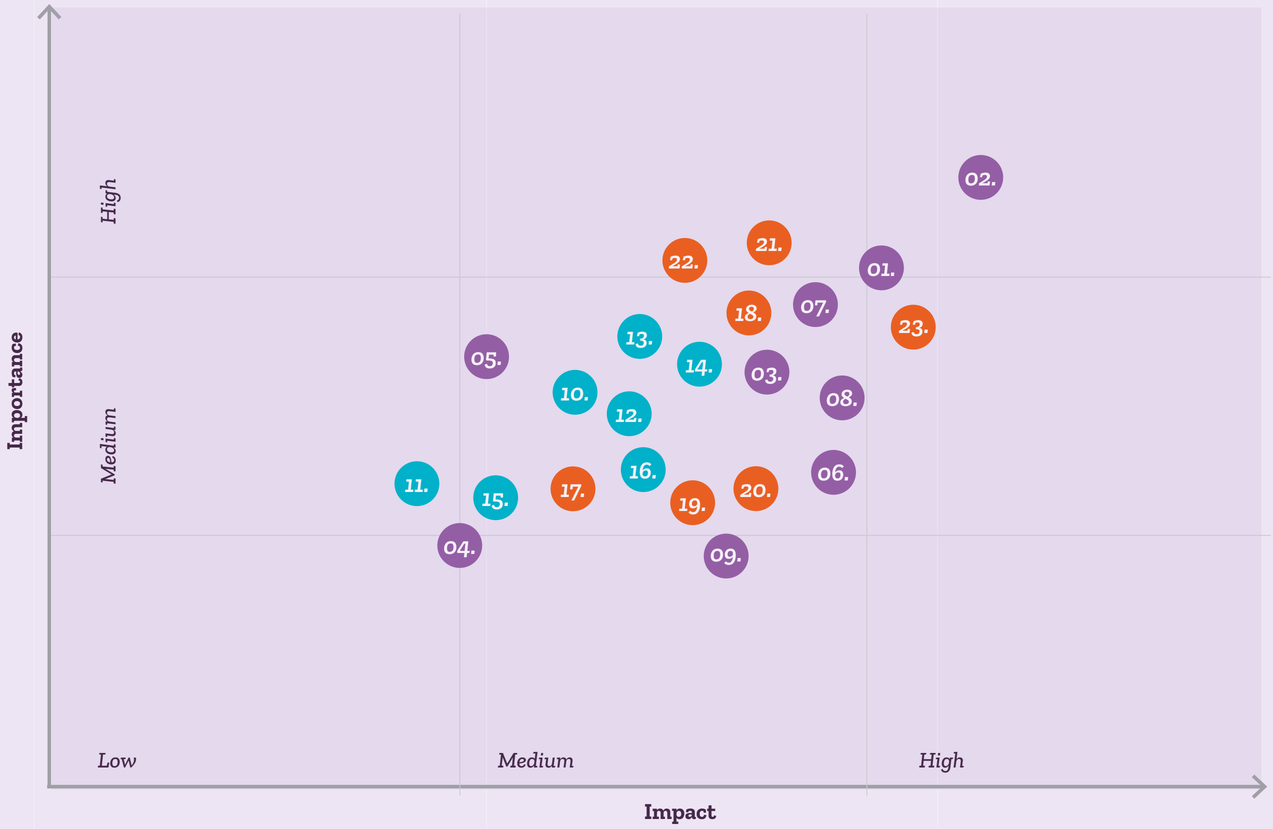
Materiality determination process

We researched, reviewed, and utilized various sustainability reporting publications, coupled with evaluations of relevant sustainability frameworks including the Sustainable Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI), and used them as a basis to create our own list of potentially material topics. We utilized these benchmarks coupled with our knowledge of company material operations and their impact on future business performance, to assess our material topics and as such developed the necessary scoring criteria.

It is from the aforementioned assessment that we developed the Uganda Clays Limited materiality matrix ***(Fig. 2)*** indicating the topics we consider most important to our stakeholders. The materiality matrix summarizes the results of the materiality assessment.

Step		
Step 1	*Define purpose and scope*	*We started by defining what material means to UCL and set our objectives and identified our audience.*
Step 2	*Identify potential topics*	*We then created a list of material topics based on our company knowledge.*
Step 3	*Categorize*	*We refined the list of material topics by clustering them into categories.*
Step 4	*Gather information about the impact and importance of topics*	*We reviewed the material topics internally and established their relevance to the business. (Going forward though, we plan on employing a more detailed approach that will yield more accurate results).*
Step 5	*Prioritize*	*We prioritized the material topics based on the strategic importance to our business and the social, economic, and environmental impact of each topic in the value chain.*
Step 6	*Engagement management*	*We tested the results of our materiality assessment with key internal audiences to validate the outcome. Their assessment included their view on the topics' potential influence on strategy development and achievement, market positioning and growth opportunities, risk and reputation management, and compliance. By considering these risks and opportunities, Uganda Clays Limited accounted for impacts on sustainability development.*

Fig 2: Materiality matrix



- 01. Equality, diversity, and inclusion
- 02. Health, safety, and wellbeing
- 03. Employee experience
- 04. Data protection and privacy
- 05. Human and labor rights
- 06. Succession and skills development
- 07. Customer focus
- 08. Supplier and partner relations
- 09. Community and charity engagements
- 10. Climate change adoption
- 11. Greenhouse gas emissions
- 12. Air quality
- 13. Energy management
- 14. Water management
- 15. Waste management
- 16. Biodiversity impact
- 17. Product life-cycle environmental impact
- 18. Product innovation
- 19. Pricing integrity and transparency
- 20. Ethical procurement
- 21. Driving profitability
- 22. Operational efficiencies
- 23. Sales and distribution efficiencies

Key

People   Planet   Performance

We plan on broadening and refining the scope by involving external consultants and relevant industry bodies who are well conversant with the topic, to assess and provide broader perspectives on macro sustainability, assess the relevance and application of these topics to our business.

We will assess the numerous potential environmental, social, and governance issues that could affect our business, and/or stakeholders and come up with a short-list of topics that are requirements in informing our strategy, targets, and reporting. We shall develop a more permanent framework that will be followed during the materiality assessment.

Materiality assessment

Doing our part for a global cause

The Sustainable Development Goals (SDGs) are a globally focused framework for changing outcomes for humanity. The 17 Goals, often referred to as The UN Global Goals, call on governments and businesses to work together and play their part to end poverty, protecting the planet and ensuring that all people live in peace and prosperity. The Goals have been adopted across the world and have established themselves as a powerful set of collective objectives.

Fig 3: The 10 SDGs most relevant to us

UCL in the global context

UCL has continued to take a step forward in understanding the opportunities the United Nations Sustainable Development Goals (SDG) framework provides to create value for our stakeholders, whilst continuing to contribute towards achieving the Goals. This year, we focussed on the ten SDGs that are most relevant to our business and have informed our material issues review and strategy identification.

SDG3 - Good health and wellbeing,

SDG4 - Quality Education,

SDG5 - Gender Equality,

SDG7 - Affordable and Clean Energy,

SDG8 - Decent work and economic growth,

SDG9 - Industry, innovation and infrastructure,

SDG10 - Reduced inequalities,

SDG12 - Responsible Consumption and production,

SDG13 - Climate action,

SDG17 - Partnerships for the goals.

UCL employs SDGs strategically to advance her business and contribute to a better world. We plan to expand our SDG scope in the years that follow and in this sustainability report we summarise the initiatives we have undertaken this year to contribute to the SDGs.

As a company that lives her values in all our activities, demonstrating ethical approach across all departments, pro actively engaging with stakeholders to communicate as much transparency as possible, the partnership with our stakeholders ensures that we provide sustainable outcomes for our people. By collaborating with stakeholders, we shift the dial in the areas where we can make the most difference to our people.

We relate these ten SDGs with an aim to become competitive on a global scale with the futuristic possibility of leading the industry in the creation of value through innovation and technology advancement.

SDG 3:

Good Health and Wellbeing

Our work and behaviour, coupled with the initiatives we implement to continually enhance our work environments, will magnify our endeavours to collaboratively protect our people from the risk of harm, whether it be operational or occupational.

Improve safety and resilience of staff and other people in the value chain where feasible in locations with high disaster risk by developing robust disaster risk mitigation and preparedness plans (including emergency first aid and rescue skills) and providing them with physical and psychosocial support after disaster events such as the COVID-19 pandemic.

SDG 4:

Quality Education

We are passionate about continuously investing in our people for we believe that it is critical to ensure that the business is always learning. We invest in our people from the front-line, through vocational training and formal qualifications.

We also provide additional training to component and raw material suppliers as well as constructors that use our materials to increase the productivity and sustainability of their operations, ensuring access to high quality, environmentally sensitive inputs.

SDG 5:

Gender Equality

We employ a strict no discrimination policy and ensure utmost transparency during . As such, qualified women are encouraged to apply for high positions in the company and the entire process is made transparent so as to avoid discrimination of any kind at any recruitment stage, during on-boarding and job succession.

We continuously adapt manufacturing plant facilities, processes and culture to support an increase in recruitment, development and retention of women employees. Furthermore, we identify and include more women-owned businesses in the manufacturing supply chain, and help to develop their capacity as needed.

This SDG is important to us as we have this year increased the number of women in senior roles, and invested in policies and programs that support women in the workforce and encourage organisations in the value chain to do the same.

SUSTAINABLE DEVELOPMENT GOALS

SDG 7:

Affordable and Clean Energy

We continue to utilise industrial machinery and vehicles that are operated efficiently. We continue to increase the proportion of our energy coming from renewable sources through the company's direct operations and encourage our suppliers to do the same. This SDG is important to us as our production process coordinates distributed energy resources, integrating renewables with conventional power sources.

SDG 8:

Decent Work and Economic Growth

We initiate skills development programs moving down company supply chains as well as foster an entrepreneurial culture that invests in and mentors our youth employees.

Our firm policy against unfair hiring and recruitment practices ensures that we are well aligned with decent work.

The opportunities we create for temporary workers to develop their skills have led them to gain access to improved professional opportunities, both within and outside of our industrial manufacturing plants.

SDG 9:

Industry, Innovation and Infrastructure

Our research and development is directed to more environmentally sensitive tiles and bricks that alternate from the traditional products used previously. We have conjointly developed improved methods of reusing by-products and waste from production, crushing and reusing them as raw materials.

SDG 10:

Reduced Inequalities

We continue to create opportunities for lower paid workers to develop their skills and gain access to improved employment opportunities, both within and outside our factory. We ensue that they are paid a living wage and we similarly encourage other clay manufacturing companies to do the same. Our equal opportunity policies prohibits discrimination in all forms and encourages employees to report any such action to immediate management.

SDG 12:

Responsible Consumption and Production

We apply the concept of a circular economy by designing products with end of product life-cycle reuse and recycling waste from long-run production.

Develop and implement improved processes to reduce, reuse and recycle water, raw materials, non-renewable minerals, other inputs, by-products and waste. We continue to identify and adopt new technologies and process improvements to reduce fossil fuel combustion in all our activities. We have sourced biomass as our kiln fuel and this has increased energy efficiency in our plants at Kajjansi and Kamonkoli.

SDG 13:

Climate Action

We identify and evaluate climate change risks to the business and take appropriate mitigating and adaptive action.

We plan to design and implement natural disaster risk mitigation, preparedness, response and recovery plans at our plants and excavation regions. We have set science based carbon emission targets in line with the sectoral de-carbonisation pathway and encourage suppliers, distributors and customers to do the same. UCL is actively committed to improving the economic outcomes of local communities through the jobs we create by employing local community members through the supply chain. We strengthen the link between corporate and societal value creation and align the company's value creation strategy to the Sustainable Development Goals.

SDG 17:

Partnerships for the goals

We have adopted good practice principles and guidelines which better align business practices with sustainable development and we are engaging in such initiatives with stakeholders.


UCS

Our sustainability pillars

Our materiality matrix categorizes the material topics into our sustainability reporting framework of "People , Planet and Performance(Product+Profit), ". Collectively, our three pillars enable us to maintain uniform goals at all company levels as well as guide our future decision-making.

This framework circles out our key future targets and their respective reporting metrics within each sustainability pillar and sets out a balanced approach.

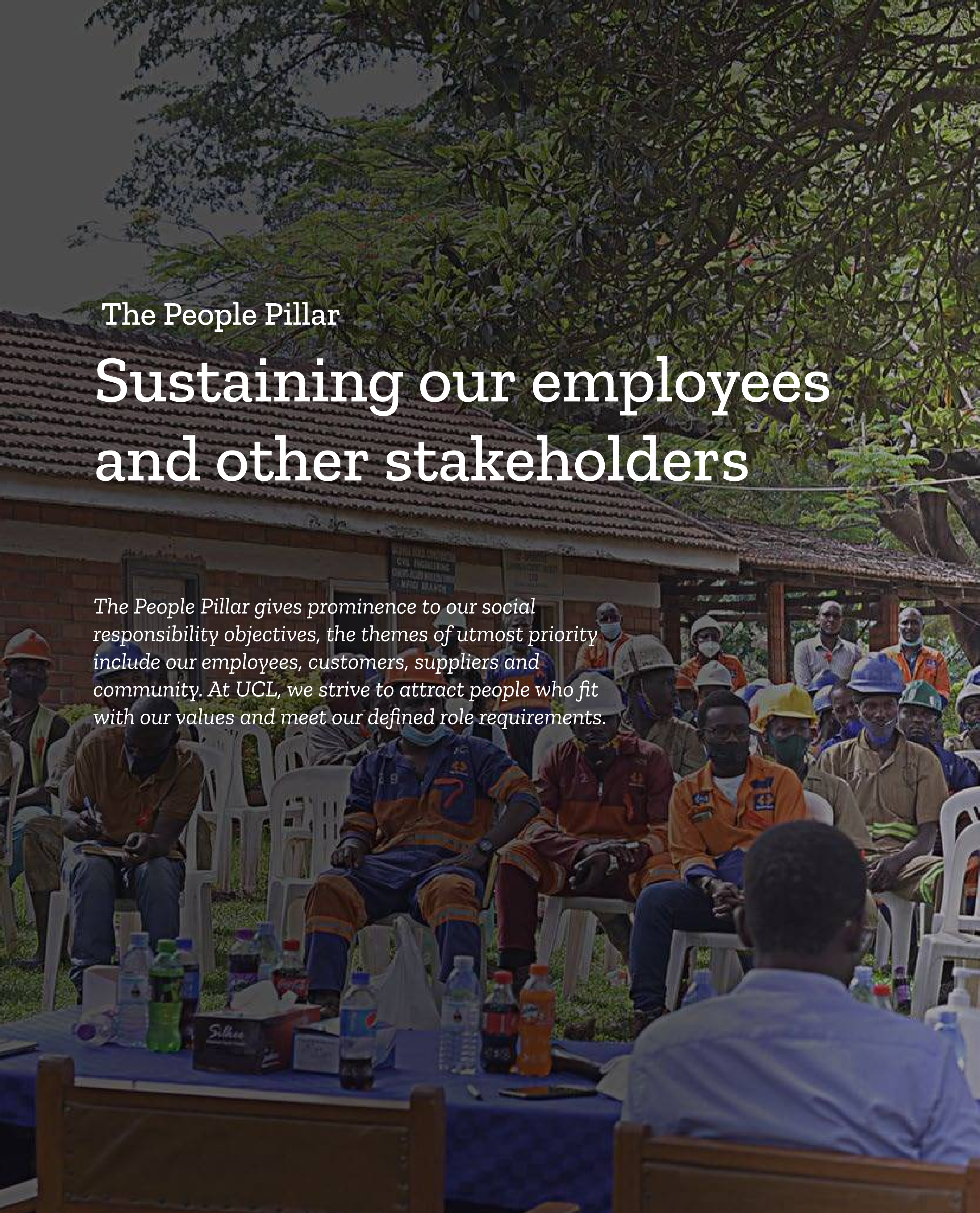
As a continuously growing company, we pride ourselves on innovation and change while creating shared value for our multiple stakeholders, so we continue to search for additional opportunities that can contribute to United Nations' Sustainable Development Goals (UNSDGs) that most closely align with our pillars.

UCL strives to track the latest developments in environmental issues such as climate change, improvements in energy efficiency, and elimination of polluting emissions therefore we have developed and implemented processes such as closed-loop manufacturing to reduce waste and recycle water in our production operations.

It is our policy to understand environmental responsibility, comply with environmental regulations and support environmental protection. UCL adheres to the National Environment Act of Uganda which governs the manufacturing sector on things like pollution discharge, and environmental standards and mandates an environmental impact assessment prior to the establishment of any plant or process.

Table 1: Materiality framework

Stakeholder group	People	Planet	Performance
Materiality themes	*Equality, diversity, and inclusion* *Health, safety and wellbeing* *Employee experience* *Data protection and privacy* *Human and labor rights* *Succession and skills development* *Customer focus* *Community and charity engagements* *Our suppliers*	*Climate change adoption* *Greenhouse gas emissions* *Air quality* *Energy Management* *Water management* *Waste management* *Biodiversity impact*	**Product** *Product lifecycle environmental impact* *Product innovation* *Pricing integrity and transparency* *Ethical procurement* **Profit** *Driving profitability* *Operational efficiency* *Sales and distribution efficiencies*
UN SDGs	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	13 CLIMATE ACTION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Reporting metrics	**Refer to the materiality map on page 82**	**Refer to the materiality map on page 82**	**Refer to the materiality map on page 82**



The People Pillar

Sustaining our employees and other stakeholders

The People Pillar gives prominence to our social responsibility objectives, the themes of utmost priority include our employees, customers, suppliers and community. At UCL, we strive to attract people who fit with our values and meet our defined role requirements.


Uganda Clays Ltd
PARTITIONING BLOCKS

Employee highlights

78%
employee satisfaction score
2020: 47%
2019: N/A

69.6%
completion of corporate training plan
2020: 47%
2019: N/A

UGX46.3m
Allocated to Staff Training
2020: 67%
2019: N/A

37%
net promoter score
2020: 67%
2019: N/A

Transforming and shaping the future of UCL's human resource

Francis Kintu
Head Of Human Resources

People Materiality Topics

01. Equality, diversity, and inclusion
02. Health, safety, and wellbeing
03. Employee experience
04. Data protection and privacy
05. Human and labor rights
06. Succession and skills development
07. Customer focus
08. Supplier and partner relations
09. Community and charity engagements

We have made progress in increasing the number of female staff. Surpassing the 30% mark in less than a year.

2021 has been a very eventful year, filled with numerous changes for our people and the entire company. Through it all, we have kept in mind that we wish to have employees who are productive, safe and healthy.

1. Equality diversity and inclusion

We offer opportunities for safe work that is productive and delivers meaningful income, security at our premises and social protection for our staff, better prospects for personal development and social integration, freedom of expression and association, to organise and participate in decision making and equality of opportunity and treatment for both women and men.

Attracting a more diverse workforce widens our pool of talent which is key for our succession planning and sustainable growth.

Gender diversity

Not only is Gender Equality one of the UN Sustainable Development Goals, it is integral to achieving the other 16. We are an equal opportunity employer, and we have set up policies that guarantee the hiring of qualified women.

Diversity in thinking enriches perspectives, challenges established patterns, and lays the path for continuous evolution.

Due to the fact that work in the plant was perceived as males-only work, the suppliers of our casual workforce neglected to have ladies as part of their teams. We have rectified this with a clause in their terms of service. In addition to compliance on tax and NSSF, the supplier must show will to have diversity of gender. Currently, we have increased the number of women working on the tile line, in the drying section and other areas of the factory.

Total employees

318

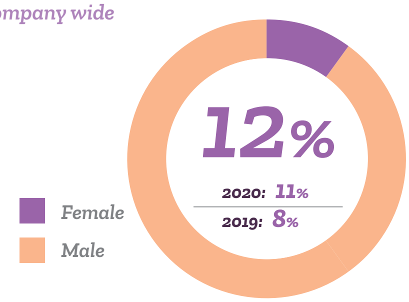
2020: 303

2019: 292

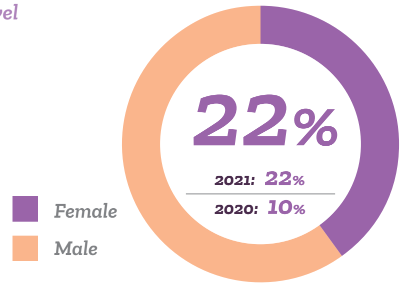
Our workforce increased by 13.7% from 303 staff in 2020.

Female representation

Company wide



Middle Management Level



Our core business activities are inevitably dependent on our people, therefore it is material to us that their health, safety and well being is fully catered to.

The female workers have delivered to the extent that now we do not have to compel suppliers to hire women.

In 2021, we had a total of 318 employees of which 88% are male and 12% female. We have made progress in increasing the number of female staff. There has been notable growth in middle management and in specialist areas, where we have moved from 10% to 22%. Where we are still seeing stagnation is at the senior management level. It was 11% and it's now 12%.

2. Health, safety and wellbeing

We comply with the Occupation Health and Safety (OSH) Act 2006 which requires all organizations to have a health and safety management system Our ambition is to achieve zero harm for all our people, and I am pleased to announce that we had no work-related death in 2021.

We are making progress with a 35% reduction in the LTIs in 2021 compared to 2020, the lost time injury rate dropped from 20 in 2020 to 13 in 2021.

Lost Time Injuries (LTI)

35% *reduction*

2021: 13

2020: 20

Our core business activities are inevitably dependent on our people, therefore it is material to us that their health, safety and well being is fully catered to.

This year, we prioritized Health and Safety by conducting an internal audit to review our current position and determine where we would like to be in the years that follow.

There was a push to make all our people accountable to the Health and Safety department.

Our 3 fold training model has increased awareness and we owe our LTI reduction to these.

1. On job training- Whoever is in charge educates teams on why they need to embrace a given measure while they are working. In this way, employees clearly observe the merits of Health and Safety compliance and understand the demerits of negligence.

2. Formal classroom training- Sit down trainings where employees learn from presentations from instructors.

Asante

Our employee recognition and rewards scheme was launched

3. Tool box talks - These happen every morning before work starts. A manager gathers the employees in their respective departments for a quick Health and Safety drill before operations commence.

The wellness program

We launched a wellness program hinged on a 3 legged-stool:

1. Focus on diet

2. Focus on physical exercise

3. Stress and emotional health management.

Employee rewards and recognition

Alongside the wellness program, we introduced the Asante recognition program to appreciate staff who go above and beyond their expected tasks.

COVID-19 and other health interventions

COVID-19 testing and vaccination has been somewhat of a challenge country wide. However, UCL has been able to test and vaccinate the bulk of our staff.

As of December 2021, Kamonkoli was at 90% vaccination for permanent staff, casual workers and service providers who work closely with us. Kajjansi was at 87%.

Vaccination coverage as of December 2021

Kamonkoli: **90%**

Kajjansi: **87%**

During the lockdown, we once again had a number of staff in the production department camped at the factory to ensure that we kept them safe and healthy, while we ensured continuity of our operations. We partnered with the Wakiso and Budaka district health teams to provide testing for all factory staff before and after they camped. We also partnered with them for vaccination as well.

This year, because of the pandemic, we spent UGX 280m on staff medical expenses which was UGX 44m more than the previous year 2020. This value majorly accounted for Covid-19 vaccines in addition to other medications.

Staff medical expenses

2021: UGX **280m**

2020: UGX **236m**

Our on-site clinics have been renovated and plans are to upgrade them to health centre 3.

We have made these clinics accessible to the community for specific services. We decided to open up and offer vaccination and testing to the community of Kajjansi and Kamonkoli as well. It was not enough to simply vaccinate our staff and sit back since the more people we vaccinated, the safer our own staff would be.

More about how we integrated the community into our health interventions is available in the CSR section on *page 82.*

Future prospects

Include a Health and Safety metric in all our employees' balance score cards so as to increase accountability and awareness of the material topic.

The parameters will range from a requirement to report incidents, participation in investigations, carrying out risk assessments prior to doing work, attending a given number of safety trainings in a year and doing safety observations to identify anything non-compliant and more.

To augment our internal health and safety audit, we are going to have an audit done by an external consultant.

A safety induction room: To keep everyone safe, we want to have a safety induction room outside of the factory. By the time anyone walks into the factory, they will already be fully compliant.

3. Employee experience

Providing an engaging employee experience is critical for business performance, the retention of talent, and the development of our people. We believe engaged employees perform better and are more likely to reach their full potential if they feel supported and heard.

On-boarding new staff

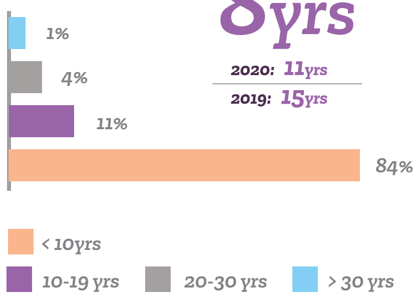
This year, UCL welcomed a number of staff at all levels of the organisation.

Average length of service

8yrs

2020: 11yrs

2019: 15yrs



We were deliberate in hiring people whose performance record is trusted, who were a cultural fit, and who bought into the long-term vision of UCL.

Once hired, our new on-boarding policy guidelines gave our new staff a soft landing, to up retention, and give them the best odds of performing. For instance, with our 1:30:90 plan, a supervisor formally engages with a new hire on their first day, after their first month and after the first 90 days.

This ensures that employees are given extra support in the first months when they face the most challenges while trying to fit in the organisation and its culture. It ensures that their performance abilities are explored and exploited to succeed. We allow each of our employees up to 30 days of annual leave.

We are very proud of the longevity of service from many of our employees, with over 16% of employees having given over 10 years of service to UCL.

Overall staff engagement

2021: 78%

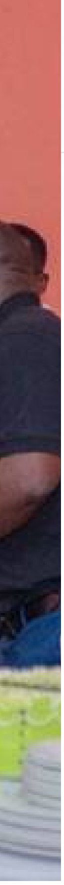
2020: 47%

Our employee's interaction with management

Daily operations meetings have been introduced to give employees a chance to voice their opinions directly with their managers.

The factory has daily meetings where an HR business partner participate and listen to the issues that may affect people, and those that need urgent attention, which feedback is returned the next day after good consultations.

We have created social platforms, like the quarterly MD town halls. Here, the MD updates staff on how the organisation is performing and responds to the feedback from the previous cycle.



Supervisor engagement with new hire

1 : 30 : 90

First Day — *First Month* — *First 90 Days*

We have skilled, semi-skilled and unskilled workers, so there is an interpreter present to make sure communication is happening. This makes our staff stakeholders in the business and that management is part of them.

4. Data protection and privacy

The UCL ICT policy 2019 protects UCL's information assets whether stored on computers, transmitted across networks, printed out or written on paper, sent by fax, stored on electronic, optical, or other media or spoken from threats whether internal or external, deliberate or accidental.

Formal standards for password management, user IDs, and user access rights are in place and implemented. Management ensures that equipment containing UCL and client data or information is physically secured at all times.

The areas containing ICT facilities are accessible only by authorised individuals and protected from intentional and accidental damage. All other persons must be accompanied by authorised staff and must sign a visitor's book to access them.

The protection and privacy of our employees, customers, and suppliers' data are of paramount importance and we fully recognize the increased risk from cyber-attacks. This respect for others' data extends to using this information for reasons of which they expressly agree. Data protection and privacy relates to our social capital as we are able to maintain an environment that fosters growth and value.

5. Human and labour rights

It is our policy to offer decent remunerative employment in conditions of freedom, equity, security, and human dignity. UCL complies with the provisions of the Employment Act 2006 as well as article 23 of the universal declaration of human rights to which Uganda is bound.

We employ strict policies and programs that prevent worker harassment of any kind that are disclosed to all of our employees during on-boarding and are continuously emphasised during general company meetings.

It is important that all our staff know how much they are paid and what deductions are made from their salaries. We have helped those who have smart phones to open and operate emails on their smart phones so that they can receive a pay slip.

6. Succession and skills development

We know that investment in training and development is essential for an engaged workforce, talent development, and succession planning.

UCL helps employees cultivate interpersonal as well as technical skills at all levels and focuses on shaping new leaders to ensure continuity and building organisational knowledge. Our leadership development program is at the forefront of our commitment, it gives employees experience across a range of manufacturing functions, developing future capacity for UCL.

In the entirety of this report, we endorse the materiality of succession and skills development. This year, UGX 46m was allocated to staff training which included but was not limited to advanced certifications and technical skills development.

We implemented 69.6% of our 2021 corporate training plan and overall staff engagement improved from 44% in 2020 to 78% in 2021.

Skilled course training

enrolled
65%

spent
UGX 46m

Skill assessment

All our employees undergo continuous skill assessment and are encouraged to learn from different departments so as to widen their skill bases.

During induction and probation, our employees are facilitated with the necessary training and equipment so as to get fully immersed into UCL's operations.

Learning and development

Land is always important in building capacities. It was more so for us because we needed to on-board a number of skills to support the transformation we had embarked on.

As an example, we had to take the entire organisation through customer service and performance management as we were on-boarding the Balanced Scorecard.

This year, we utilised our training budget in 3 ways:

1. Corporate trainings – These focused on specific skills like customer service, innovation, maintenance skills and corporate governance training of the ExCo and unit heads.

2. Professional qualifications- These included ACCA, CPA, certifications on health and safety, CIM, etc. Participation in these is approved and managed by heads of departments.

3. Internal re-skilling - This included work rotations and job shadowing. As an example, we've been able to take someone who has been working on the kiln for the last 5 years and equipping them with skills like moulding and drying. This has had a very positive impact on engagement and morale.

65% employees currently under skilled course training and are allowed leave to sit their exams.


3458/085
105

We are responsive to our customers evolving needs

Sharline Mustari
Customer Experience Manager

Our success relies on our ability to understand customer needs and market trends along the entire value chain, and developing solutions to address those needs.

Customer highlights

81%
customer satisfaction index
2020: 66%
2019: 45%

7 Day
turn around time for product deliveries
2020: 15-30Days
2019: 25-60Days

UGX 70m
Spent on Enhancement of Customer Experience
2020: N/A
2019: N/A

37%
net promoter score
2020: 11%
2019: N/A

7. Customer focus

We acknowledge that the success of our business is contingent on our customers.

UCL continuously seeks and engages in partnerships with customers to enhance its transformational roadmap in the areas of innovation and sustainability. Our customers value our ability to give advice that supports their product ideas, technical needs, and design requirements.

We identify improvement options, obtain feedback and report customer challenges to corrsponding internal stakeholders for resolution. Our devotion to our customers influenced the board to approve the introduction of a customer relations department.

Expanding our CRM

UGX 66m spent

UGX 3m meaningful public relations

Customer pain points from the customer satisfaction survey we conducted in 2020 guided our approach for the year 2021;

- 65%; Customers were not happy with time taken to deliver on ordered products.
- 53%; Customers were not happy that cash is not received and thus waste time going back to look for payment options which are inconveniencing.
- 53%; a significant contributor to Customers' dissatisfaction with the product attribute due to inconvenience caused by customers waiting even up to 6 months for orders made.
- Accessibility to Office. 39%; would like UCL to consider transportation services for their products, especially those buying in bulk.
- 47%; Customers feel their complaints take long to be resolved and some are not resolved at all.
- 83%; of clients feel the products are quite expensive for the Ugandan common man thus limiting the market to the rich.

In 2021, we intentionally set out to solve these qualms through a couple of initiatives striving to foster seamless two-way interactions with our customers.

Customer pain points from our 2020 customer satisfaction survey guided our approach for the year 2021;

4 in 1

Customer Relationship Management tool deployed.

As we continue to drive more customers to the agents, we need to empower them(agents) to be able to serve the customers at the level of service they are getting accustomed to.

Internal alignment to address customer feedback

In order to deliver value, we found it crucial to have a central repository for all customer information and this was achieved with the Customer Relationship Management (CRM) system.

Therefore, we spent UGX 66m on expanding our CRM (Customer Relations Management) through the installation of relevant software, and an additional UGX 3m was spent on meaningful public relations.

The 4 in 1 system that I reported was being developed last year has been deployed at both Kajjansi and Kamonkoli and is in use.

With the 4 arms of Customer relationship management, Complaint management, Queue management and Order management, we were able to better streamline customer engagement, particularly online. This was very beneficial during the lockdowns.

The advancements in customer relations management significantly reduced the turnaround time from 1-3 months to 2-5 days.

Ease of communication

We have increased the ways in which our customers can reach us; we received feedback to the effect that only being available on one network was creating a roadblock for some of our customers and we responded by adding a second. Our contact details on MTN and Airtel networks are now visible everywhere.

We are leaning on technology in terms of automating and making it easy for the customer to, communicate, order and purchase.

We want to move towards ubiquity, for customers to be able to order from the comfort of their seats. To achieve this, we will make use of apps and social media. Through these channels, you'll be able to look at prices, we'll be able to advise on the transport that you need to use and so much more.

Our new website was launched this year and it too provides for 2-way communication with a chat-bot feature.

As we continue to drive more customers to the agents, we need to empower them(agents) to be able to serve the customers at the level of service they are getting accustomed to.

We have made purchasing easier for our customers

One thing that came out strongly in the previous NPS survey was the hurdle customers were facing when it came to making payments. Previously, payment channels were direct debit/credit and VISA. I am happy to report that we have made inroads in that regard.

As of this year; UCL customers are able to also pay via:

- Merchant code for both MoMo and Airtel.
- Agency banking. A kiosk will be set up in the factory.

To ease the customer's buying journey, we have expanded the agency model. In this way, customers can get products from agents that are nearer to their site.

A customer in Gayaza shall not have to come to Kajjansi. This will ease their transport burden, not to mention make access easier and faster.

Net Promoter Score

2019	2020	2021
05	16	37

**Based on UCLs Customer Satisfaction Survey*

We are working to ensure that customers have the same level of trust in our agents as they do for the factory.

We are also working to support the agents as much as possible as they too are our customers. The marketing department is working to strengthen the agents to facilitate this. You can read more about that in the Marketing and sales report on ***page 120.***

Leveraging knowledge and experience to extend support services to our customers

When business returned to a semi-normal state, it meant us coming out from behind our computer screens to interact with customers face to face once again. There was a need to welcome them back, as it were, with some improvements. Customer site visits were the first thing we did in this direction.

Our technical team offers advice on appropriate applications of our products and we offer further service enhancements in the form of design and specifications.

With the guidance of an engineer, we visit customers to show them that we appreciate their support and to see the progress on their projects.

Serving our customers better at all stages

Our focus was to create a uniform standard of UCL customer care. This is to ensure that customers get the same standard of care no matter the channel they use to engage with us, no matter which representative of the company they engage with.

Every person who interacts with a customer, from the security checkpoint to the front desk should be ready and able to serve a customer at the standard being set by UCL. While we were unable to complete the full list of planned training this year, the following training were carried out.

- Internal customer training of the front line staff. The goal was to enhance their communication skills.
- The customer service executives and the field teams were trained on proper customer service and handling etiquette.
- Customer service standards of front line staff.
- Customer service excellence for sales executives.
- Customer service training for the transporters.

Responsible purchasing

Collaborations with our suppliers and partners are key to developing and delivering products and services that meet market needs.

8. Supplier and partner relations

We seek to build and maintain long-term relationships with key suppliers and contractors to ensure that they are aligned to the same goals and standards as UCL, to address strategic national issues, emerging trends and ultimately customer needs.

We work closely with our suppliers on common challenges and priorities and provide necessary training on alternative technologies that can increase their productivity, and improve the sustainability and efficiency of their operations, whilst making the businesses more profitable.

We have set supplier standards with a requisition that they uphold labour rights, and support the notion of equality as such, we are utterly committed to sourcing responsibly produced materials.

At present, 98% of our suppliers are local. We spent about UGX 1.9bn on coffee husks and UGX 5.3bn on land with clay reserves.

With advice from our engineers, we have seen our local fabricators do an excellent job that lowers costs and negates the need to import certain parts.

It is not enough to use local suppliers, we also need to strengthen our engagement with them.

Evah Natukunda
Procurement Manager

Supplier highlights

UGX1.9bn

spent on the purchase of locally supplied coffee husks

53Days

period in which supplier payments are made

2020: 38Days

2019: N/A

UGX 24bn

spent on local suppliers who constitute 90%

Our engagement with our local suppliers

It is not enough to use local suppliers, we also need to strengthen our engagement with them. Our supplier payment period is 53 days and as of December, we are pre-qualifying all the suppliers we engage with.

Once this process is complete, we will organise a supplier conference. This is likely to occur online in order to keep safety against COVID-19 as a priority.

98% *of our suppliers are local*

For the items we can not source locally, for example heavy machinery for the factory floor, we have to purchase from foreign suppliers of that specialised machinery.

Future plans for our suppliers

We plan on educating our suppliers about the URA rules and regulations and constantly inform them of any new tax changes that may arise so that they remain compliant.

CSR highlights

387
staff and community vaccinated against COVID-19.

1.3 *acres*
land donated to the kajjansi catholic community and the police.

Our corporate social responsibility

Our relationship with local communities, especially those neighboring our manufacturing locations is key to our future success.

175
community and staff tested and couselled for HIV/AIDS

Brian Menya
Communications and Marketing Manager.

9. Community and charity engagement

Our social capital translates through our CSR programs, as we continuously make financial contributions to communities and charities. We encourage our employees to participate in voluntary community work or even donate products because they are a representation of us in the community.

Our approach to CSR is hinged on areas where we feel we can have the most impact, that is; Health and wellness and Environment. That said, we remain responsive to the needs of the community and we will occasionally take on urgent causes that may lie outside of this scope.

Providing our premises as central points for this activity has given members of our community a chance to exercise their altruism.

If there is one thing that the Covid pandemic has taught the world, it is that we are all in this together and that one can affect many. This is why our CSR initiatives have a multiplier effect, that if we reach 10 people, they too should positively affect others.

Vaccinating our community against COVID-19

As we undertook vaccination of our staff; in collaboration with budaka and kajjansi health services, we extended the service to the communities as well. From this exercise, we managed to vaccinate approximately 387 community members against COVID-19.

World AIDS day

The theme for the 2021 World AIDS Day was "End inequalities. End AIDS" The focus was on reaching people left behind. In solidarity with this fight against AIDS, we felt it our mandate to bring testing and counselling services closer to the community. During this exercise, 175 members of the community were counselled and tested for HIV.

Uganda has made immense strides in the continued fight against HIV/AIDS fight and we wanted to contribute to that effort.

Blood donations on world AIDS day

On the same note, this world AIDS day, we also partnered with Kisubi Hospital to carry out a blood drive in Kajjansi.

Providing our premises as central points for this activity has given members of our community a chance to exercise their altruism, we were able to collect 88.5 litres of blood.

From our interactions, we learnt that a number of people in the community have wanted to do save lives and donate blood.

Opening up UCL clinics

Our CSR health initiatives are not just about giving back to the community, we are aware that in the contemporary world, internal safety is based on external safety. A healthier community results in healthier UCL staff.

As a result, we have opened up our clinics to support the health needs of the community.

Water and sanitation

Access to clean water and sanitation are pillars on which health stand. Through our borehole, the Kajjansi factory has provided access to clean water to the community for years.

Next year, we plan to move this water point even closer to the community. We shall take advantage of this opportunity to sensitise the community about the importance of sanitation. To ensure that our message is effective and that the people feel ownership and responsibility for the water point, we shall work hand in hand with the community leaders.

Supporting the Kabaka birthday run

UCL participated in the Kabaka birtday run of 2021. Our well nurtured staff, through this honourable initiative, contributed to the fight against HIV/ AIDS in Uganda.

Supporting the Kajjansi football club

We are a mainstay in the community and we take pride in our football club. Because of the covid pandemic, our support for the team was affected. Given the easing of restrictions, we are primed to resume this endeavour in 2022.

Donated land to the community church

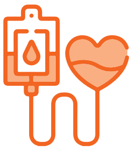
UCL has historically been aligned with the Catholic community in Kajjansi, therefore when the available church on our premises became far too limited for the congregants, we did not hesitate to donate wider space adjacent to our factory for them to construct a new one.

Donated land to Kajjansi police station

As the Kajjansi community has grown, so has the capacity of the area police station.

Having noticed that our security forces were operating in a congested space, we offered them part of our land to expand into a modern facility.

We are aware that setting up the new premises will commence a few months into next year, and have therefore pledged to renovate the current police station.



88.5ltrs

of blood donated by staff and community

Our CSR health initiatives are not just about giving back to the community, we are aware that in the contemporary world, internal safety is based on external safety. A healthier community results in healthier UCL staff.

Engaging our government and regulators

We are fully committed to working closely with our regulators and we adhere to all relevant rules and regulations.

Through regular audits, monitoring and evaluation, timely filing and reporting, UCL ensures it remains at the forefront of compliance with our regulators.

This year, we transformed our stakeholders' view of us and we are proudly the thought leaders of the industry. We work with integrity and transparency to ensure alignment with the evolving regulatory framework.

We have transformed our regulatory compliance from just another cost into a key value driver for our stakeholders by embedding governance principles in our corporate culture.

Our total contributions to the national basket of resources for the reporting year was UGX 9.6bn, broken down as follows:

V.A.T- UGX 3.9bn

Income tax - UGX 2.4bn

P.A.Y.E - UGX 2.1bn

NSSF Contribution - UGX 1.2bn

This year, we have prioritised sustainability for the societies in which we operate through strengthening relationships with our legislators. Additionally, we endeavour to keep our suppliers and contractors in the know of any and all amendments when they arise.

We work with integrity and transparency to ensure alignment with the evolving regulatory framework.

NSSF contribution

2021: UGX 1.2bn

2020: UGX 846m

Income tax

2021: UGX 2.4bn

2020: UGX 1.9bn

V.A.T

2021: UGX 3.9bn

2020: UGX 3.6bn

P.A.Y.E

2021: UGX 2.1bn

2020: UGX 1.4bn

Our awards and recognitions

In 2021, we continued to be recognised in various areas of excellence by our stakeholders. We are commended for our generous contribution to society, environment, industry, and general economic development.

We apply our 70+ years of experience and expertise to advance, transform and improve lives. For this reason, we are proud of both our physical accolades and formal recognition from our stakeholders.

We strive for excellence and continue to be acknowledged not only by regulators and key industry players but also by our community.

We strive for excellence and continue to be acknowledged not only by regulators and key industry players but also by our community.

Major Awards

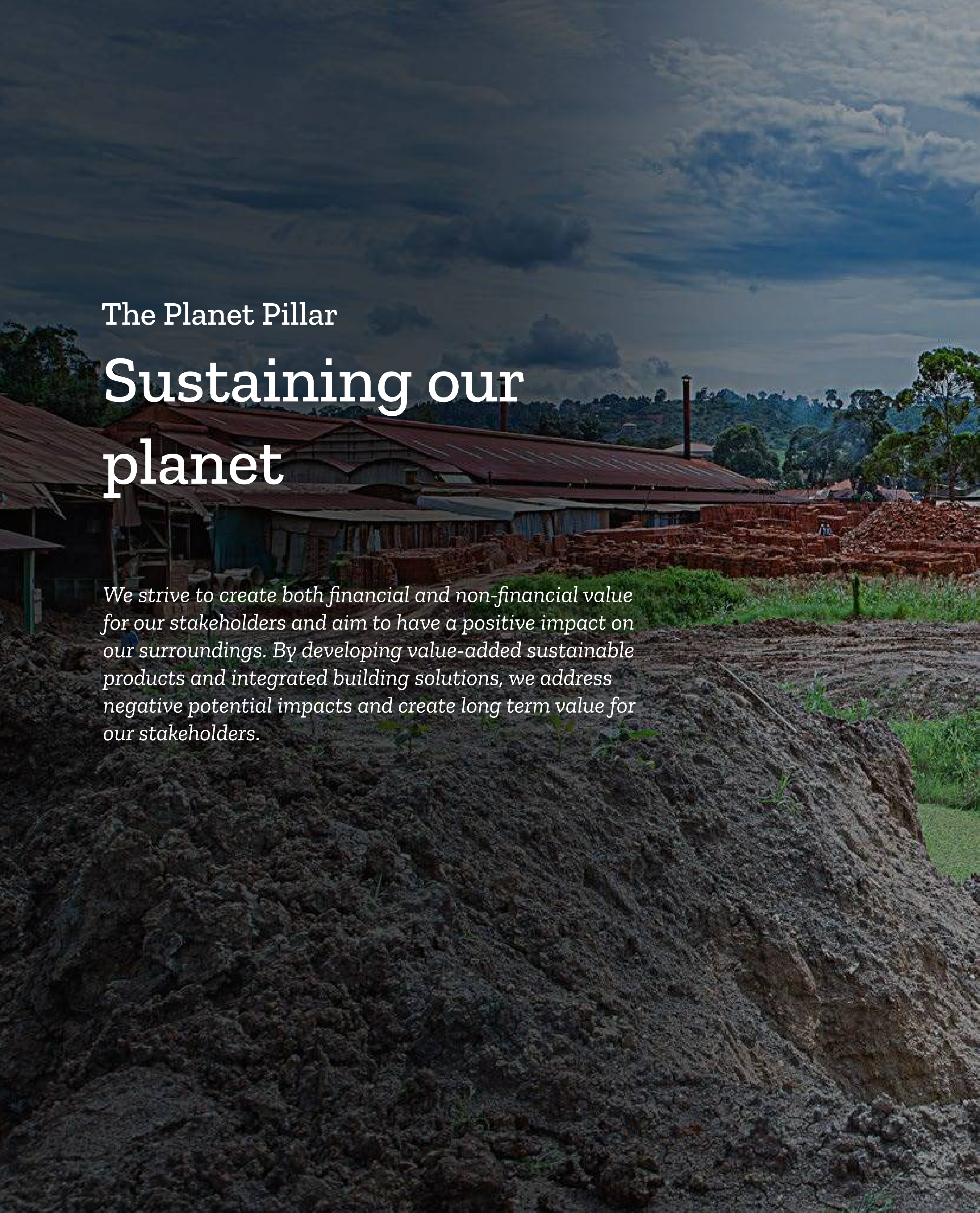
URA
Winner large taxpayers office vantage

ICPAU FiRe Awards
1st runner-up consumer and industrial products category 'A'

Recognition

KCB
Understanding customers award

Uganda Society of Architects
Architecture symposium certificate of appreciation



The Planet Pillar

Sustaining our planet

We strive to create both financial and non-financial value for our stakeholders and aim to have a positive impact on our surroundings. By developing value-added sustainable products and integrated building solutions, we address negative potential impacts and create long term value for our stakeholders.


CAT

Environment highlights

25%

increase in water management efficiency.

2020: 140 l/t

2019: 105 l/t

100%

of our waste from the production process is recycled.

Countering our impact on the planet

Planet materiality topics

10. Climate change adoption
11. Greenhouse gas emissions
12. Air quality
13. Energy management
14. Water management
15. Waste management
16. Biodiversity impact

Brian Mugwanya
Sustainability Team Lead

In 2021, we introduced the use of bagasse as an alternative fuel that is eco-friendly in our production firing process.

We are committed to improving the environmental performance of our products and operations through improving resource efficiency and optimizing production at our factories.

By nature of our business, we interact directly with the environment. We therefore hold a custodial role towards the earth, the water and the air that we breathe.

One of the COP26 summit agreements is to halt and reverse deforestation by 2030. We have been doing our part in this direction by using exclusively alternative fuels instead of fossil fuels which pollute the environment.

In 2021, we introduced the use of bagasse as an alternative fuel that is eco-friendly in our production firing process.

By doing this, we are able to offer a geo-cycle service to the sugar factories as opposed to them burning the excess waste or dumping it in landfills. We have adopted 2021 as our baseline year for environmental impact reporting and on *(page 102)* we present our goals and targets drawn from the planet materiality themes.

10. Climate change adoption

With the increasing impact of climate change on the world and the adoption of global initiatives such as the Paris agreement and the UN sustainable development goals, climate change has become a core issue that cannot be ignored in the process of sustainable development. At UCL, our natural capital is the clay and water we transform into high-quality building products that deliver long term value to all stakeholders.

Our goal is to support high-level partnerships advocating for responsible public policies on climate. We plan to take steps to measure, reduce and report climate exposure and progress on actions to confront climate change. We shall design and implement natural disaster risk mitigation, preparedness, response, and recovery plans.

All this will be overseen by an internal task force specifically constituted to deal with climate change.

11. Greenhouse gas emissions

The production process of UCL is carbon-intensive and generates direct greenhouse gas emissions from on-site fuel combustion and during transportation of the products. Greenhouse gas emissions are classified into scopes 1 and 2; scope 1 (from owned or controlled sources like production lines and transportation), and scope 2 (indirect emissions or from uncontrolled sources like purchased generated electricity). In this report, we shall not consider scope 2 emissions as we are using a renewable electricity source.

Our overall production is growing rapidly leading to an increase in absolute emissions, we intend to reduce our emissions intensity per tonnage produced in the years that follow.

Noninfectious Clinical waste is incinerated at company premises while infectious clinical waste is collected by a licensed medical waste collector for disposal and incineration.

Carbon emissions

We are committed to playing our part in the move to lower the carbon economy by reducing our greenhouse gas emissions from our different sources (fuels and electricity). Our focus continues to be on efficiencies and improvements to minimize our energy consumption during production. In addition, we are looking to transform and innovate our processes and products through the use of cleaner technologies.

We are currently running at 100% eco-friendly fuels (biomass) and have successfully introduced bagasse fuel into our fuel mix.

To build upon our substantial developments, our focus after the pandemic is on improvements to minimise our energy consumption during production as it directly influences the emissions from production.

Way forward for carbon emissions management

- Planting of 10,000 trees to offset the carbon foot print.

12. Air quality

We strive to minimise emissions of air pollutants created through our business manufacturing and distribution operations across all our facilities.

Our production factories emit air pollutants because of on-site fuel combustion and other processes during the production cycle.

During the combustion process, we obtain high silica originating from husks ash, carbon dioxide because of oxidation of the carbon, particle matter from various industrial activities, Nitrogen oxides (NOx), and small traces of Sulphur oxide (SOx), all of these are emitted to the atmosphere.

Way forward for air quality management

- Carry out stack emission checks annually.
- Install newer technology with dust filtration equipment to reduce particulate matter emissions.

13. Energy management

Improving energy productivity, and ensuring energy for all is vital because we aim to play a role in achieving UN SDG 7 by 2030.

We champion the conservation of trees by staying away from charcoal and wood as sources of fuel and relying on alternate and renewable energy sources. 100% of our purchased electricity is from renewable sources.

In 2021, the electrical energy consumed went up by 3.5% to 4,734,159 kWh from 4,574,502 kWh in 2020, this was because of increased production volumes.

We however improved on how efficiently we utilise the resource by a 6% reduction because of the implementation of several energy reduction initiatives like reduction of the idle running of equipment, installation of interlocks, installation of energy metres etc.

Tale 2: Electrical energy consumed

	2021	2020
Units consumed (MWh)	4734	4574
Efficiency (kWh/tonne)	95	101

Thermal energy consumption

We had a 17.9% increment in thermal energy consumed from 3.31GJ/t in 2020 to 3.54GJ/t in 2021, this too was because of increased production volumes. Our thermal efficiency utilisation declined by 6.9% due to the introduction of new biomass fuels and carrying out optimization tests. In 2021, we had a 33% increment in diesel consumption as a result of plant run operations supported by the diesel generators and plant mobile equipment.

The prolonged planned power outage by UMEME in December consequently contributed significantly to our heavy diesel consumption.

Table 3: Thermal energy consumed

	2021	2020
Energy consumed (GJ)	175,807	149,098
Efficiency (MJ/tonne)	3.54	3.31

Diesel consumption

In 2021, we had a 33% increment in diesel consumed as a result of plant operations i.e. diesel generators and plant mobile equipment. This was attributed to increased production volumes and a prolonged planned power outage by UMEME in December.

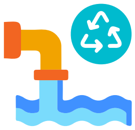
Table 4: Diesel consumed

	2021	2020
Consumption (litres)	143,929	108,116
Efficiency (litres/ tonne)	2.9	2.4

Way Forward for energy management

- Development of an energy management program.
- Upgrading technology- New automated tunnel kiln that is more energy efficient.
- LED lighting installation across our sites.

In 2021, 34% of the water used in production is supplied by National Water (mains) while 66% of the water comes from a recycled and recovered source (on-site water reservoirs).



66%

of our water comes from a recycled and recovered source (on-site water reservoir).

14. Water management

Table 5: Water usage

	2020	2021
Units consumed (m3)	4721	6942
Efficiency (litres/ tonne)	105	140

The year in review indicates 47% increase in mains water consumption and decreased efficiency of utilization of the resource by 25.6%. This was as a result of increased production volumes and the 42 lockdown on-site camping of 300 staff.

In 2021, 34% of the water used in production is supplied by National water (mains) while 66% of the water comes from a recycled and recovered source (on-site water reservoirs).

Way forward for water management

- Installation of water consumption meters for the recycled water.
- Leak detection and repair.

15. Waste management

100% of our process waste are either recycled or internally used in the manufacturing process. It is externally processed and recycled into secondary aggregates or hard core used to renovate roads for the community. Therefore none of our process waste is sent to landfill. We also generally do not have any hazardous wastes produced in our operations or sites.

Domestic waste is either picked by community farmers for their livestock or allowed to decompose while office waste is collected and burnt.

Non-infectious Clinical waste is incinerated at company premises while infectious clinical waste is collected by a licensed medical waste collector for disposal and incineration.

Way forward for waste management

- To improve on reporting of our waste types and tonnage.
- Investment in cleaner technology: new equipment for recycling process waste (broken clay)
- Obtain means of proper E-waste disposal.
- Installation of new technology for recycling process waste.

16. Biodiversity impact

We respect the diversity of the landscapes where we operate and work to minimize our environmental footprint.

Due to increasing awareness and protection of ecosystems, UCL is developing an effective environmental management plan including tree planting before use and restoration during site decommissioning.

Production Water Usage

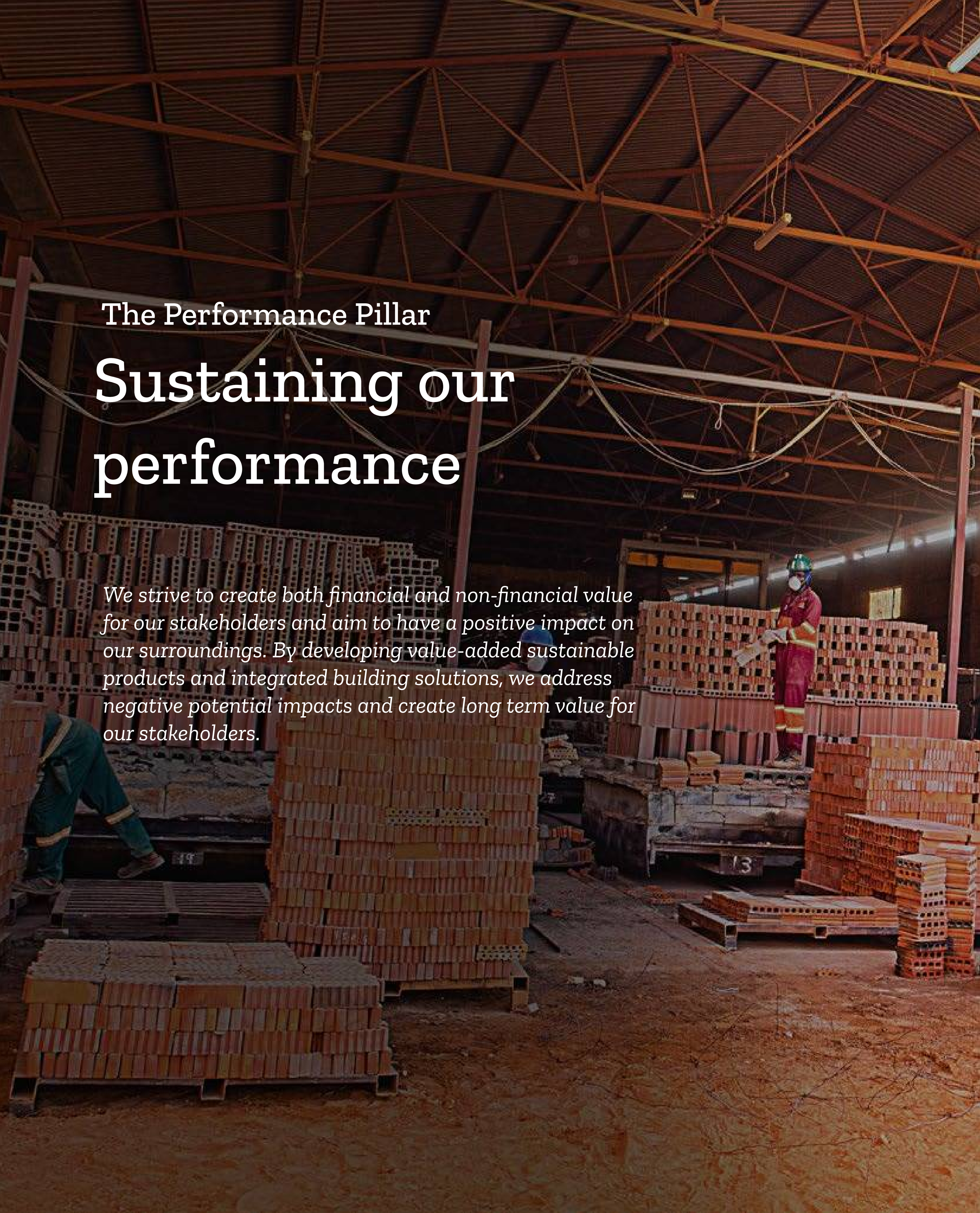
NWSC: 34%

Reservoir: 66%

We acknowledge the importance of the global sustainability ambitions of fragile habitats and associated biodiversity being at risk from climate change and deforestation. Our important role in supporting these national ambitions is through land restoration and treatment after the exhaustion of the clay minerals.

Depending on future use proposals, the quarry development often leads to an improvement in the biodiversity value of the land involved, both during operation and when it moves into its restoration phase.

On the 140 acquired acres, tree planting will commence because we are committed to protecting more land than we use.



The Performance Pillar

Sustaining our performance

We strive to create both financial and non-financial value for our stakeholders and aim to have a positive impact on our surroundings. By developing value-added sustainable products and integrated building solutions, we address negative potential impacts and create long term value for our stakeholders.

High performance culture for sustainable profitability

We invest in supply chains that are ethical, inclusive, and resource-efficient with 100% of our procured biomass from local sustainably proven sources.

Performance materiality topics

17. Product lifecycle environmental impact
18. Product innovation
19. Pricing integrity and transparency
20. Ethical procurement
21. Driving profitability
22. Operational efficiencies
23. Sales and distribution efficiencies

Our success relies on our ability to understand customer needs and market trends along the entire value chain, develop solutions to address those needs, and capture the value created.

17. Product lifecycle environmental impact

Our goal is to minimize the environmental impacts of our products during their manufacture, installation, and use. Our products today are user friendly and inherently sustainable, providing durability and performance with no, or minimal maintenance requirements. Typically, all our products are recyclable at the end of their life-cycle.

We continue to develop our products to improve the life-cycle performance of buildings and support our customers to meet the changing needs of modern construction. Our decorative grilles have been proven to improve home and office energy efficiency by providing good ventilation and natural air conditioning.

Performance highlights

UGX9bn

Spent on purchase of property, plant and equipment.

UGX138m

Spent on Kamonkoli kiln repair and extension.

30,000

pieces a day for all major products.

18. Product innovation

It is a strategic target of UCL to come up with innovations that enable sustainable construction along the value chain.

We focus on research and development to generate customer value in line with sustainability principles. Our goal is to increase the utility of our products, making them better and more useful to our customers while at the same time making them increasingly affordable.

Our product development, testing, and support consider both the safety of those who are installing our products and those who live and use the buildings constructed with our products.

We invest and utilize low carbon raw materials to expand our green product formulation, from the clay reserves through the production process all the way to waste recycling.

Expenditure on Research and Development

2021: UGX **73m**

2020: UGX **1.2m**

Collaborations and partnerships with our supply partners have been crucial in the successful delivery of these solutions in providing a complete design, manufacture as well as installation solution to our customers.

For our transformational roadmap in the areas of sustainability, UGX 73m was allocated for research and development which was centred around meeting the requirements of our customers through new products, our transition to low carbon operations, and safe product usage.

19. Pricing integrity and transparency

Our pricing is fair, consistent, and transparent. This is part of our unique value proposition and defines our marketplace. We can say with confidence that our pricing is fair relative to the value we provide. It allows for the sustainable delivery of products and services to our customers.

20. Ethical procurement

UCL has developed an ethical and environmental strategy for procuring materials and services.

We invest in supply chains that are ethical, inclusive, and resource-efficient with 100% of our procured biomass from local sustainably proven sources.

21. Driving profitability

Profitability is crucial for our existence. It is how our shareholders evaluate the company. Simply put, profitability is how we measure the performance of our material operation topics through the results they generate. At UCL, our profitability is synonymous with growth.

Our target for this year was UGX 38bn. This relatively conservative figure was informed by a number of factors, key of which were the effects of Covid on the economy. This year, we had a turn over of UGX 36.7bn.

We understand that proper handling of our revenue streams is what drives the confidence of our people and shareholders in our business.

Subsequently, our pattern of cash inflows as distinctly registered in the financial section of this report enables, our shareholders to examine movement and/or changes in the revenue, so as to make well-informed decisions.

The Managing Director delves into more detail on this materiality topic in his Q&A on *pages 46 - 49.*

22. Operational efficiencies

While still producing high-quality products, we believe that our company's profitability lies in our capacity to reduce waste in time, effort and materials as much as possible.

Our comprehensive root cause analysis aligned our set targets which allowed us to make informed decisions on applying measures which increased the efficiency of the equipment during production operations.

This year, we saw our recovery rate go from 55% premium products to over 80%.

Production Efficiency 2020 - 2021 (Recovery Rate)

Premium Products:

55% - 80%

All Products:

55% - 68%

Generally, though, there was a jump in recovery from 55% and was sustained at 80% (occasionally 90%) which translates to 30,000 pieces a day for our premium products. This success is equally owed to the realignment of the team's focus.

At the same time, we aggressively embarked on improving the quality of the product all the way from the start of the process, through to the offloads.

We focus on catching and removing defective products before they get into the drying and firing cycle to improve the total rate of recovery. In addition, at that point, it is still possible to recycle the defective product and save fuel.

We embarked on preventive maintenance concepts to improve efficiencies for instance we repaired and expanded the kiln at Kamonkoli at UGX 138m, a key factor in improved recovery rates.

Improving the efficiency of the equipment addiitonally enhanced the look and feel of the product.

We aligned targets

Everybody was operating with a different target. The person at the dryer had a target different from the one at the press. We changed that and have given everyone a uniform target-we are focused on the recovery of the final product.

This year's transformation to new management is our solid testament to how the efficiency and performance of a company are relative to proper management therefore UGX 236m was spent on compensating the previous managers.

The General Manager, Head Of Production and Quality Assurance Manger dive into more detail on this materiality topic in their respective business reviews on *pages 106, 110 and 122* respectively.

Future prospects

In line with our strategy to deliver UGX 72bn by 2023, we have embarked on extending our kiln. We believe that UCL's profitably relies on the volumes of tiles and bricks produced. One of the key projects for 2022 is to extend our kiln in Kamonkoli. We will be adding 21 meters to the existing 68, getting us to about 90 meters overall.

This will improve our volumes by about 35%. We also intend on investing in an automatic press which will eliminate a lot of the defects during production.

23. Sales and distribution efficiencies

We acknowledge that efficient distribution increases the consumption of goods which in turn increases profitability.

We extended our distribution channels by recruiting agents in different parts of the country to lessen the distance our customers formerly moved to obtain our products: equitable distribution. We have increased the agent footprint across the country and our agents now number 12.

In 2020, agents contributed about 33% of the revenue while walk-ins at our factories were bringing in almost 57%. Currently, the agents contribute about 46% with the walk-ins bringing in 43%, corporates 10%, institutions 1.3% and exports 0.4%. Before March 2021, we were averaging about UGX 2.5bn a month.

Agent Contribution to Revenue

2021: 46%

2020: 33%

After March 2021, the number went up to UGX 3bn a month and as of October, our sales volumes were at 26% above the whole of last year.

We have synced the efforts of our product distribution agents and sales team by pairing each agent with two sales representatives for follow through and accountability.

Hire purchase

Our customers can now obtain products and pay later. This year, we have been test driving hire purchase using a well informed system where we enter into agreements with our trusted clients.

Sales team

We started our sales and distribution transformation journey by revamping the sales team We re-branded, retrained the team, and renewed confidence.

We created a new customer care department within the sales team and next year, we are going to train the customer facing staff at the different agents. This will give them the tools necessary to serve and retain customers.

More detail on this materiality topic can be found in the Head of Sales and Marketing review on *page 118* respectively.

Future prospects

We plan on extending our partnerships across the country by engaging with engineers from universities to advanced levels. This will make us product leaders as they will be fully aware of our products' strengths and qualities.

We are expanding or sales region beyond the borders of Uganda to Kenya, Tanzania, South Sudan, and Congo.

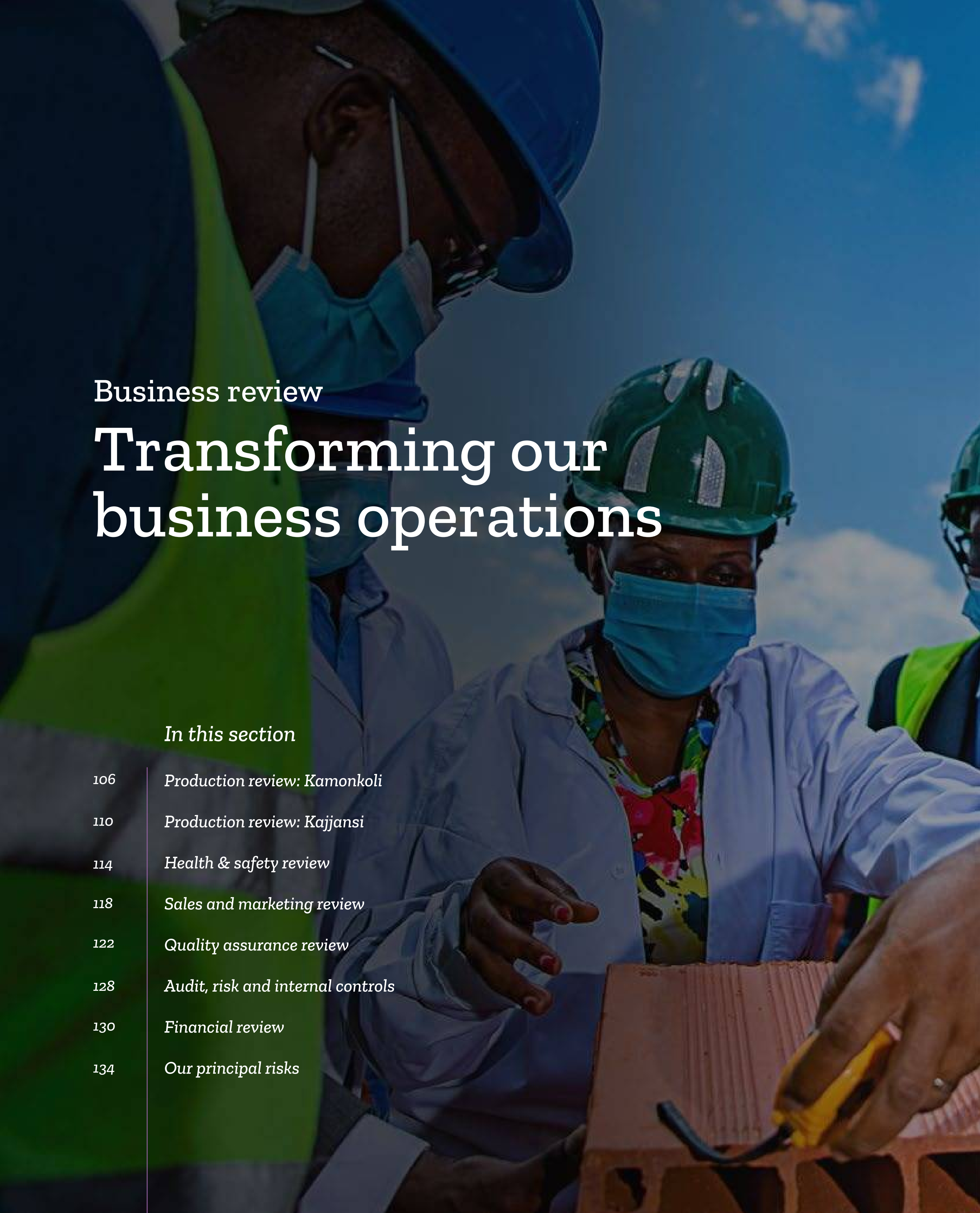
Materiality map

Table 6: : Our materiality map

Topic	SDG alignment	Accounting metric
Air Quality	13 CLIMATE ACTION; 7 AFFORDABLE AND CLEAN ENERGY	*Scope 1 emissions (combustion and vehicle fuel)*
		GHG Intensity ratio (level of emissions per tonne of output)
Energy management	7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	*Thermal energy consumption*
		Thermal energy consumption per tonne
		Electrical energy consumption
		Electrical energy consumption per tonne
		% grid electricity in above
		% renewable energy
Water Management	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	*Water consumption (Main grid/National water)*
		Water consumption (groundwater/recycled)
		Total water consumption (municipal and groundwater)
		Water consumption per tonne
Waste management	7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	*Amount generated (non-hazardous)*
		Amount generated (hazardous)
		Total amount of waste generated (non-hazardous + hazardous)
		% hazardous
		% landfilled
		% recycled
		Intensity ratio
Workforce health and safety	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH	*Medical injuries/First aid*
		Lost time incidents
		Lost Time Incident Frequency Rate (LTIFR)
		Fatalities
		Trainings
Diversity	5 GENDER EQUALITY	*Female representation at Board level*
		Female representation at senior management level
		Female representation across national workforce
Community investment	10 REDUCED INEQUALITIES; 4 QUALITY EDUCATION	*Company cash donation to charity*
		Employee cash donation to charity
		Total community investment
Management system certification	17 PARTNERSHIPS FOR THE GOALS; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	*ISO 14001 Environment*
		ISO 9001 Quality
		ISO 50001 Energy Management
		ISO 45001 Health and Safety

Our 2030 sustainability targets as indicated in this materiality map are based on our plans to extend our geographical footprint beyond Uganda. This will directly translate into increased production hence increased scope 1 emissions, thermal and electrical energy consumption and water consumption. We plan to increase efficiency in our operations while minimising thermal and electrical energy consumption, water consumption, and environmental emissions.

Unit of measure	2030 targets	2020	2021
TCO2e	N/A	9,807	11,606
TCO2e/t	0.15	0.218	0.234
GJ	N/A	149,097	175,807
GJ/t	2.50	3.31	3.54
kWh	N/A	4,574,502	4,734,159
KWh/t	85	101.5	95.3
%		9.95	8.84
%	100	100	100
m3	N/A	4,721	6,942
m3	N/A	No measurements done	
m3	N/A	4,721	6,942
litres/tonne	80	104.8	139.8
Tonnes		No measurements done	
Tonnes		No measurements done	
Tonnes		No measurements done	
%		No measurements done	
%		No measurements done	
%		No measurements done	
Total tonnes waste/m revenue		No measurements done	
Number (employees and contractors)	0	36	14
Number (employees and contractors)	0	20	13
Rate per 1 m hours worked (employees and contractors)	0	16.4	9.8
Number (employees and contractors)	0	0	0
Man hours			11,398
%	50%	33%	33%
%	50%	22%	33%
%	n/a	11%	12%
		0	0
		0	0
UGX	120m	6.5m	0.7m
Plants certified?	YES	NO	NO
Plants certified?	YES	YES	YES
Plants certified?	YES	NO	NO
Plants certified?	YES	NO	NO



Business review

Transforming our business operations

In this section


Uganda Clays Ltd

Kamonkoli factory

Production review

Kamonkoli highlights

+16%

increase in kiln recovery rate.

7.6m. pcs

of our major products were produced across the year.

Moses Sanye
General Manager

A year of improvements

When we joined in June 2021, the plant was marred with a series of major equipment challenges significantly impacting volumes. The tunnel roof had collapsed, a section of the refractory wall given-way and auxiliary equipment struggling. This resulted to significant loss of nominal capacity of major equipment hence high lead time to deliver paid up products to our customers.

The condition of the plant prompted management to close the manufacturing facility for 03 weeks to enable restoration works on the kiln and tile-line equipment to operable levels and mitigate the major losses during baking to acceptable industrial standards.

The post overhaul results were remarkable, an increase in premium product recovery from 74% to 90% equivalent to an additional daily 3,000 pieces of roofing tiles. Besides the volume increase, we also embarked on improving the quality of the product all the way from the start of the process to the offloads.

We did this in 2 ways:

- Established stringent quality control measures to identify and recycle defective unfinished products before they get into the drying and firing phase – saving power and fuel costs.
- Improving the efficiency of the moulding and transfer equipment in order to enhance the aesthetic product look and feel, considering that the market segment we serve is highly discerning on product quality.

We focused on removing defective products before they get into the drying and firing cycle because, at that point, it is still possible to recycle the defective product and save fuel.

Further enrichment in the product quality and mitigation of waste will be realized after the delivery, installation and commissioning of a new tile press in quarter 3 (Q3) of 2022.

We carried out process optimization which included measurements of critical process parameters, analysis of data captured and adjusting operating conditions to known best practices in identical industries. The kiln and dryer operations are now normalized and consistent with predictable product outputs.

In Q3 of 2021, with the low equipment reliability, sustainable operations necessitated the introduction of Preventive Maintenance initiatives.

The benefits for this structure approach to reliability is reflected in the 10-point improvement in the equipment availability index, hence volume growth.

Noting that equipment reliability can not be separated from the change drivers, we instituted employee engagement interventions which among others include; routine sectional meetings, establish smart team/ individual objectives, providing necessary working tools and responding to valid employee complaints – motivation levels have grown.

Health and safety

One of our overarching immediate objectives in 2021 was to improve safety and health in the workplace.

We recognised and set short term actions to close identified health and safety gaps around the shop-floors. As opposed to having one person in charge of of improving Health and Safety, we involved the supervisors to 'preach' and drive the desired change. We also focused more on the leading indicators and attitude change towards safety, rapidly reducing the incident frequency rate.

As management, we had a big role to play and we instituted some administrative controls to fix the gaps.

By creating an environment that allowed them to express themselves, they have been able to float and implement several innovative projects.

We improved usage of PPE, worked on machine guarding, improved equipment protection, installed platforms and started training on basic safety concepts. Through these interventions, we improved safety as incidence rates have dropped to a modest 1 minor injury every 2 months.

Bottlenecks during the year

Equipment reliability has been one of the challenges in the year 2021. Equipment overhaul and addressing 'low hanging' concerns has enabled us build a foundation for our Preventive Maintenance Initiative.

In line with that, 90% of our equipment spares are imported posing high lead times in the delivery of ordered critical parts. Covid-19 lockdown and delays in shipping vessels, exacerbated delivery times.

Secondly, our cost of production remains high. The consumption and price of variable inputs to production i.e. fuels, power, rubber sheets and kaolin remain high. Internals strategies to manage consumption and liaising with procurement on sourcing has started bearing fruit.

Extending the kiln will put us at an advantage as we will have a longer firing zone and an elongated cooling zone resulting in better products whilst reducing the costs of production significantly.

In like manner, we have been facing stiff competition locally and traders from Kenya on rice and coffee husks that we use for fuel. This has created a supply scarcity and price hikes, necessitating diversity into other fuel streams.

We are currently exploring the use of dry bagasse, a sustainable alternative, thanks to the several sugar factories within the region. With the installation of a shredder and dryer in the near future, this will definitely streamline the flow and price of our fuels.

Future prospects

In line with our strategy to deliver UGX 72bn by 2023, we have invested in extending the tunnel kiln at Kamonkoli.

The only way Kamonkoli can grow profitably is to break the ceiling on volumes. This project, besides overhauling the damaged existing kiln wall, will be adding 21 meters to the existing 68, getting us to about 90 meters overall. With the installation of corresponding auxiliary equipment and process improvements, this will increase Kamonkoli Plant capacity by, hence improving our volumes by about 50%. Additionally, to boost the moulding capacity feeding the kiln, a second Automatic Tile Press will be installed.

We are confident, on commissioning of these equipment and an existing strong competent technical human resource at UCL, we shall achieve the established strategic goals and Kamonkoli will truly thrive.

Kajjansi factory

Production review

Production highlights

+13%
increase in kiln recovery rate

2021: 68%
2020: 55%

149/318
employees on the shop floor

The availability of machines, reorganisation of teams and a focus on maintenance is what made 2021 an exciting year for production at the Kajjansi factory.

This year, we saw our recovery rate go from 55% premium products (roofing tiles) to 80%.

1. ***We did a root cause analysis***:

   From the raw- material composition of the clay in the quarry where we zeroed in on the right formula that we have uncompromisingly stuck to.

2. ***We examined the fuel.***

   The coffee husks we use have chlorides that form salts. This, in the past, usually resulted in a whitish material "caking"on top of some of our products. To counter this, we got a neutral fuel, bagasse from sugar cane and combined it with the coffee husks, and this increased the number of premium products.

3. ***We aligned targets***.

   Initially, everybody operated with different targets. The person at the dryer had a target different from the one at the press. Everyone had aligned targets to remain focused on the recovery of the final product. Products that are not up to standard are eliminated before firing.

   With the quality control department overseeing the process, we investigated the products that were being removed. If there is warping, for instance, we understand why and correct it to avoid recurrence.

4. ***Operators:***

   Our operators are very knowledgeable and we engaged in discourse with them to obtain their views on the production process. Kiln staff raised a number of concerns and key points that accounted for the fires and over-burning.

Through our daily operation meetings, the production team assesses the activities of the last 24 hours, what the plan for the next 24-hours is, as well as what other departments may need from us.

Joseph Ssendegeya
Head Of Production

For instance, the short length of the fuel feed pipes caused husks to leak. Secondly, the quality of these pipes wasn't great for high temperatures.

Our response: We bought longer stainless steel pipes which improved the quality of the finished product.

Because of these measures, in any case, the output drops to below 80%, we will know the root cause and rectify it immediately.

Restructuring the production team

As of December 2021, the Kajjansi factory employs the highest number of employees inclusive of the casual labourers (Tusa kimu).

We reiterate that when our people are not able to deliver their best, the final output is directly affected.

This year, we adopted an industrial framework at both factories where different teams handle different aspects.

Our quality team is headed by the Quality Manager, the Maintenance team by the Maintenance Manager and a Production Manager who engages with the staff on a day to day basis.

When an issue is raised, the production manager sees to it that it is handled immediately. With this structure, we eliminated the challenge of individuals having to handle numerous activities at ago. In addition, we eliminated the challenge of conflicting objectives.

We believe that it is OK not to hit a target if it means stopping production to save a machine. With a dedicated maintenance team, we are able to give proper attention to our equipment.

Through our daily operation meetings, the production team assesses the activities of the last 24 hours, what the plan for the next 24-hours is, as well as what other departments may need from us.

New roles to support production

We began the year with a goal to transform all our activities. This required us to introduce new human resources to the team and so far we have added the following members to our team:

Production Planner - Works hand in hand with sales to streamline customer orders and has created a dashboard to track the readiness of products from the kiln and dryer.

This way, production is able to accurately communicate the availability of products to the Marketing and Sales team.

Data Analyst - Manages the costing and finds answers to questions like: Where are we making losses? What can we do differently in the production process? What is the actual cost of production?

Mechanical Engineer - Oversees the working of our machines.

Health and safety

The health and safety of our staff are of critical importance, particularly in the factory where even a minor error can turn into a fatality. I can report that while we are not where we would like to be as regards Health and safety, we have not had any fatalities this year.

Throughout the year, we have been making observations in the Health and safety space and have short- and long-term action plans.

Examples of the tier one safety measures that were adopted by our production team include:

- For work above 1 meter, a stable platform is required in place of a ladder. We have committed to installing a platform every month to safeguard those who work at height. At the end of 2 years, we shall have 24 platforms.
- We have fabricated a box to cover the switches during maintenance. The person doing maintenance will lock this box and have the key to prevent accidents that can occur when someone turns on a machine while maintenance is being done.

Future prospects

Next year, we have set our eye on a lot more automation.

We will be getting a longer kiln of 120 meters at the Kajjansi factory. This will make us more efficient by reducing the wastage of both manpower and fuel.

In addition, we are putting in place a new artificial dryer for Kajjansi and this will replace the existing chamber dryers that are less efficient, the tunnel dryer will be fully automated thus ensuring products are dried in a controlled manner.

We will be getting an artificial dryer of about 120 meters which will expedite drying from about 3-4 weeks to 2-3 days.

We plan to automate the moisture addition processes at extrusion as well as the tile press.

We also plan to automate the press all the way to the conveyor; to reduce the micro-cracks and bending that can occur with human handling.

We plan to automatically load and offload products at the dryer. All these automation processes will be done in phases (2-3 years)

Health and safety

Transforming our approach to health and safety

Health and safety highlights

35%
reduction in LTI

2021: 13
2020: 20

50%
staff trained using the 3-fold model

Health and Safety have always been top of mind at UCL. However, last year it was kicked into high gear when we started to ingrain a formal Health and Safety culture. The appreciation for HSE has grown and today, HSE is the first consideration in every company program It forms the foundation for how we shall conduct ourselves in every interaction.

This year, management exhibited a renewed commitment toward prioritizing Health and Safety in a number of ways. We instituted a team to carry out an internal health and safety audit based on the 32 elements of practices in an industrial setup such as ours. This was done to verify where we are and where we want to be as a company at both factories on a 0 to 1 rating.

The internal audit exposed a number of gaps for which a number of recommendations were made and shall be implemented in a phased approach. We determined that we shall close 2022 having completed 40% of these recommendations.

Secondly, there has been a push to make HSE everyone's business. Starting next year, a health and safety metric will be included as an objective on every employee's balanced score card, whose end goal is to have employees that are mindful of their surroundings.

The parameters will range from a requirement to report incidents, participation in investigations, carrying out risk assessments prior to doing work, attending several safety trainings in a year and doing safety observations to identify anything non-compliant and more.

We already observed ownership of health and safety by everyone when we had an unfortunate fire incident at the coffee husks store where employees from different departments came together to manage the situation.

The objectives for the management team will include doing a walk around focused on observing unsafe acts or conditions and sharing a report of observations and recommendations.

Training

Our stand is never to push a policy without educating people about the why of it. All staff need to be trained in order for them to embrace the HSE initiatives and this is how we intend to build the culture of HSE.

The 3 fold training model, encompasses on-job training, formal classroom training and toolbox meetings.

As of December 2021, over 50% of staff at both factories have been trained by this model. Each and every time one of our staff returns from leave, they will undergo a refresher Safety induction training.

Moses Sanye
General Manager

Going forward, every meeting shall start with a safety session.

We have improved in terms of our documentation, for example, we didn't have a single repository for our records, but now we do. In addition, we have committees responsible for different aspects of HSE, for instance, the Projects office which tracks safety incidents. There is an improvement in safety awareness because as of December 2021, we haven't had a major accident on the company premises for the last 4 months.

Additionally, we have put in place disaster and emergency response teams and plans that are guided by the health and safety policy.

Future prospects

We plan to improve in terms of safety compliance on the factory floor and company premises. In conjunction, we have to improve contractual safety management by ensuring that every contract has a safety component embedded into it.

We believe that there is a need to improve our compliance to regulatory requirements. Our goal is to have 0 incidents in our business operations as well as LTI's.

We have always carried out pit restoration as mandated by the law but we are eager to go a step further in environmental protection. Management responded to this by expanding the team in charge of helping us comply with and enforce both external and our own environmental regulations and initiatives.

Challenges

- A presidential directive limiting NEMA from issuing all compliance certificates and excavation permits to operators in the wetlands affected us since we get our clay from the wetlands. This has stalled the planned excavation at our quarries in Nankonge and Isaga in Kisusa.
- We have faced this bottleneck despite the requisite environmental impact assessment study having been carried out and our continued record of sustainability practices in terms of quarry backfilling and restoration.

Areas of focus in 2022

To augment our internal health and safety audit, we are going to have an audit done by an external consultant.

We have a plan to plant trees because they serve a multitude of purposes such as land restoration and environmental conservation. A safety induction room: To keep everyone safe, we want to have a safety induction room outside of the factory. By the time anyone walks into the factory, they will already be fully compliant.

We will make a more formal mining plan: This plan entails understanding the chemistry of our quarries and our needs. It aids us in fully utilizing the quarries. We plan on creating a mid-term 5-year mining plan and a longer-term plan for 25 years. This plan will also detail quarry restoration initiatives once activities in a given area are completed.

In 2021, we instituted a health and safety committee. Next year, we are going to review it and get new members. By law, committee members should change every year. This new team will take on the task of assessing the health and safety needs of UCL, making plans and making sure that they are implemented.

Sales and marketing

We are transforming the way we do business

In 2021, the entire sales and marketing machine was set to 'problem-solving mode'. Our task was not just to mitigate the pains that our customers face but also to eliminate them entirely. I am happy to report that we have attained considerable success in this.

Mark Rwomushana
Head Of Sales and Marketing

We started our journey off by revamping the sales team We retrained the team and re-branded ourselves. We are now visibly talking about UCL with renewed confidence which we have spread to our customers as well.

Solving the customers' problems was a task we couldn't accomplish single-handedly. We needed to have a united approach and this meant tighter collaborations with other departments, primarily production.

Because of their improved efficiency, production has been able to meet the demand of our customers. More impressively, they have been able to avail us with large volumes of our highest demanded products; that is the roofing tiles, quarry tiles and facing bricks.

The result has been more satisfied customers as evidenced in the customer satisfaction survey.

Synergies served us well outside the company too. We ceased to rely on a haphazard model of selling-occupying every territory and space and invested in strategic locations and partnerships.

This we felt was the best way to concentrate our efforts in order to meet our targets, which are 72B in revenue and a customer satisfaction rating of 95% by 2024.

Strategic partnerships

Uganda has 300 registered architects and we are entering into a mutually beneficial arrangement with them We are sitting with them to understand the projects on their rotas and what building needs they have or shall have in the future. This puts us in the right position to offer them support and for them to support us in return.

Our expertise ranges from large corporate contractors to domestic projects. We have been able to offer them the assurance that no matter how big the project, we are the right partners.

From the customer satisfaction survey carried out last year, we learnt that our customers' major challenges were that our product was not readily available, the cost of roofing was high and that they needed specialised human resources to use our products.

We have solved these pains in 3 ways; we have expanded our agency network in order to bring products closer to customers, we have introduced the option for customers to pay for products in instalments (hire purchase) and we are offering in house support for free. Allow me to expound on each:

Remodelling the agency system

It is important for any manufacturing concern to have agents/ distributors to take the product closer to the intended consumers.

We have increased the agent footprint across the country and our agents now number 15. These are in Kyaliwajalla, Gayaza, Nateete, Buziga, Hoima, Fortportal, Seguku, and Kasese. We now have an agent in Masaka for the first time in 70 years. Re opening soon-Gulu, Arua, Jinja, Wakiso, Lira, and Soroti for the first time.

To put the impact of this expansion in figures; in 2020, agents contributed about 30% of the revenue while walk-ins at our factories were bringing in almost 60%. Currently, the agents contribute about 48% with the walk-ins bringing in 42%.


UCS
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To put the impact of this expansion in figures; in 2020, agents contributed about 33% of the revenue while walk-ins at our factories were bringing in almost 57%. Currently, the agents contribute about 46% with the walk-ins bringing in 43%.

More agents have increased convenience for our customers and have resulted in good volume growth. Before March, we were averaging about 2.5bna month. After March, the number has gone up to 3bna month. As of October, our sales volumes were at 26% above the whole of last year.

To make the agents more efficient, we are pairing each with 2 sales representatives.

Part of their job is to follow through with the agents and support them in getting leads. We have given our agents exclusive territories to eliminate cannibalising of customers. All of this has made selling a more synced effort.

Scaling up hire purchase

We are excited about how this will change the game for our customers. As you are aware, in order to roof a house, you need to have a bulk fee and this may not be feasible for everyone. But we believe that a tiled roof shouldn't be the preserve of only a few Ugandans. Everyone should have a tiled roof.

Our part in making this possible is the hire purchase model. Now, customers can pay for their building products in instalments. This will apply to the 'formally' employed workers because they have defined channels through which their salaries are paid.

To access this service, a customer will enter into a formal arrangement with UCL with support from their employer, and no third parties.

It happens in 4 easy steps.

1. Get your measurements
2. Send them to us and get a quote
3. Fill in a form with your HR office
4. Once the money is seen on our account, the product is delivered to your site.

We have not forgotten the larger portion of our clients who are outside of the formal sector. You will be able to open an account with UCL where you can deposit your money and save up for your products.

In the future, we are going to explore insurance. Customers in the informal sector will be able to enter into an agreement with us that is insured by one of our insurance partners. Based on that, we will be able to issue the products.

This year, we have been test-driving hire purchase and it has proved to be very beneficial to customers. In pursuit of that, we have contracted a resource solely dedicated to managing this program.

In house support

The third thing we are offering our customers is free in-house technical support. The beauty of this is that you do not have to come to UCL to access this service. Simply send your measurements to us via email or WhatsApp and you can consult with our technical staff for free.

We have 2 engineers available to help you zero in on what products you will need for your project and how many of them.

Future prospects

As mentioned before, we have revamped the sales force in a bid to support both our agents and customers. We have created a new customer care department within the sales team and next year, we are going to continue training the customer-facing staff at the different agents.

This will give them the tools necessary to serve and retain customers. Customers will be getting the same quality of service they do at our factories.

Partnerships are going to be central next year as well. Just like with the architects, we will be entering into an engagement with the Uganda Institution of Professional Engineers. This will stretch to the engineering departments in the universities as we want intend to impart knowledge of our products to the students, so that we can be their partner of choice in the future.

Expanding beyond the Uganda boarders

We are expanding our sales region beyond the borders of Uganda to Kenya, Tanzania, South Sudan, Northern Tanzania and Congo.

As Marketing and Sales, we are solving problems. In the immediate run; we have focused on; making it easier for customers to access our products, providing lines of credit and access to our technical staff. We are giving customers affordability and convenience.

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Quality assurance

We are transforming the way we do business

Our biggest job as Quality assurance is to give customers value for their money by consistently availing superior quality baked clay construction materials that are fit for purpose and satisfy customer needs.

Irene Atuko
Quality Assurance Manager

Our unmatched quality at both the national and E. African level is derived from our dedication and commitment to complying with stringent national and international Quality standards. These standards are developed by industrial technical experts, customers, engineers, National and International Quality Regulators, academia, researchers, and manufacturers.

Expanded certified product range from 4 to 16

In 2021, we strengthened our compliance to Uganda National Bureau of Standards by expanding our product certification range from 4 certified products for the Distinctive Mark (Quality Mark) to 16. This opened up our gates and product portfolio to the wider East African market and we were pleased to sell to our neighbouring Countries like Kenya and South Sudan.

Sustained a rigorous quality culture

In like manner, UCL submitted baked clay construction products to UNBS for compliance analysis on a quarterly basis which were independently verified through two (2) on-site and market surveillance audits and were found to be fully compliant with the set out quality standards.

Our drive stemmed from the zeal to offer our customers quality products fit for use.

We prevent and control the extra support load of our products on the walls of the customer by consistently monitoring the weight and strength of our products.

All our products meet the highest scrutiny of the National Quality Regulator (UNBS), and enable us to give our customers trusted and guaranteed quality products.

Consolidated ISO 9001:2015 certification status

In 2021, we improved our Certified ISO 9001:2015 Quality Management System (QMS) through periodic internal audits and management review meetings which provided us with information on whether we are continually improving our processes, products, services, and growing as a company.

This was all geared at ensuring that we consistently provided our customers with high quality products and services.

Although we are an ISO 9001:2015 Certified company, we set a target of ensuring that we don't risk losing our Certification status by implementing 3rd party and internal audits recommendations and identified improvement opportunities thereby enabling us to retain the ISO 9001:2015 Certified status.

Uganda's only baked-clay building products manufacturer with ISO 9001 certification

More exciting was the satisfaction amongst our Influencers (professional engineers, masons, artisans, fundis, etc.), who admitted and rated our product quality at 100%.

UCL is proud of this sustained achievement and we give an assurance to our customers that our products are fit for use in any country in the World.

Customer satisfaction

99.7% of approximately 6,500 customers who bought Uganda Clays Limited products were satisfied with the product quality.

However, through customer market surveys carried out in collaboration with the Sales, Marketing, and Distribution Department, we were able to identify market product quality gaps. The Quality Assurance team's investigation confirmed that 76.1% of the quality complaints were resulting from a knowledge gap in product application.

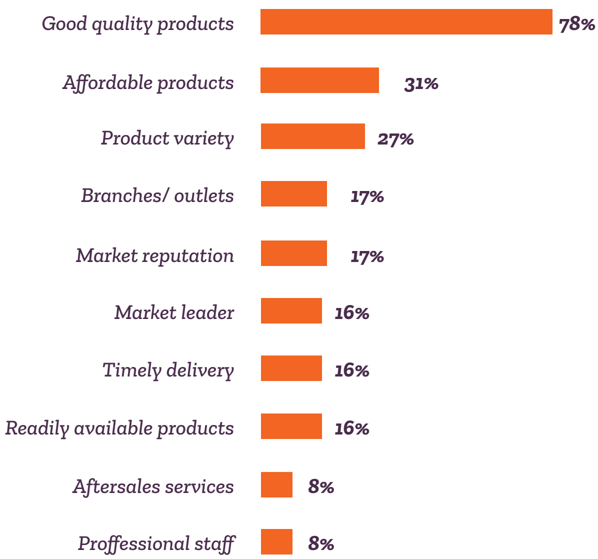
The Quality Assurance team in collaboration with the Marketing Technical team used this opportunity to educate customers on product quality and applicability.

The result; 78% of all our customers served in 2021 confessed to have gotten attracted to buy from UCL because of the unmatched quality of our products.

More exciting was the satisfaction amongst our Influencers (professional engineers, masons, artisans, fundis, etc.), who admitted and rated our product quality at 100%.

That is a clear indication to our stakeholders and customers that we met all requirements as per the product quality evaluation.

Fig 1: Top 10 UCL choice drivers



While we had staff specifically in charge of overseeing Quality Assurance, through hands-on training, we empowered the production teams and created a culture that championed quality over volumes.

Our approach

For the year 2021, Quality Assurance was pegged on six key initiatives which included;

- *Streamlining the quality team.*
- *Quality awareness.*
- *Raw materials quality improvement*
- *Process and product quality gap analysis.*
- *Increased production efficiencies and volumes.*
- *Innovation.*

Streamlining the quality team

In 2021, we streamlined the quality team and closed a manpower gap by the addition of four (4) new Quality Assurance Assistants. We also carried out an internal re-organisation which unveiled key quality bottlenecks within the production process as the team was frequently on ground to enforce, monitor, and ensure that what was being produced conformed to the product quality standards.

The team's efforts were further strengthened by the Managing Director (Reuben), Head of Production (Joseph), and General Manager (Moses) who created an enabling platform for discussion of daily production and quality performance.

Quality awareness

Our sensitization strategy changed the attitude of our employees at the production lines, maintenance, and all other involved managerial parties. While we had staff specifically in charge of overseeing Quality Assurance, through hands-on training, we empowered the production teams and created a culture that championed quality over volumes.

Staff were briefed on key product handling areas that affect the overall production efficiencies.

Alignment of quality ideas

In 2021, our employees were granted room for trial and error by the Managing Director, where they can think out of the box and try out new methods, processes, and techniques without any punishment and/or judgment. With this method, we saw an increased employee engagement and ownership for their work. Employees and managers both observed an increased unified commitment to production because of this enhanced alignment of quality ideas in the entire plant.

We also re-emphasized toolbox meetings that are held before a shift begins, as well as daily operations meetings where a recap on production is provided to ensure that all involved parties are on the same page. With this system, the meetings shed awareness on any shortcomings and they were taken care of immediately before further production.

Staff health

Quality Assurance plays an additional role of ensuring that staff health is given priority. We mitigate medical issues that may arise from operations such as heavy load lifting during product transfer. This reduced medical complications that arose from manual work.

Raw materials quality improvement

Quality Assurance ensured that UCL purchased clay reserves with the right physical and chemical characteristics suitable for manufacture of structural baked clay construction products so as to have high-quality finished products.

In addition, the Quality Assurance team used data analytics to analyse and understand the existing quality data from raw materials, intermediates, and finished products. We were able to pick up trends and assigned them to specific causes which formed a basis for review and revision of all the internal raw material and product quality standards.

These changes automatically translated into improved quality of products.

Process and product quality gap analysis

During production, quality gaps from defects due to physical failures such as breakages during product transfer and handling were minimised.

These defects were curbed by the curing initiative that whatever product enters the kiln must first conform to the required product standards.

However, for physically undetectable losses, we exercised control by analysing existing data from raw materials, intermediate products (moulded and dried), and finished baked products from the Kilns.

We deduced kiln inefficiencies which were a result of the gaps in fuel testing and corrective initiatives were undertaken to prevent kiln ash, sand caking, and white stains on the finished baked clay products.

We reviewed and revised all fuels that we use, set new fuel inspection standards, and further researched other bio-fuels that we could perfectly blend with the existing ones so as to counteract all these challenges.

From the documented analytical data, we were able to observe that when 95% of premium bio-fuel is used, 85% of the products are recovered.

Production efficiencies and volumes

We pride ourselves on the fact that in 2021, our volumes were more driven by our product quality efficiencies. We also had some outliers where we obtained a record-breaking efficiency of 96% at both factories.

When you look at the history of the Hoffman Kilns, the global average lies in the range of 60% to 70% when using biomass as a fuel. The fact that we were able to achieve efficiencies of 95% on more than one occasion, made us proud as a company.

Innovation

As a major part of Quality Assurance, innovation to improve the quality and quantity of the products is key. In 2021, we had a target to introduce and release new products.

Our innovation is mostly customer oriented. After the customer's idea has been brought on-board, Quality Assurance in conjunction with the engineering team performs several trial runs to develop the product designs, test the product quality, and therefore confirm the product conforms to all standards and customer's need before massive production.

UCL ensures that new product developement is executed in consultation with external structural engineers and our own internal civil engineers and civil masons. We ensure that the new design meets not only what the customer wants to see in terms of look and colour but that it also meets standards in terms of strength and resistance to the environment.

2021 Challenges

Priority reshuffling

Because of the COVID-19 pandemic, some of our previous set priorities had to be halted and reprioritized. For example, the production of coloured roofing tiles has been postponed until the ground settles.

New raw material quality

The Kajjansi belt from which our raw materials are obtained is being used by people from the community for other projects such as housing and mini-factory works. For this reason, we have had to obtain the raw materials at a distance further from the Kajjansi belt. But the further away from this belt, the lower the percentage of good clay in the raw material.

Land reserves prospecting

The process was lengthy as several tests were conducted in order to reach an agreement on a reserve with clay that had our desired requirements.

Market challenges

We have partnered with professional cleaners who we have trained on how to handle tile cleaning and maintenance. Additionally, we have discovered the different types of tile treatment available on the market and have advised our customers to add these during the maintenance of their structures.

Rustic grade

Our customers are not fully sensitized on this product grade as most of them still consider it inferior.

In 2022, we will carry out a product sensitization to explain to our customers that the product's colour distinction comes from the fact that they are closer to the fire during firing.

There are no added materials to our products as only natural minerals are used.

The rustic grade is subjected to the same UNBS quality compliance tests as the premium grade, and both grades conform to the same quality standards. For example, there is no difference between the strength of our Premium and Rustic Mangalore tile, they both had 6.4 N/mm average breaking load as compared to the minimum 4.5 N/mm required by the UNBS Standard US_816_2020. Similarly, all other parameters like permeability, water absorption, weight per square metres, dimensions, etc., were the same. The minor spotted black shades on the tile surface are as a result of the bio-fuels that we use in the firing process.

Future prospects

Improved product finishing

The company is making investments to focus on both volumes and product surface finish and texture. We plan on obtaining perfectly consistent dimensions and smooth surfaces as these go hand in hand with product durability.

Shift to European standards

We plan to shift from East African quality standards to global European standards to enable the company explore product variety that is acceptable on an international scale.

Product durability improvements

We hope to improve our milling systems to produce much finer particles that reduce general product porosity. The firing temperatures are to be revised because as the sources of the raw material have moved further from the Kajjansi belt, the composition is different and as such, the firing temperatures out to be revised and reset to accommodate the raw material change.

Product varieties

We have reduced our heavy reliance on coffee husks for fuel and incorporated other bio fuels. We are working symbiotically with farmers, using their waste for fuel and together protecting our environment.

Our future plan in terms of innovation for UCL is to provide engineers and architects that design customers' desired houses using our products.

We owe the 2021 product quality achievements of 2021 to the strong and committed dynamic Quality Assurance team in collaboration with other operations teams at both factories.

Because of the COVID-19 pandemic, some of our previous set priorities had to be halted and reprioritized. For example, the production of coloured roofing tiles has been postponed until the ground settles.

Audit, risk & internal controls

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

Patrick Mukasa
Head of Internal Audit

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

To enhance the independence of the internal audit function at UCL, the Head of Internal Audit reports functionally to the Board (Board Audit Risk Committee) and administratively to the Managing Director, who is responsible for ensuring that issues raised by the Internal Audit function are addressed appropriately as per agreed upon management actions and within the agreed timelines.

Internal audit operates under a charter approved by the Board of Directors. The Internal Audit Charter provides the framework that guides internal audit activities, defining the internal audit activity's purpose, authority and responsibility. The Internal Audit department generally conforms to the International Standards for the Professional Practice of Internal Auditing (IIA), Code of Ethics and standard audit best practices.

Reporting and monitoring function

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

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

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

Role of the internal audit function;

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

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

This year, we were able to revise the Internal Audit Charter (responsibility, authority) as well as the manual that defines the methodology for performing all internal audit assurance and consulting engagements.

There was a high attendance of training, which has enhanced our continuous professional development to serve our stakeholders better. We performed skill assessments and identified internal and external staffing and training solutions.

We solidified our Continuous Control Management (CCM) which enabled agility in dealing with system issues. Our CCM aided in identifying the priority risks and the relevant solutions that need implementation to prevent incidents and mitigate their impact.

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

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

Internal audit's role in governance

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

Ensuring effective performance management and accountability to achieve strategic objectives.

Communicating risk and control information to appropriate processes of UCL.

Coordinating activities and communicating information among the key stakeholders, in particular the board, management and external auditor.

Enterprise risk management

Key risks exposures to operational activities identified and risk register due for review. We are in the process of implementing an enterprise risk management framework across all business operations and its implementation is guided by the principles, process and framework laid out in risk management standard; ISO 31000.

Risk management status and prospects

Going forward we plan to form a cycle of continuous activities which will involve identification, assessment, monitoring and control of risk. Reporting will typically include qualitative and quantitative measures of risk depending on the nature of the risk. This information will be provided by the risk and control owners as they should be closest to the issues and will be reported on a regular, timely and consistent basis.

Control self-assessment will enable us to identify and assess risks and evaluate the effectiveness of controls in place to manage these risks. This self-assessment will reflect and highlight the key business risks that senior management and directors should focus on.

Our risk management will be directly mapped to the organisation's strategy to identify emerging risks. The use of risk registers is one way of encouraging participation, as this will help us to quickly communicate the overall level of risk in the company. Users will be allowed to access more detail about individual risks when needed easily.

In turn, everyone will be stimulated to think in terms of risks, spotting new ones as they arise and monitoring and taking action to mitigate existing risks.

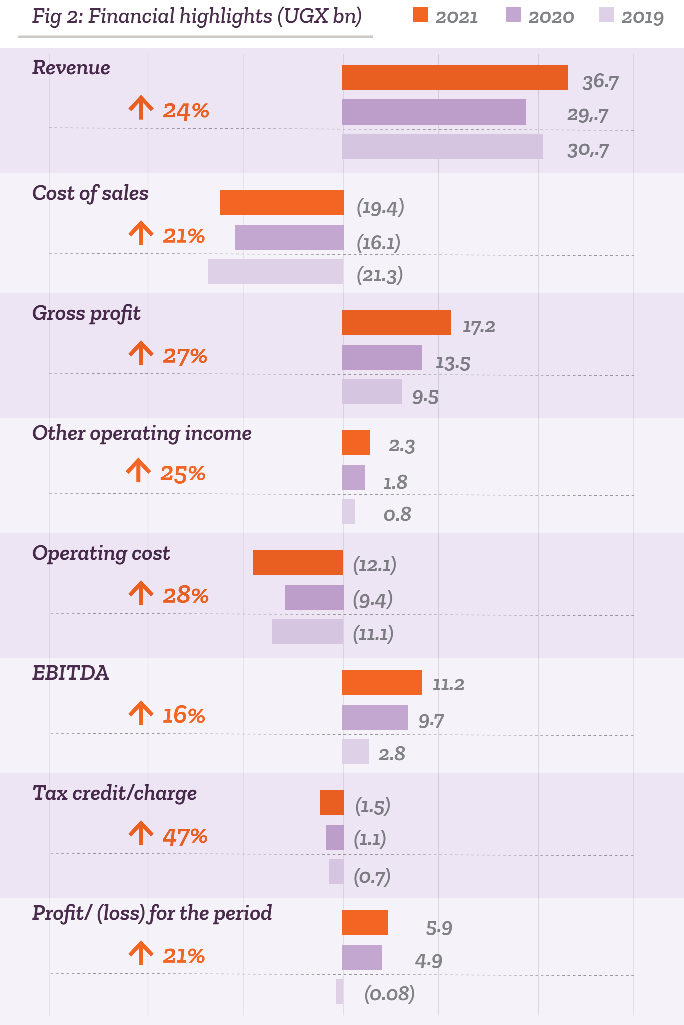
We intend to perform a SWOT analysis to identify all relevant internal and external factors and forces that directly affect our organisation. Internally, we will review the departmental structure and define staff development modes. We plan to map our risk assessment to the organisation's strategy to identify emerging risks. We will collaborate with other assurance/risk management functions throughout the year and during risk assessments.

Head of Finance's
Financial review

UCL continued to deliver resilient performance in 2021, achieving growth in both revenue and net profit despite the challenges of the pandemic. With the recommended dividend of UGX 1.5, the ordinary dividend increased by 11%.

Our revenue generation and strong balance sheet enabled us to finance our CapEx investments through existing cash resources and this well-positioned the company to create sustainable value for our shareholders.

Fig 2: Financial highlights (UGX bn)



Jones Muhumuza
Head of Finance

Revenue growth was majorly driven by improved performance in the product recovery of our kiln from about 55% output recovery to 68% directly resulting in product availability which coincided with the foreseen growth in the housing sector within the country.

Company results

Revenue

UCL revenue increased by 24% to UGX 36.7bn (2020: UGX 29.7bn) in the year ended 31 December 2021. Revenue growth was majorly driven by improved performance in the product recovery of our kiln from about 55% output recovery to 68% directly resulting in product availability which coincided with the foreseen growth in the housing sector within the country during the year. Additionally, reorganising our market route by adopting the agency selling model largely contributed to the sales increment as products were made readily available for our customers.

Following a slower, politically impacted start to the year there was a sharp contraction in sales as our customers curtailed their activities in response to the initial impact of COVID-19. However, we saw an improvement in the sales revenue in the second half of the year.

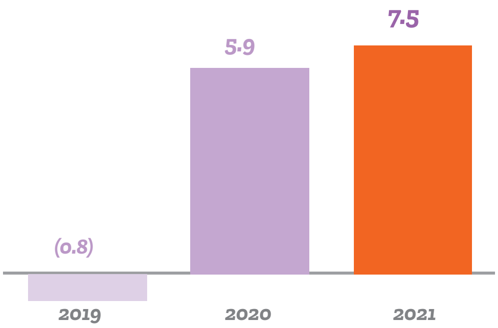
Strong market conditions were experienced for the year ended 31 December 2021 as the central bank lowered the lending rate in a bid to salvage the economy from the COVID-19 pandemic impact. There was a general sales growth in all the product categories in the period with roofing tiles having the highest contribution.

Operating profit/Profit before tax

The business operating profit grew by 26% to UGX 7.5bn (2020: UGX 5.9bn) in line with management's expectations following the mid-year trading statements released in July 2021.

The drivers of this growth were increased revenue base with the roll-out of aggressive sales strategies combined with the improved distribution network. This was also limited by a 12% growth in production costs that was largely driven by the increase in production volumes which resulted in an increase in raw materials usage such as clay, and fuels in addition to the repair costs incurred on the machinery. Overhead expenses also offset the profit growth by 33% due to increased labour costs with the on-boarding of key skilled labour force which drove the business turnaround.

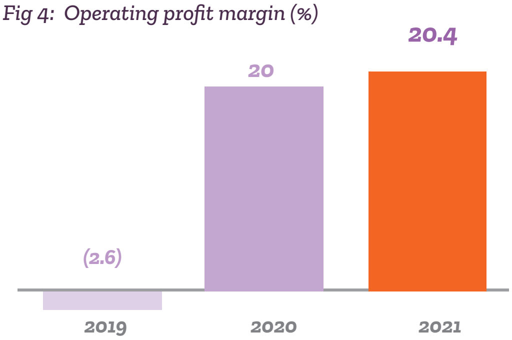
Fig 3: Operating Profit (UGX bn)



Operating Profit Margin (%)

2021 saw our Operating Profit Margin (OPM) grow by 0.4% to 20.4% against that of 2020 despite the 24% increment in the revenues. The slight increment was due to an increase in the expenses in the period which offset the revenues.

Fig 4: Operating profit margin (%)



Finance costs

There were no finance costs incurred for 2021 which is due to the company not borrowing any loan or being charged interest from its existing loan of NSSF. The company is in negotiations with NSSF to resume payment of the loan in 2024.

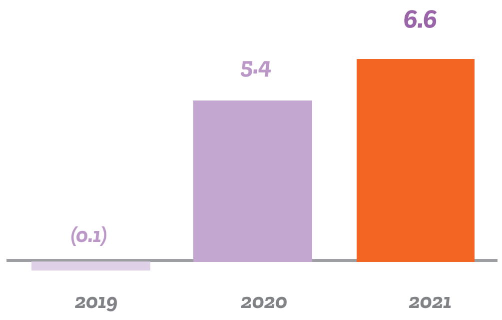
Taxation

The tax charge increased to UGX 1.5bn for the year 2021 compared to UGX 1bn for the year 2020. This huge increase is not only attributed to the growth in taxable income but also impacted by about UGX 0.9bn tax credit arising from the decrease in the deferred tax liability. The effective tax rate increased to 21% from 18% in 2020, which is attributed to increased taxable income for the period.

Basic earnings per share

The basic earnings per share grew by UGX 1.16 to UGX 6.58 driven by growth in operating profit.

Fig 5: Basic earnings per share (UGX)



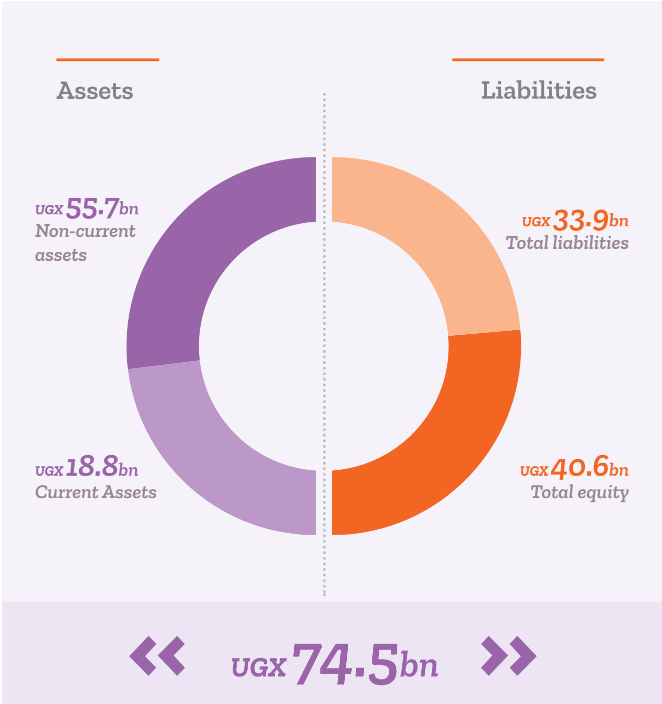
Strong balance sheet

The company delivered a strong cash flow performance for the year, benefiting from both the improved trading conditions as we progressed through the second half of 2021, and the decisive actions to manage costs and working capital throughout the period.

The total assets size increased by 8% to UGX 75bn (2020 UGX 69bn). In the second half of the year, the company embodied strategies of strengthening the agency model as there was recruitment of new agents with a financial muscle to sustain the company's sales ambitions. This helped to facilitate the growth of the total assets of the company, especially the cash position.

Liabilities generally remained the same from the previous period as they increased to UGX 33bn (2020 UGX 32bn). The increment was due to the extension of supplier credit payment period from 30 days to 45days as the company reserved cash for the CapEx projects.

Fig 6: Our statement of financial position



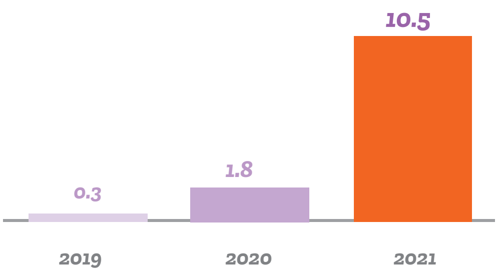
There was no change in the borrowings of the company as it remained UGX 20.6bn which is due to the parent company NSSF.

CapEx additions

In line with the company's strategic revenue growth drive, we embarked on several capital projects to realize this objective.

Total additions for 2021 were UGX 10.5bn including the acquisition of clay reserves of UGX 5.3bn, and UGX 5.2bn of plant machinery.

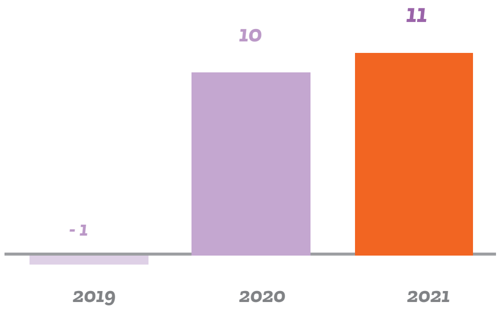
Fig 7: CapEx Investments (UGX bn)



Return on capital employed

ROCE increased to 11% in 2021 from 10% in 2020, which is an indication of increased efficiency of the production process resulting in higher revenue arising from increased product availability.

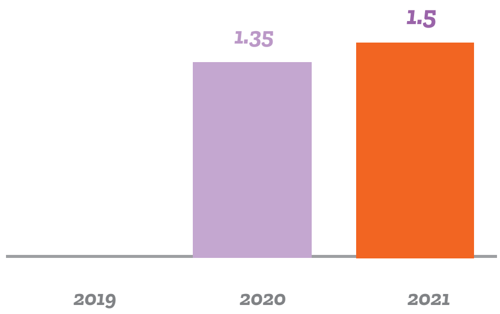
Fig 8: Return on capital employed (%)



Dividends

Considering the strength of the company's performance and position, and after taking into account the prospects for the business, the Board is recommending a final ordinary dividend of UGX 1.5 per share for the year 2021.

Fig 9: Dividend per share (UGX)



Equity

Table 1: Equity balance

	Ordinary shares capital (UGX m)	Share premium (UGX m)	Revaluation reserve (UGX m)	Retained earnings (UGX m)	Proposed dividends (UGX m)	Total (UGX m)
At the start of the year	**900**	**9,766**	**3,571**	**20,499**	**1,218**	**35,954**
Transfer of excess depreciation	-	-	(1,942)	1,942	-	-
Deffered tax on excess transfer of excess depreciation	-	-	583	(583)	-	-
Dividends paid	-	-	-	-	(1,218)	(1,218)
Proposed dividends	-	-	-	(1,350)	1,350	-
Profit for the year	-	-	-	5,920	-	5,920
At the end of the year	**900**	**9,766**	**2,212**	**26,428**	**1,350**	**40,656**

The equity balance stood at UGX 40.6bn which is a 13% increment from 2020. The movement is due to the UGX 5.9bn profit earned in the year which was offset by the UGX 1.2bn payment of dividend.

Related party transactions

Related party transactions are disclosed in Note 24 to the consolidated financial statements. During the current and prior years, there have been no material related party transactions.

Subsequent events

With the exception of the recommended dividend, there have been no subsequent events requiring further disclosure or adjustments to these financial statements that have been identified since the balance sheet date.

Going concern

The Directors are required to assess whether it is reasonable to adopt the going concern basis in preparing the financial statements. In arriving at their conclusion, the Directors have given due consideration to whether funding and liquidity resources are sufficient to accommodate the principal risks and uncertainties faced by the company and in particular the potential ongoing impact of the COVID-19 pandemic.

Our principal risks and uncertainties

Table 2: Our Principal Risks

Risk and Impact	Key Mitigations	2021 Developments
Health, safety and environmental hazards		
Safety is our top priority as we aim to have an accident-free environment. Production activities at both plants expose our staff to health hazards; noise, fire, dust, and heavy machinery accidents. This risk was further escalated by the emergence of COVID-19.	UCL's Health and safety policy outlines the responsibilities, control, risk assessment, reporting, and management of health and safety concerns. The organisation has a health and safety committee that attends to all emerging health and safety concerns pro-actively. Personal Protective Equipment is provided to all factory employees. The organisation continued to maintain adequate controls including following government SOPs to ensure the safety of all employees and COVID-19 vaccination and sensitisation still ongoing at the Company clinic.	Incident reporting and management emphasized in all production areas. Continuous improvement is emphasized in various Health and safety sessions as well as compliance with the recommended use of PPE and other company standards at all times. The organisation continued to maintain adequate controls including following government SOPs to ensure the safety of all employees and COVID-19 vaccination and sensitisation still ongoing at the Company clinic.
New product development		
This risk may result from failure of our new product offering to meet customer requirements and failure to identify opportunities in construction sector ahead of our competitors. Therefore, if we do not successfully launch new products and programs, we may lose market share or damage relationships with our customers, which could negatively affect our business. In addition, any failure in our manufacturing strategy for these new products or programs could result in operating inefficiencies which could adversely affect our results of operations.	The company has innovation as a key strategic component, including suitably qualified and experience people in charge of new projects, research and development. Innovation committee in place to discuss on pertinent matters as and when they arise.	As more innovation ideas come up, more focus has been employed towards project management to ensure all new new product initiatives yield results.

Gross/ Net Change

Increased **Decreased** **No change**

Risk Appetite

Low appetite **Medium appetite** **High appetite**

Risk and Impact	Key Mitigations	2021 Developments
Raw material prices and the supply chain		
UCL's major raw materials include; clay, alternative fuels like coffee husks, bagasse, kaolin, etc. business is affected by volatility in extraction costs/expenses as well as other raw material prices. UCL is affected by volatility in energy costs (fuel prices) or disruptions in energy supplies. Significant changes in cost or availability of transportation greatly affect the company results. Risks exist around our ability to pass on the increased costs through price increases to our customers.	Review of significant input costs carried out; with continuous monitoring of raw material costs, energy prices with the aim of getting best possible prices and assuring stability of supply.	Alternative low cost fuels sought to minimise costs as well as diversification of suppliers to limit sole sourcing.
Pandemic disruption risk		
The threat of pandemics may result into increased government restrictions that could impact customer demand, movement, and the productivity of employees.	Crisis management committee in place to enhance our capability to react effectively to crises and minimize damage and disruption in our business operations.	Executive management team and crisis teams continue to monitor and enhance the mitigation actions and processes during the pandemic.
Market risk due to global economic volatility		
Economic volatility or failure to react quickly enough to changing economic conditions, currency instability, inflationary pressures, custom duties, and tariffs eroded consumer confidence could impact forecasting and financial performance. The demand for our products is directly correlated with residential and commercial activities. Uncertainty about current global economic conditions causes consumers to postpone or refrain from spending or may cause them to switch to lower-cost alternative products, which could reduce demand for our products and materially and adversely affect our financial condition and operating results.	Monitoring of key business drivers and performance to prepare for rapid changes in external environment. Top management strategic plan monitoring, economic analysis and strategy reviews to strengthen market strategies and risk management.	Economic conditions are largely beyond UCL control, however the company ensures that its fulfilment and product quality capabilities enhance support customer retention. More regular planning and weekly and monthly monitoring of short and long-term strategic or operational plans, which has been instrumental in allowing timely adjustment of our strategies in this dynamic environment.

Strategic Alignment

Customer Satisfaction: 90%

Staff Engagement: 80%

Inventory Waste: >5%

Revenue Growth: UGX 72 bn

Risk and Impact	Key Mitigations	2021 Developments
Financial risk		
Company is faced with financial risks in terms of credit risk and liquidity risks. **i) Credit risks** Credit risk is a risk of financial loss we are exposed to if there is failure of an obliger /debtor to fully honour his/her financial or contractual obligations. Credit risk arises majorly from credit sales made to agent customers. **ii) Liquidity risk** Liquidity risk is the potential that the company will be unable to meet its commitments/ obligations as they fall due.	Company policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable funding requirements. Monthly cash flow forecasts are made and monitored regularly.	The company manages credit risk through management of customer credit limits. Credit limits are set are set for each customer based on the credit worthiness of customer and anticipated levels of business activity. The organisation has a liquidity management policy and guidelines.
Compliance risk		
Compliance risk emanates from non-conformity to standards, guidelines, policies, procedures, regulations, laws which can result in sanctions or penalties; consequently, affecting the image/ reputation of an organization. By virtue of our operations, we are exposed to various litigation matters arising out of the ordinary routine conduct of our business, including, actual or threatened litigation relating to such items as our products, employment related claims, environment compliance and other regulatory actions.	Contract monitoring and performance management done for all third-party engagements to mitigate counter-party risks. Internal Audit continues to conducts compliance checks and the identified gaps are closed immediately. Going forward, compliance risk assessments emphasized for key decisions are before implementation.	Continous control monitoring emphasised to increase internal compliance. Quality control and compliance monitoring emphasised to ensure compliance to product standards with UNBS.

Gross/ Net Change

Increased | Decreased | No change

Risk Appetite

Low appetite | Medium appetite | High appetite

Risk and Impact	Key Mitigations	2021 Developments
Product quality		
Poor quality products may arise due to failed or inadequate internal processes, systems, people, or external events. Product quality is a key value as far as UCL strategy is concerned and as such the quality assurance system is employed at all stages of the production process. Any damage to company brand; including actual or alleged issues with its products, could harm our business, reputation and financial results.	The company operates a comprehensive quality control procedures across its sites with both internal and external audit reviews of product quality completed to ensure conformance with recognised standards.	New facility improvement projects were approved and launched for both plants geared towards increasing production efficiency and volumes.
Operational risk		
Disruption to business processes including those caused by extreme weather, power outages, mechanical breakdown, supply chain challenges, labour challenges may hinder manufacturing facilities or quarries from meeting customer demand. UCL depends on its information system for payments and customer selling and service processes. Disruptions to the system could have adverse effect on company operations and financial performance.	The company has the ability to transfer some of its production to the alternative Kamonkoli factory amidst any disruption. Outsourcing of casual labourers to sort out disruption due to labour concerns. Alternate sites (Kamonkoli factory) improvement to confidently ensure production continuity in cases of any disruptions. UCL has also established and put in place a Disaster Recovery Plan for ICT and has embarked on the process of implementing its business continuity risk assessment and impact analysis and crisis management plan. Company maintains capital expenditure development plans which focus on improving on our technology for both factories to ensure continued operations.	Recruited personnel to spearhead Business Continuity planning for all business processes. Plans made to improve tunnel kiln at Kamokoli factory thereby improving operational efficiency. More staff recruited in repairs and maintenance section to undertake routine maintenance programs and minimize operation disruption.

Strategic Alignment

Customer Satisfaction: 90%

Staff Engagement: 80%

Inventory Waste: >5%

Revenue Growth: UGX 72 bn

Risk and Impact	Key Mitigations	2021 Developments
Reputation risk		
Reputation risk is a risk of loss resulting from damages to a firm's reputation as a result of lost revenue, increased costs or destruction of shareholder value. A significant portion of our revenue comes from our product customers, failure to evolve and meet the changing needs of our customers could result in a significant loss of revenue and cash flow.	UCL has good understanding of the stakeholder expectations. Contracts maintained with major agent customers. Availability of adequate clay reserves, UCL primary raw material, ensures an ability to satisfy customer demand.	New and dynamic team of professionals employed in production, sales and marketing team with emphasis on continuous quality improvement, customer satisfaction, complaint management and stakeholder management. New customer and order management system, customer visits, mystery shopping and feedback surveys. New facility improvement projects were approved and launched for both plants geared towards increasing production efficiency and volumes.
IT security risk		
The company is dependent on qualified personnel in key positions and employees having special technical knowledge and skills. Any loss of such personnel without timely replacement could significantly disrupt business operations. The largest part of production process is currently highly labour intensive and thus requires adequate supply of manual labour.	IT security control system in place to detect and prevent such risks. IT audits conducted to report on IT related controls weakness as well as ongoing risk assessments on all existing and new IT systems.	Uganda Clays Limited is at the tall end of optimizing its technology across all its operations. The organisation implemented an information technology policy to reduce the risk of cyber security.

Gross/ Net Change

Increased Decreased No change

Risk Appetite

Low appetite Medium appetite High appetite

Governance Report

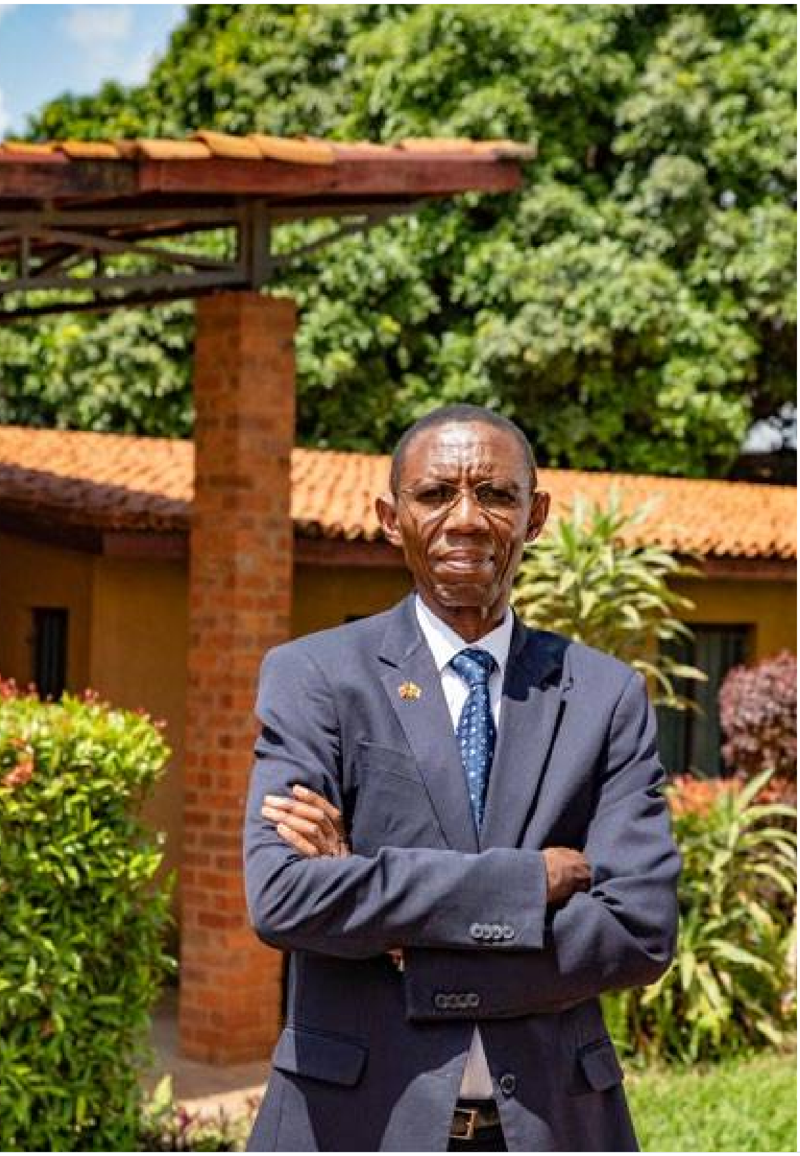
Transforming our approach to decision making

In this section

Chairman's

Governance overview

Dear Shareholder,
On behalf of the Board, I am pleased to introduce Uganda Clays Limited's Corporate governance statement for 2021 which sets out our approach to governance practices.



The Board's primary objective has been to navigate the business through this time of uncertainty, ensuring that we emerge in a strong position.

COVID-19 response

The Board met frequently, mainly virtually, since the World Health Organization declared COVID-19 a global pandemic, and was well placed to respond when the Uganda Government later introduced strict measures.

The Board has worked with leadership to review in-depth scenario planning, and engaged teams throughout the business, while setting its expectations for the Company's approach to each of its stakeholder groups, mindful of their respective needs. The scale and pace with which the Company's response has been coordinated by the Board is significant and provides a valuable snapshot of UCL's governance in action.

Governance

Our company's approach is based on the generally accepted principles of good corporate governance and the Code of Corporate Governance in the Companies Act. In advance of the effective date, the Board and its committees have spent considerable time reviewing the Code to ensure our continuing compliance.

Board activities

The Board's focus during the year has been to increase the pace of the Company's transformation. It has received updates from all areas of the business on each of the strategic components comprising this transformation in detailed "strategic deep dives", which it has then considered, debated and challenged. In recent months, this focus has shifted towards addressing the escalating COVID-19 crisis and has seen the Board's activities and meetings rapidly shift to address the constantly changing situation.

Board succession

We welcomed Reuben Tumwebaze who successfully replaced Jacquline Kiwanuka who was previously the acting Managing Director at the time. His transition was smooth and the induction process was successfully completed by February 2021.

Board evaluation

As agreed by the Board members, the evaluation is conducted every two years. Our 2021 externally facilitated Board, committees and individual Directors evaluation was obstructed by the pandemic and was therefore prorogued to 2022. The objectives of the evaluation are to build on the improvements made from previous evaluations, thereby improving the collective contribution of the Board as a whole, and the competence and effectiveness of each individual director.

Transparent reporting

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

The Board and reporting team work hard to ensure the Annual Report is transparent and provides meaningful disclosures on our activities and values.

The 2020 Annual Report received several external accolades with the ICPAU - 1st runner-up consumer and industrial product category 'A' being the most important.

2021 focus areas

Review the company's strategy and 2023 plan

Monitor the progress of our key development projects and initiatives.

Further engagement

As in previous years, I encourage our stakeholders to attend the Company's Annual General Meeting on 29th June 2022 where they will meet the Board and members of senior management for relevant discussions.

Mr. Martin Kasekende
Chairman Board Of Directors

Structure of the governance section

The Governance section has been organised to follow the Code of Corporate Governance in the Companies Act and illustrates how we have applied the Code principles and complied with the provisions.

Governance at a glance

Corporate governance is an evolving and core discipline which generates value for our stakeholders and underpins our success.

Highlights 2021

Board and committee meeting attendance for the year ended 31 December 2021 — 100%

Female representation at the Board level — 33%

Board independence as of 31 December 2021 — 60%

Major Board decisions

The major decisions taken by the Board and its Committees during FY 2021 included:

- Recruitment of senior managers meeting was in 2020 but the appointments were made in 2021.
- Approval of the procurement policies.
- Approval of CapEx policies such as UGX 16bn cash paid for the purchase of property, plant and equipment and UGX 1.5 bn cash paid in respect of right use assets.
- Consideration and approval of the 2022 budget.
- Consideration of joining the Clay Manufacturers Association.
- Annual General Meeting 29th June 2022.
- Consideration and approval of the new Board Charter.

Code of Corporate Governance in the Companies Act

The Board confirms that for the year ended 31 December 2021, the Principles of good corporate governance as enshrined in the Companies Act have been consistently applied.

Our Board prioritises the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. Our purpose, values and strategy, are satisfactorily aligned with our objectives and our performance is equally measured against them. (***pages 12-13*** and ***pages 28-29*** of the strategic report). The Board ensures that workforce policies and practices are consistent with the company's values and support its long-term sustainable success.

During the induction of the new Managing Director, the Chairman encouraged the workforce to approach him and to raise any matters of concern if and when they arose. The Board routinely reviews these concerns and the reports arising from its operation with follow-up actions and relevant independent investigations.

The Board established a framework of prudent and effective controls which enable risk to be assessed and managed. It takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override the independent judgement.

Key Governance activities

The Board's key governance activities during the year included:

- Comprehensive review of our executive remuneration framework and Remuneration Policy (***see page 171***).
- Appointing and onboarding new management(Managing Director, Head of Sales and Marketing, Head of Production, Head of Human Resources and Support Services, General Manager Kamonkoli, Procurement Manager, and a Quality Manager.
- The 2020 Annual General Meeting 30th June 2021.

Governance structure

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

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

Fig 1: Our Governance Structure

The Board

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

See pg. 32 - Our Strategy *See pg. 134 - Our Principal Risks* *See pg. 162 - Board Activities*

↓

The Board delegates certain matters to its three principal committees

Board Administration and Technical Committee	Board Finance Committee	Board Audit and Risk Committee
Oversees all technical, human resources and administrative matters in the Company, including production, information technology, and environmental activities.	Monitors the integrity of the financial statements of the company, the Company's annual budget and the implementation of the Company's strategy.	Provides oversight over internal controls, risk management, and maintaining an appropriate relationship with the external auditors.
Refer to pg. 168	*Refer to pg. 169*	*Refer to pg. 170*

↓

Management Committee

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

See pg. 148

↓

Supporting Committees

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

Our Board of Directors

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

Eng. Martin Kasekende
Chairman of the Board of Directors.
Appointed 24 August 2012.

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

Key

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

Mrs. Florence Namatta Mawejje
Director

Appointed 9 December 2015.

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

Mr.Richard Byarugaba
Director

Appointed on 17 October 2014 and re-appointed on 9 December 2015.

He is the Managing Director of the National Social Security Fund, a former Managing Director of Nile Bank and Global Trust Bank. He is a member of the Institute of Certified Public Accountants of Uganda.

Mr.Joseph Tukuratiire
Director

Appointed 30 August 2013.

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

Mrs. 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 NSSF. She is an Advocate of the High Court of Uganda. She is the Head Legal Aid at Central Organization of Free Trade Unions (COFTU). She is a panel member of the Industrial Court.

Mr.Henry Ngabirano
Director

Appointed 23 July 2019.

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

Dr Tom Mutyabule
Director

Appointed 23 July 2019.

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

Mr. Bayo Folayan
Director

Appointed 9 December 2015.

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

Our management team

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

Mr. Reuben B. Tumwebaze

Managing Director

Date appointed: February 2021

Relevant skills and experience:
Reuben has over 20 years' experience in infrastructure development, manufacturing systems, heavy equipment maintenance and industrial project planning and management.

Past roles:
Director Road Infrastructure Protection at Uganda National Roads Authority, several managerial positions at Lafarge Uganda, Hima Cement Ltd, Chief Operations Officer at UCU Holdings Ltd, and Trade Services Engineering Manager for Century Bottling Company a franchisee of the Coca Cola Company.

Qualifications:
ACCA, an MBA from Edinburg Business School and a B.SC in Mechanical Engineering (MUK).

Mr. Moses Ssanye

General Manager

Date appointed: May 2021

Relevant skills and experience:
Moses has over 22 years' experience in manufacturing systems, heavy equipment maintenance, major operations planning/ execution and change management. Vast hands-on experience in industrial safety & environmental management, industrial performance analysis & reporting.

Past roles: Country Head of Sustainability Development, Head of Maintenance, Integration Manager and Operations Controller at Lafarge Uganda. Head of Engineering & SHEQ at Bujagali Power Plant, and Reliability Champion at Tulsa Plant (Oklahoma USA).

Qualifications:
B.SC in Mechanical Engineering (MUK), and Hay Certified Job Evaluator (Hay Group, South Africa).

Mr. Joseph Sendegeya
Head of Production

Date appointed: April 2021

Relevant skills and experience:
Joseph brings over 13 years' comprehensive experience in Cement production and Manufacturing processes.

Past roles:
Production Manager, Production Superintendent, Process Engineer, and Safety Assistant at Hima cement.

Qualifications:
Advanced Diploma in Health and Safety Management, and a Bachelor of Environmental Engineering. Currently pursuing an MBA (Herriot-Watt University).

Ms. Irene Atuko
Quality Assurance Manager

Date appointed: October 2021

Relevant skills and experience:
Irene is a chemical scientist with over 9 years' experience in academia and the manufacturing sector and advanced professional Chemical Research, Planning, and Management at Lund University, Sweden.

Past roles: Research and Development Officer at Uganda Clays Limited

Qualifications:
M.Sc. in Chemistry (MAK), PGD in Financial Management (UMI) and B.Sc. in Industrial Chemistry (MAK).

Mr. Mark Rwomushana
Head of Sales and Marketing

Date appointed: March 2021

Relevant skills and experience: Over 19 years' experience with the leading FMCG multinationals covering Construction materials, Beverages, Telecom and Insurance.

Past roles: Sales Director at IAA Healthcare, Group Head of Sales at Roofings Uganda Ltd., National Spirits & Key Accounts Manager, Customer Marketing Manager, Regional Sales Manager at Uganda Breweries Ltd, National Franchise & Retail Manager at Warid Telecom, Regional Sales Manager at Century Bottling Company.

Qualifications:
Advanced Diploma in Communication (NIS Sparta, Delhi), Bachelor of Commerce (University of Delhi).

Mr. Jones Muhumuza
Head of Finance

Date appointed: September 2021

Relevant skills and experience:
Jones has over 15 years' experience in driving financial strategies, planning and analytics, assessing and reporting financial performance.

Past roles: Financial Controller at NSSF.

Qualifications: Chartered Certified Accountant (ACCA & CPA), MBA (Edinburgh Business School, Herriot Watt University), PGD Taxation & Revenue (East African School of Taxation), BSC in Applied Accounting (Oxford Brookes University), Bachelor of Statistics (MUK).

Mr. Francis Kintu
Head of Human Resources and Support Services

Date appointed: September 2021.

Relevant skills and experience:
Over 12 years' experience in Strategic planning and performance management, HR management and research, compensation and benefits management, and capacity development. Reward and Benefits expert, and Certified Balanced Scorecard professional.

Past roles: HR Consultant and Supervisor at NSSF.

Qualifications:
PGD in Human Resource Management (UMI), Senior Management Professional (Strathmore Business School), Certified Balanced Scorecard professional (The Balanced Scorecard Institute, USA), Hay Certified Job Evaluator (Hay Group, South Africa) and BSc. Quantitative Economics (MUK) Currently pursuing an MBA (Herriot-Watt University).

Ms. Evah Natukundah
Procurement Manager

Date appointed: May 2021

Relevant skills and experience:
Eva brings 4 years' comprehensive experience in clearing and forwarding and 8years experience in procurement in the manufacturing sector. She has supported several projects which include Commissioning of a pet soda bottling line, water bottling line, Value added Diary bottling line, among other projects.

Past roles: Previously, she served as Customs Resident officer Bollore-Hima; Customs Resident officer Bollore-Century Bottling; Procurement specialist Century Bottling Company (Coca-Cola) and Category Manager Century and Rwenzori Bottling Company Limited.

Qualifications:
Certified Public Accountant, Masters in Supply Chain Management (KYU), and a Bachelor of Statistics (MUK).

Mr. Patrick Mukasa
Head of Internal Audit

Date appointed: November 2019

Relevant skills and experience:
Patrick has over 10 years' experience in Internal Audit in Banking, Telecommunication, Public Private Partnerships, and Manufacturing sectors.

Past roles: He previously worked with Housing Finance Bankas an Internal Auditor, MTN Uganda as a Senior Internal Auditor and most recently at Kalangala Infrastructural Services as Head of Internal Audit

Qualifications:
ACCA and CPA professional, Bachelor of Statistics (MUK).

Board leadership and

Company purpose

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

Matthias Nalyanya
representative of Lex Advocates (Company Secretary)

Effective Board

Our Board is composed of highly skilled professionals who bring a range of skills, perspectives and corporate experience to our boardroom on ***pages 146 - 147.***

In accordance with the Code, the role of the Board is to promote the long-term sustainable success of the Company, generate value for shareholders and contribute to wider society.

On an annual basis, the Board conducts a detailed review of our strategy (including our purpose, and strategic objectives). This year's review included acceptance of the procurement plan and whether the strategy remains fit for purpose and is responsive enough to our ever-changing environment.

Through its review, the Board is able to assess and identify changing or emerging risks that could impact UCL in the short and medium-term (further information on our emerging risks is on ***pages 134-138***.

As we generate value through the core activities identified in our business model ***(on page 24)***, its flexibility is also assessed by the Board to ensure that it remains ready for the future.

Key aspects discussed by the board during its strategy

At each Board meeting, the agenda ensures sufficient time for the committee chairs to report on the contents of discussions, any recommendations to the Board which require approval and the actions taken.

The major Board decisions referenced on ***page 144*** describe the Board's strategic implementations for the year in addition to the 2023 plan review.

Purpose, values and culture

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

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

The Board takes its responsibility for shaping and monitoring the corporate culture of the company seriously. In 2019, a new set of Core Values was launched across the company – Customer first, Bold, Accountable, Quality, Teamwork and Integrity and they were carried across 2021.

These values define our priorities for behaviour across the business and are the practical representation of the culture we seek to foster, aligning with the company's purpose (vision and mission), values and strategy, and supporting our governance and control processes. These values were rolled out across the company and are prominently displayed at all sites. The Board reinforces our culture and values through its decisions, strategy and conduct. Our values articulate the qualities we embody and our underlying approach to doing business. They are reinforced in our performance management systems, which ensure that they are firmly embedded in our day-to-day conversations and behaviours.

Our purpose communicates our strategic direction and intentions to our employees, partners and wider stakeholders. Due to its importance, it is reconfirmed on an annual basis to ensure it continues to reflect the Board's strategy, values and desired culture.

Our culture as devised from our values is a key strength of our business. The benefits of a strong culture are seen in our employees' engagement, retention and productivity. As the cultural tone of a business comes from the boardroom, safeguarding our culture is a key factor in the development of Board succession plans. For example, when a fire broke out at Kajjansi, our employees responded urgently and took immediate action.

In addition to a direct question asking our employees to describe our culture, the employee survey also provides valuable insights into what is valued and seen as corporate norms.

The Board monitors and assesses the culture of UCL by regularly meeting with management and reviewing the outcomes of employee surveys.

Governance framework and board resources

Our governance framework provides clear lines of accountability and responsibility and additionally assists with the sharing of information and facilitates fast decision making and effective oversight.

Our governance arrangements support the development and delivery of strategy by:

- ensuring accountability and responsibility;
- facilitating the sharing of information to inform decisions;
- maintaining a sound system of risk oversight, management and an effective suite of internal controls
- providing independent insight and knowledge from the Non-Executive Directors; and
- facilitating the development and monitoring of key performance indicators *(page 34)*.

Stakeholder engagement

On *pages 50-53* of our strategic report, we describe the importance of clear communication and proactive engagement with all our stakeholders.

How do we engage with our employees?

We have an experienced, diverse and dedicated workforce which is recognised as a key asset of our business.

Formal and informal methods are employed to ensure that the Board is fully involved with the employees.

Our employee engagement involves routine invitations by members of the management team to attend meetings present to matters under discussion.

How do we engage with our shareholders?

Our shareholders are kept aware of any transformations through the publication of important information such as the annual report, half-year financial statements and complete year financial statements in the Annual report.

As a publicly listed company, the company secretary keeps on board with relevant regulators such as the Uganda Securities Exchange (USE) and engages with them constantly.

We also keep consistent track of the relevant National Environmental Management Authority rules, regulations and changes. In addition to meeting with shareholders at our AGM, our Chairman routinely meets with institutional investors and reports their views to the Board.

Compliance with Laws and Regulations

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

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

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

Governance and Responsibility Framework

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

Table 4: Our Governance and Responsibility framework

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

Board activities and
Division of responsibilities

Board roles

UCL operates with a clear distinction between executive and non-executive responsibilities which ensures accountability and oversight.

The Chairman and Chief Executive have separate roles and uniquely defined responsibilities which are regularly reviewed by the Board.

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

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

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

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

Table 6: Matters reserved for the Board

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

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

Beyond those matters, the Board has delegated all authority to achieve the corporate purpose to the Managing Director (MD), who takes all decisions and actions which, in the MD's judgments, are reasonable having regard to the limits imposed by the Board. The MD remains accountable to the Board for the authority that is delegated and for the performance of the Company.

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

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

The MD is required to report regularly in a spirit of openness and trust on the progress being made by the Company. The Board and its committees determine the information required from the MD and any employee or external party, including the External Auditor. Open dialogue between individual members of the Board and the MD and other employees is encouraged to enable Directors to gain a better understanding of the Company's business.

Division of responsibilities

The roles of Chairman, Managing Director, and Non-executive directors are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board.

Chairman, Engineer Martin Kasekende

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

- Approves the agendas for the board meetings and ensures sufficient allocation of time for a thorough discussion of agenda items.

Managing Director, Reuben Tumwebaze

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

Company Secretary, Lex Uganda Advocates represented by Matthias Nalyanya

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

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

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

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

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

The Board process

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

Regular Board meeting

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

** To facilitate maximum attendance*

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

** To review financial performance strategy and operations*

Meeting agenda and notice

** Finalized by the Company Secretary in consultation with the Chairman and MD*
** Notice period of 7 days is given*

Dispatch Board papers to directors

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

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

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

Other Board meeting

** To consider ad hoc matters*

Convene Board meeting

** * Notice period of 7 days is given (or other reasonable period) be given*

Dispatch Board papers to directors

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

Board Meeting

Other key features of the Board

Table 6: Other key features of the Board

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

Workforce policies and practices

The Board and Executive Committee review and approve all key policies and practices which impact our workforce and drive their behaviours. All policies are checked to ensure they support UCL's purpose and reflect our values.

We involve our employees through presentations which highlight the key messages and notify them of any changes. Our mandatory 3 fold training programme *(page 72)* ensures that policies are embedded in our business practices which reinforce key compliance messages.

Board independence, responsibilities and activities

40% of our Board (including the chairman) are independent Non- Executive Directors.

The Board has reconfirmed that our Non-Executive Directors remain independent from executive management and free from any business or other relationship which could materially interfere with the exercise of their judgement.

The Non-Executive Directors play an important role in ensuring that no individual or group dominates the Board's decision-making.

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

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

Conflicts of interest

As a Non-Executive Director's independence could be impacted where a Director has a conflict of interest, the Board operates a policy that restricts a Director from voting on any matter in which they might have a personal interest unless the Board unanimously decides otherwise. Prior to all major Board decisions, the Chairman requires the Directors to confirm that they do not have a potential personal conflict with the matter being discussed.

All our Directors are required to be free from any interest, business or relationship with UCL that can materially interfere with their ability to act in the best interests of the Company.

The independence of a Director may be compromised through his or her relationships with the Company such as where he or she: (i) was an employee during the last five (5) years; (ii) has had a material business relationship with the Company in the last three (3)years; (iii) receives additional remuneration apart from the Director's compensation as stated in the letter of appointment; or (iv) as close family ties with any of the Company's senior employees of professional advisers.

A Director who has declared a conflict of interest does not take part in the discussion and subsequent decisions on any matter in which he/ she has an interest. Such a Director shall excludes themselves from further attendance of that meeting.

Board meetings and attendance

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

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

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

Table 7: Board Meeting Attendance

Director	Attendance	% Attendance
Eng. Martin Kasekende	6/7	86%
Mr. Richard Byarugaba	7/7	100%
Mr. Joseph Tukuratiire	7/7	100%
Mrs. Florence N. Mawejje	7/7	100%
Mr. Bayo Folayan	7/7	100%
Mrs. Marion Adengo Muyobo	7/7	100%
Mrs. Peninnah Tukamwesiga	7/7	100%
Mr. Henry Ngabirano	4/7	57%
Dr. Tom Mutyabule	6/7	86%
Mr. Reuben B. Tumwebaze	7/7	100%

Composition, succession and evaluation

Board composition and tenure

UCL Directors are nominated and elected on the basis of shareholding strength. The Board of Directors is currently composed of ten Directors and is constituted as follows:

- Four Directors representing minority shareholders
- Three Directors nominated by the National Social Security Fund
- Two Directors nominated by the National Insurance Corporation Limited
- The Managing Director of the Company.

A Director other than the Managing Director holds office for a maximum of ten years. In every year, one third of our directors retire from office with the exception of the Managing Director.

Appointments to the Board

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

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

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

Election during the Annual General Meeting

Recommendation to the Board for approval

Final deliberation by Board Administration and Technical Committee

Meeting with candidates

Evaluation of suitability of candidates

Identification of candidates

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

Key activities of the Board

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

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

FINANCIAL AND OPERATIONAL PERFORMANCE

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

STRATEGY AND RISKS

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

GOVERNANCE AND SUSTAINABILITY

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

OTHERS

- COVID-19 Impact
- Recruitment of new management team

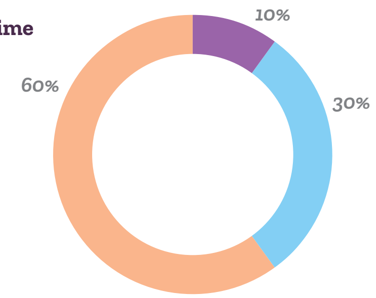
Key activities in 2021

Financial and operational performance

Throughout the year, the Board received and discussed:

- Reports from the MD and the Head Of Finance on the performance of operations of the Company. Approved FY2021 annual budget and operating plan.
- Approved FY2021 financial results and the respective results announcements and reports.

Allocation of agenda time



	Agenda item	FY 2021	FY 2020
	Financial and operational performance	19%	23%
	Strategic matters	29%	42%
	Governance, sustainability, training and Board Committee reports.	29%	15%
	Other matters (including ad-hoc projects and human resource matters).	25%	20%

Feb

- BFC report on Budget for FY 2021 (Full Board).
- BATEC report on recruitment (Full Board).

Mar

- Management reports (BARC | BATEC | BFC).
- Quarterly audit reports (BARC).
- Audit plan 2021 (BARC).
- Policies (BATEC).
- Management accounts (BFC).
- Financial statements for FY 2020 (BFC).
- Committee reports (Full Board).

Apr

- Financial statements for FY 2020 (BARC | BFC).
- Auditors report (BARC | BFC).
- Management letter (BARC | BFC).
- Approval of financial statements for FY 2020 (Full Board).
- Planning for Annual General Meeting (Full Board).

Jun

- Management reports (BARC | BATEC | BFC).
- Quarterly audit reports (BARC).
- Board Charter (BATEC).
- Committee reports (Full Board).
- Board evaluation (Full Board).
- Preparation for Annual General Meeting (Full Board).
- Annual General Meeting (Full Board).

Strategic Matters

- Approved UGX 10.5 bn CapEx investment. Of this UGX 9.1 bn was allocated to the purchase of property (140 acres of clay reserves), equipment of this, and the kiln at Kamonkoli was repaired and expanded at UGX 138m
- Received and discussed regular business development reports.

Governance and sustainability

In response to our increased focus on climate change and UCL's commitment to achieving major 2030 sustainability targets *(page 102)*, the Board has been undertaking SDG training to understand our current impact and the way forward for the company.

BATEC is currently on board to help define our ambitions so as to reduce environmental impact and construe a solid approach to sustainability for the Company in 2023.

The Board plans on broadening and refining the SDG scope by involving external consultants and relevant industry bodies who are well conversant with materiality, to assess and provide broader perspectives on macro sustainability, as well as its relevance and application to our business. *(page 61)*

Human resource and other issues.

- Organization human resources planning.
- Oversaw interviews for Managing Director, Head of Production and Head of Human Resources.
- Appointed Mr. Reuben Tumwebaze as Managing Director to replace Ms Jacqueline Kiwanuka who was previously the acting Managing Director.

IT and cyber security

The Board constantly reviews the UCL ICT policy 2019 which protects our information assets from internal and external cyber threats *(page 73)*.

BARC receives updates from management on pre-existing/known key risks and discusses them with the Board to decipher relevant mitigation measures.

Performance based culture

The Board recognises our Asante reward and recognition programme where employees are rewarded for their performance *(page 72)*.

Through constant employee-management meetings, employee performance concerns are discussed and reported back to the Board to create pertinent solutions. In addition, through quarterly MD town halls, the MD updates staff on how the organisation is performing and responds to the feedback from the previous cycle.

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

FY 2021 Key Board Activities

Aug
- Financial Statements January – June 2021 (BFC | Full Board).

Sep
- Quarterly audit reports (BARC).
- Management reports (BATEC).
- Committee reports (Full Board).

Oct
- Visit to Kamonkoli factory (Full Board).
- Company strategy review (Special Full Board).

Nov
- Management reports (BARC | BATEC | BFC).
- Quarterly audit reports (BARC).
- Budget for FY 2022 (BFC).

Dec
- Committee reports (Full Board).
- Budget for FY 2022 (Full Board).

Stage 1

DETERMINE THE SCOPE

- Board and its committees.

DETERMINE THE APPROACH

- Conducted by completing a comprehensive questionnaire.

Stage 2

DETERMINE THE SCOPE

- Preparing the draft results report.
- Discussing the draft results report.
- Review of the results report by the Board committees.
- Finalizing the results report.
- Reporting to the Board in a manner that did not identify individuals' specific responses, ensuring that these responses could be as open, frank and informative as possible.

Stage 3

ACTION PLAN AGREED

- Following review of the results, the Board drew conclusions and agreed a proposed implementation plan.

MONITOR AND FOLLOW-UP MEETINGS

- Monitoring the progress of the implementation or action taken semi-annually.
- Reporting back to the Board on the progress by the Committees.

Board evaluation

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

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

The evaluation takes the form of a comprehensive questionnaire which is completed, and feedback discussed by the board. Amongst other things, the assessment focuses on the Board's effectiveness in the following areas:

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

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

Stakeholder Engagement

Through management, the board carries out stakeholder engagement as detailed in the stakeholder engagement table on *page 50*. However, on occasion, the board directly interacts with stakeholders in the following ways:

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

Employees - The Board Administration & Technical Committee (BATEC), regularly handles human resource matters. Drastic management changes required the chairman and the company secretary to address the staff body for confidence building.

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

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

Succession planning

The Board regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board. When a director representing a majority shareholder is up for rotation they have the liberty to nominate the same person or someone new. The name proposed is put up for election at the AGM. When a director representing minority shareholders is up for rotation, the Board Administration and Technical Committee will look through the list of minority shareholders and pick suitable names. These are vetted and put before the AGM for election. A consideration to introduce limits on tenure will be discussed this year.

Board induction and continuous professional development

The Company is aware of the requirement to regularly review and agree on the training needs of each director. Keeping up to date with key business developments is essential for directors to maintain and enhance their effectiveness.

Induction program for new Director

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

The program will also enhance their knowledge of the Company, its operation and staff. The induction program is tailored to each new director, depending on the experience and background of the director and is illustrated below:

On Appointment

RECEIVING DIRECTOR"S INDUCTION HANDBOOK

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

ATTENDING BRIEFING/ TRAINING BY EXTERNAL LAWYER

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

Following Appointment

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

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

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

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

ATTENDING CONTINUOUS PROFESSIONAL PROGRAM

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

Induction Program + **Continuous Professional Development Program** > **Director's Roles & Responsibilities**

For new Board committee members

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

Continuous professional development program

The Company Secretary provides a programme of ongoing training for the directors, which covers a number of sector-specific and business issues, as well as legal, accounting and regulatory changes and developments relevant to individual directors' areas of responsibility. Throughout their period in office, the directors are continually updated on the Company's businesses and the regulatory and industry-specific environments in which it operates. These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

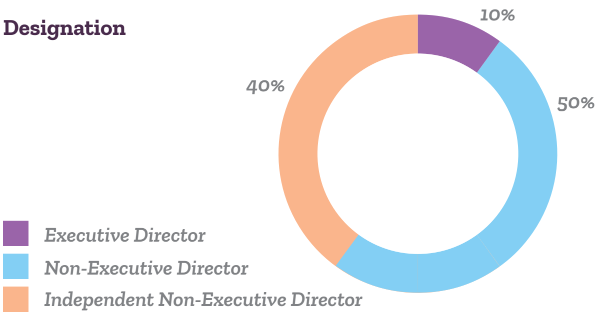
Resignation from the board

Any Director may resign at any time by giving notice in writing or by electronic transmission to the Chairman of the Board, copied to the Company Secretary. In the case of the Chairman, the notice of resignation is addressed to the Company Secretary, copied to the Managing Director. The resignation takes effect upon receipt thereof or at any later time specified therein, and the acceptance of such resignation is not necessary to make it effective.

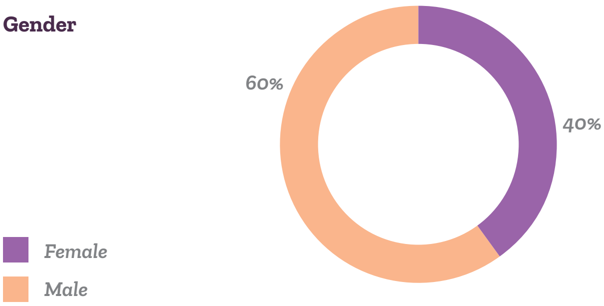
Diversity and inclusion

The Board values diversity as a factor in selecting candidates to serve on the Board and believes that the diversity which exists in its composition provides significant benefits to the Board and the Company. The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence, with individuals that work as a team. The Board diversity mix is shown below.

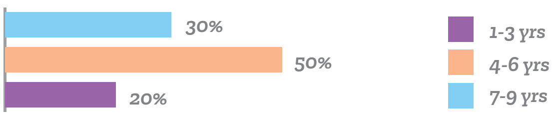
Designation



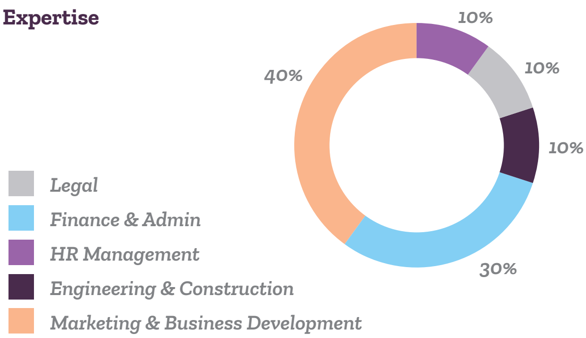
Gender



Tenure



Expertise



Board
Committee Reports

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

The Board

Chairperson
Eng. Martin Kasekende

Managing Director
Mr. Reuben Tumwebaze

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

Board Finance Committee

Chairperson
Mr. Richard Byarugaba

Members
Mrs. Marion Adengo Muyobo
Mr. Reuben Tumwebaze

Board Audit and Risk Committee

Chairperson
Mr. Joseph Tukuratiire

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

Board Administration and Technical Committee

Chairperson
Ms. Florence Namatta Mawejje

Members
Dr. Tom Mutyabule
Mr. Reuben Tumwebaze

Executive Committee

Managing Director
Mr. Reuben Tumwebaze

General Manager
Mr. Moses Sanye

Head of Production
Mr. Joseph Ssendegeya

Quality Assurance Manager
Ms. Irene Atuko

Head of Sales and Marketing
Mr. Mark Rwomushana

Head of Finance
Mr. Jones Muhumuza

Head of Human Resources
Mr. Francis Kintu

Procurement Manager
Ms. Evah Natukunda

Head of Internal Audit
Mr. Patrick Mukasa

Board Administration and Technical Committee (BATEC) Report

Mrs. Florence Namatta Mawejje
Chairperson, BATEC

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

In 2021, the Committee put in place a number of policies and manuals to improve governance, reviewed production processes and outputs, sales and marketing activities, handled the recruitment of the General Manager Kamonkoli Branch, Head of Human Resources and Support Services, Head of Sales and Marketing Head of Production and a number of other human resources matters, and monitored the implementation of the Company's strategy.

BATEC is currently on board to help define our ambitions so as to reduce environmental impact and ascertain our approach to sustainability. By monitoring the quality of our products they ensure compliance with the applicable standards as may be set from time to time.

Additionally, this year, they were the oversight for research on appropriate technology for our production system and spearheaded major transformations like the kiln extension in Kamonkoli.

During the year under review, the Committee members were:

Mrs. Florence N. Mawejje
Chairperson

Dr Tom Mutyabule
Member

Mr. Reuben B. Tumwebaze
Member

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

Table 8: BATEC Member Meeting Attendance

Director	Attendance	% Attendance
Mrs. Florence N. Mawejje	7/7	100%
Dr. Tom Mutyabule	7/7	100%
Mr. Reuben Tumwebaze	7/7	100%

Board Finance Committee (BFC) Report

Mr. Richard Byarugaba
Chairperson, BFC

The broad mandate of the Board Finance Committee is to monitor the integrity of the financial statements of the company, including its annual and interim reports, preliminary results announcement and any other formal announcement relating to its financial performance.

They review significant financial reporting issues and judgments as well as the Company's annual budget. In addition, BFC monitors the implementation of the Company's strategy, sales and marketing, and procurement.

Before board meetings, they prepare and meet with relevant departments and staff to consider all of the projects to be undertaken in the next financial period. BFC breaks down these considerations and reports them to the Board for decision making.

In 2021, the Committee reviewed financial statements of the Company, considered and approved a number of policies and manuals relating to financial matters, and monitored the implementation of the Company's budget against the strategy.

Their activities in the last financial year were:

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

During the year under review, the Committee members were:

Mr. Richard Byarugaba
Chairperson

Mrs. Marion Adengo
Member

Mr. Reuben B. Tumwebaze
Member

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

Table 10: BFC Member Meeting Attendance

Director	Attendance	% Attendance
Mr. Richard Byarugaba	3/3	100%
Mrs. Marion Adengo	3/3	100%
Mr. Reuben B. Tumwebaze	3/3	100%

Board Audit and Risk Committee (BARC) Report

Mr. Joseph Tukuratire
Chairperson, BARC

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

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

BARC has authority to take decisions on matters under its terms of reference or those delegated to it by the Board.

In addition to monitoring and reviewing the effectiveness of the company's internal audit function in the context of the company's overall risk management system, BARC meets regularly with the external auditors and discusses any issues that arise from their audit.

BARC reviews reports concerning material involving actual or suspected breaches of regulatory and compliance laws and assess adequacy of systems to manage those risks, a role that expands to IT and cyber security risks.

During the year under review, the Committee members were:

Mr. Joseph Tukuratiire
Chairman

Mrs. Peninnah Tukamwesiga
Member

Mr. Bayo Folayan
Member

Mr. Henry Ngabirano
Member

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

Table 9: BARC Member Meeting Attendance

Director	Attendance	% Attendance
Mr. Joseph Tukuratiire	4/4	100%
Mrs. Peninah Tukamwesiga	4/4	100%
Mr. Bayo Folayan	4/4	100%
Mr. Henry Ngabirano	3/4	75%

Remuneration Report

To incentivise our employees to achieve our strategy, we provide market competitive remuneration which is both transparent and aligned with our culture.

Our remuneration structures are directly linked to KPIs defined under each strategic objective, ensuring performance is linked to business performance as well as individual performance, thereby promoting a high-performance culture and achievement of strategy.

The remuneration of the Directors is determined by the shareholders in the Annual General Meeting and shall take into account inflationary effects, the Board's own recommendations on a suitable remuneration package, and remuneration levels of Directors of similar enterprises.

Remuneration of Directors consists of monthly retainer allowance, sitting allowance and duty allowance, and travel and subsistence expenses payable while on official authorised/scheduled business of the Company.

Directors who are employees of UCL including the Managing Director receive additional compensation for serving as Directors. This remuneration is subject to all applicable tax deductions at the time of payment.

To ensure that Directors receive reasonable compensation for their services, the Board Administration and Technical Committee (BATEC) conducts periodic reviews of Director compensation and advises the Board accordingly. A break down of the considerations for their base salary, benefits, gratuity and pension is described on ***page 172.***

The last salary revision took place in 2017/2018 and it was preceded by a board remuneration survey of peer companies.

Based on the report, a proposal was made to the board and thereafter, the matter was put to the AGM for voting.

The remuneration stands as below:

Monthly retainer

Chairman - UGX 1,000,000

Directors - UGX 750,000

Sitting allowance

Chairman - UGX 750,000

Directors - UGX 660,000

Fuel allowance to travel for meetings (all directors) 40L of fuel per sitting (estimated at UGX 4,000 per litre) *Most meetings held in the reporting year were virtual *All stated figures are gross.

This year, UGX 196.3m was allocated to remuneration of the Directors, UGX 311.7m was allocated to gratuity and pension costs while UGX 315m was allocated to staff bonuses.

Directors Remuneration

2021: UGX 196m

2020: UGX 242m

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary				
	Purpose: To recruit, retain and motivate high caliber executives. **Link to strategy:** Reflects experience and importance to the business. Any increase is normally effective from 1 January, the start of our financial year. Factors taken into account in the review include: • the role, experience and performance of the individual and the company; • economic conditions; • pay and conditions throughout the business; and • practice in companies with similar business characteristics.	While there is no maximum salary or salary increase, increases will normally be consistent with the policy applied to the workforce generally (in percentage of salary terms).	While there is no maximum salary or salary increase, increases will normally be consistent with the policy applied to the workforce generally (in percentage of salary terms). Increases above this level may be awarded in certain circumstances such as, but not limited to: where there is a change in role or responsibility.	A broad assessment of personal and corporate performance is considered as part of the salary review.
Benefits				
	To provide a market competitive benefits package to help recruit and retain high calibre executives and to support their wellbeing.	Benefits include, but are not limited to, sitting allowance, private medical insurance, car and fuel allowance and life assurance.	Whilst there is no prescribed maximum cost of providing benefits, the value of benefits is set at a level which the Committee considers to be appropriate taking into account the overall cost to the company in securing the benefits, individual circumstances, benefits provided to the wider workforce and market practice.	**N/A**
Gratuity and pension				
	To provide an appropriate level of retirement benefit.	The Company operates a defined contribution pension scheme. Executive Directors may receive cash payments in lieu of contributions (e.g. where contributions would exceed either the lifetime or annual contribution limits).	**N/A**	**N/A**

Remuneration Committee

BATEC which doubles as the remuneration committee operates under terms of reference approved by the Board which are summarised as follows:

- review health and safety policy considering whether it complies with legislation and best practice and recommending improvements as appropriate;
- implement changes in health and safety policy as necessary;
- review the effectiveness of risk management processes in determining whether all risks are being identified, evaluated, monitored and managed appropriately;
- review of the UCL risk register and consider its appropriateness and completeness along with reviewing the appropriateness of the mitigating actions being taken; and
- review the effectiveness of UCL's Risk Management functions including health and safety ensuring that sufficient resources are devoted to this area and that these resources are appropriately skilled.

The Committee's increased responsibilities include:

- defining the level of UCL's ambitions with regard to reducing environmental impact and addressing climate risk;
- overseeing the development of UCL's sustainability policies;
- considering emerging risks which have the potential to impact the business;
- setting challenging environmental targets and monitoring progress against these;
- monitor UCL's reporting.

Staff gratuity and pension costs

2021: UGX **312m**

2020: UGX **277m**

Bonuses

2021: UGX **315m**

2020: UGX **174m**

UCL's proposed bonus model

The Board of Directors has our employyes incentivisation at heart and has therefore proposed a bonus to all or any of the Company's staff in a year in which the Company shows profit.

Eligibility

Payment of bonus to staff will occur when the Company achieves at least eighty percent (80%) and above of its set business targets. The bonus payment may go up to thirty percent (30%) of an individual's annual gross salary in accordance with the individual's performance.

Computation and distribution

The Board of Directors will determine the bonus pot to be shared each year based on an overall performance of the Company, after which bonus distribution will be aligned to both the organizational and individual performance.

Role of the Board

The Board sets targets and objectives for the entire organization at the beginning of the financial year in line with the strategic plan. These targets and objectives are then systematically cascaded downwards to departments, sections, and individuals.

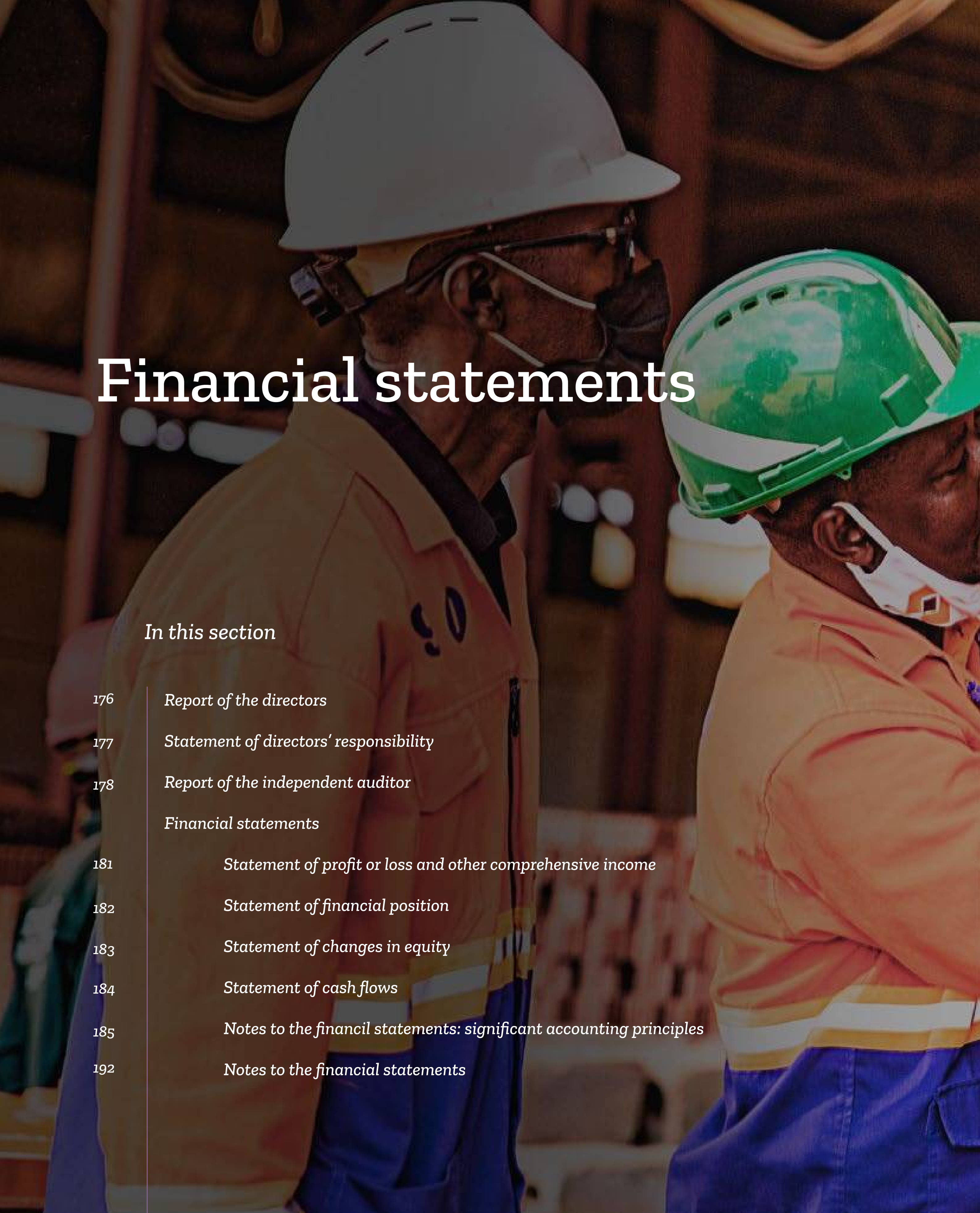
Appraisals against these set objectives are done bi-annually, and at the end of the year.

Role of the Executive Committee

Each Head of Department is required to perform an appraisal of their staff, which is then submitted to the Committee for a moderation exercise.

The moderation exercise ensures that the overall results of the individuals in the departments are aligned to their departmental performance, and that there is consistency across departments in the appraisal of their people.

The results from the moderation exercise become the basis for the final performance rating of the staff.



Financial statements

In this section

Report of the Directors

For the year ended 31 December 2021

The directors submit their report and the audited financial statements for the year ended 31 December 2021 which disclose the state of affairs of the Company.

Principal activities

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

Business review

	2021 UGX 000	2020 UGX 000
Profit before tax	7,469,095	5,926,380
Tax (charge)	(1,548,533)	(1,052,438)
Profit for the year	**5,920,562**	**4,873,942**

During the year 2021, the total turnover of the company increased from UGX 29.6bn into UGX 36.6bn. This was mainly attributed to change in strategy by producing more customer demanded products as well increase in overall production output to deliver customer orders on time.
The profit before tax increased from UGX 5.9bn to UGX 7.9bn reflecting the effects of increase in revenue and cost management initiatives adopted

As at 31 December 2021, the net asset position of the company increased to UGX 39bn compared to UGX 35.9bn as at 31 December 2020.

Key performance indicators

	2021 UGX 000	2020 UGX 000
Turnover	36,686,157	29,662,677
Gross profit (UGX)	17,238,120	13,529,930
Gross profit margin	47%	46%
Profit for the year	5,920,562	4,873,942
Net profit margin	16%	16%
Net assets	40,656,388	35,954,312
Return on capital employed	11%	10%

Share capital

The authorised, issued and paid up share capital is UGX 900,000,000 (2020: UGX 900,000,000) representing 900,000,000 (2020: 900,000,000) ordinary shares of UGX 1 each.

Dividend

The directors recommend the declaration of a dividend for the year of UGX 1.5 per share (2020: UGX 1.35 per share).

Directors

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

Eng. Martin Kasekende
Member

Mr.Richard Byarugaba
Member

Mr.Bayo Folayan
Member

Mrs. Marion Adengo Muyobo
Member

Mr.Joseph Tukuratire
Member

Mrs. Florence Namatta Mawejje
Member

Mrs. Peninah Tukamwesiga
Member

Mr.Henry Ngabirano
Member

Dr Tom Mutyabule
Member

Mr. Reuben Tukamwesigye
Managing Director

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

Independent auditor

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

BY ORDER OF THE BOARD

Company Secretary,

Lex Uganda Advocates

represented by Matthias Nalyanya

1st April 2022

Statement of director's responsibility
For the year ended 31 December 2021

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

The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

i) Designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
ii) Selecting and applying appropriate accounting policies; and

iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2021 and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Ugandan Companies Act, 2012.

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

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

Approved by the board of directors on **1st April 2022** and signed on its behalf by:

Richard Byarugaba

DIRECTOR

Eng. Martin Kasekende

DIRECTOR

PKF

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

Opinion

We have audited the financial statements of Uganda Clays Limited set out on pages 9 to 39, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the Company's financial position as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Uganda Companies Act, 2012.

Basis for opinion

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

Other information

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

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

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

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 period. During the year, there were no key audit matters to report.

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T: +256 312 305800 | E: pkfkam@ug.pkfea.com | W: www.pkfea.com

Partners: Charles Oguttu, Frederick Kibbedi*, Alpesh Vadher**, Piyush Shah**, Gurmit Santokh**, Sumesh D'Cruz**, Ketan Shah***, Shilpa Cheda****
(Ugandan, ** Kenyan, ***British)*

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Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and the requirements of the Ugandan Companies Act, 2012, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

PKF

Report on other legal and regulatory requirements

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

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Frederick Kibbedi - P0242

Frederick Kibbedi [P0242]
Engagement Partner

PKF Uganda
Certified Public Accountants Kampala

19th April 2022
Ref: FK/U087/0074/2022

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	Notes	2021 Shs'000	2020 Shs'000
Revenue from contracts with customers	2	36,686,157	29,662,677
Cost of sales		(19,448,037)	(16,132,747)
Gross profit		**17,238,120**	**13,529,930**
Other operating income	3	2,312,471	1,843,107
(Increase)/decrease in impairment losses		(170,869)	798,518
Selling and distribution expenses		(1,667,476)	(1,332,119)
Administrative expenses		(8,539,812)	(7,568,134)
Other operating expenses		(1,703,339)	(1,344,922)
Profit before tax		**7,469,095**	**5,926,380**
Tax charge	6	(1,548,533)	(1,052,438)
Profit for the year		**5,920,562**	**4,873,942**
Other comprehensive income:			
Total comprehensive income for the year attributable owners of the company, net of tax		**5,920,562**	**4,873,942**
Earnings per share			
Basic earnings per share	8	6.58	5.42
Diluted earnings per share	**8**	**6.58**	**5.42**

The notes on *pages 185 - 214* form an integral part of these financial statements.

Report of the independent auditor on *pages 178 - 180*

Statement of financial position

For the year ended 31 December 2021

	Notes	2021 Shs'000	2020 Shs'000
EQUITY			
Share capital	9	900,000	900,000
Share premium	9	9,766,028	9,766,028
Revaluation reserve	10	2,211,761	3,571,185
Retained earnings		26,428,598	20,498,613
Proposed dividends		1,350,000	1,218,486
Equity attributable to the owners of the entity		**40,656,388**	**35,954,312**
Non-current liabilities			
Borrowings	11	20,600,381	20,592,838
Deferred tax	12	4,545,056	5,468,449
Retirement benefit obligation	22	878	-
		25,146,315	**26,061,287**
		65,802,703	62,015,599
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	13	44,054,681	38,702,285
Government securities	19	9,527,126	4,742,120
Right-of-use assets	15	2,168,253	825,880
Intangible Asset	14	7,260	-
		55,757,320	**44,270,285**
Current assets			
Inventories	16	7,958,204	8,741,211
Trade and other receivables	17	4,799,445	1,795,613
Cash and cash equivalents	18	5,903,531	2,179,742
Government securities	19	-	10,970,964
Staff advances	20	120,810	86,055
Current tax claimable		-	812,275
		18,781,990	**24,585,860**
Current liabilities			
Trade and other payables	21	8,332,800	6,840,546
Current tax payable		403,807	-
		8,736,607	**6,840,546**
Net current assets		**10,045,383**	**17,745,314**
		65,802,703	**62,015,599**

The financial statements on *pages 176 - 214* were approved and authorized for issue by the board of directors on **1st April 2022** and were signed on its behalf by:

Eng. Martin Kasekende
DIRECTOR

Richard Byarugaba
DIRECTOR

Statement of changes in equity
For the year ended 31 December 2021

	Notes	Ordinary share capital Shs'000	Share premium Shs'000	Revaluation reserve Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
Year ended 31 December 2021							
At start of year		**900,000**	**9,766,028**	**3,571,185**	**20,498,613**	**1,218,486**	**35,954,312**
Transfer of excess depreciation	11	-	-	(1,942,034)	1,942,034	-	-
Deferred tax on excess depreciation transfer	11	-	-	582,610	(582,610)	-	-
Dividends paid		-	-	-	-	(1,218,486)	(1,218,486)
Proposed dividends		-	-	-	(1,350,000)	1,350,000	-
Profit for the year		-	-	-	5,920,562		5,920,562
At end of year		**900,000**	**9,766,028**	**2,211,761**	**26,428,598**	**1,350,000**	**40,656,388**
Year ended 31 December 2020							-
At start of year		**900,000**	**9,766,028**	**4,930,609**	**15,483,733**	**-**	**31,080,370**
Transfer of excess depreciation	11	-	-	(1,942,034)	1,359,424	-	(582,610)
Deferred tax on excess depreciation transfer	11	-	-	582,610	-	-	582,610
Proposed dividends		-	-	-	(1,218,486)	1,218,486	-
Profit for the year		-	-	-	4,873,942	-	4,873,942
At end of year		**900,000**	**9,766,028**	**3,571,185**	**20,498,613**	**1,218,486**	**35,954,312**

The notes on *pages 185 - 214* form an integral part of these financial statements.

Report of the independent auditor on *pages 178 - 180*

Statement of cash flows

For the year ended 31 December 2021

	Notes	2021 Shs'000	2020 Shs'000
Operating activities			
Cash from operations	23	10,534,366	8,133,892
Tax paid		(1,255,843)	(2,078,833)
Net cash from operating activities		9,278,523	6,055,059
Investing activities			
Cash paid for purchase of property, plant and equipment	14	(9,067,132)	(1,792,332)
Cash paid in respect of right of use assets	16	(1,455,074)	-
Cash paid for purchase of treasury bonds		(4,785,006)	(4,742,120)
Proceeds from sale/(cash paid for the purchase) of fixed deposits		-	10,499,236
Net cash used in investing activities		**(15,307,212)**	**3,964,784**
Financing activities			
Dividends paid:			
	8	(1,218,486)	-
Net cash used in financing activities		(1,218,486)	-
(Decrease)/increase in cash and cash equivalents		**(7,247,175)**	**10,019,843**
Movement in cash and cash equivalents			
At start of year		13,150,706	3,130,863
(Decrease)/increase		(7,247,175)	10,019,843
At end of year	**19**	**5,903,531**	**13,150,706**

The notes on *pages 185 - 214* form an integral part of these financial statements.

Report of the independent auditor on *pages 178 - 180*

Notes to the financial statements

1. Significant Accounting Policies

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

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

a. Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received on the sell of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into consideration when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 - Inventories or value in use in IAS 36 - Impairment of assets.

Going concern

The financial performance of the company is set out in the Director's report and in the statement of profit or loss. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk and capital management are set out in notes 25 and 26 respectively.

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

Effects of COVID-19

Given the continued unpredictability of the impact of the outbreak of COVID-19, management has assessed the impact of the outbreak on the operations of the company and there are no material uncertainties that may cast doubt on the entity's ability to operate as a going concern.

New standards, amendments and interpretations issued but not effective

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

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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

b. Significant accounting judgements, estimates and assumptions

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

Measurement of expected credit losses (ECL):

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

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

Determining criteria for significant increase in credit risk;

Choosing appropriate models and assumptions for the measurement of ECL;

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and

Establishing company's of similar financial assets for the purposes of measuring ECL.

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

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

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

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

Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk:

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

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

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

Useful lives, depreciation methods and residual values of property, plant and equipment, intangible assets and right-of-use assets

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property, plant and equipment and right-of-use assets are disclosed in notes 12 and 13 respectively.

Accounting for leases under IFRS 16

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

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

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

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

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

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of lease liabilities and right-of-use assets are disclosed in notes 11 and 13, respectively.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amounts of property, plant and equipment and right-of-use assets are disclosed in notes 12 and 13, respectively.

Effects of COVID-19

During the year, a highly infectious respiratory disease COVID-19 caused by a new virus called corona virus broke out in China and was announced by the end of December 2019. The rate of spread of this disease has forced various governments and businesses to take serious actions to contain the disease. These actions may have a serious impact on financial statements.Whereas it is difficult to estimate the financial effect attributed to COVID-19 on the company at this stage, there is no major impact on the going concern of the company.

c. Revenue recognition

The company recognizes revenue from distribution of products and provision of services. The company recognizes revenue as and when it satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognized is the amount the company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

Sales from distribution of products

"Sales of distribution of products are recognised upon delivery to, and acceptance by the customer. Having accepted the goods, consumers do not have the right to return them There is no variable element to the contract price, and payment, less any deposit already paid, is typically due within a period as agreed in the contract

Other income

i) Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.

ii) Rental income from operating leases is recognised on a straight -line over the period of the lease

d. Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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

The assets residual values and useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate,

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

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

e. Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Uganda Shillings (the functional currency), at the rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

f. Financial instruments

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

Financial assets

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

The company classifies its financial assets into the following categories:

i) Amortised cost;

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

ii) Fair Value Through Other Comprehensive Income (FVTOCI):

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

iii) Fair Value Through Profit or Loss (FVTPL):

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

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

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

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, the company has transferred substantially all risks and rewards of ownership, or when the company has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Impairment

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

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

Cash and cash equivalents

Trade and other receivables

Other financial assets

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

the credit risk has increased significantly since initial recognition; or

there is observable evidence of impairment (a credit-impaired financial asset).

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

Financial liabilities

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

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Derecognition

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

Offsetting financial instruments

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

g. Inventories

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

h. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks net of bank overdrafts, which are specifically used to fund working capital requirements.

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

i. Share capital

Ordinary shares are classified as equity.

j. Taxation

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

Current tax

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

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale.

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

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

k. Accounting for leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in

The company as lessee

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

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

The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the company's incremental borrowing rate is used.

For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

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

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

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to of the underlying asset is not expected to pass to the company at the end of the lease term, the estimated useful life would not exceed the lease term

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

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

l. Employee entitlements

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

m. Comparatives

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

2. Revenue from contracts with customers

	2021 Shs'000	2020 Shs'000
Recognised at a point in time:		
Roofing Tiles	24,499,903	18,983,521
Half bricks	2,280,876	1,958,235
Maxpans	6,202,373	5,964,419
Ridges	2,464,973	1,689,291
Bricks	596,501	529,750
Other Products	641,531	537,461
Revenue from sale of goods	**36,686,157**	**29,662,677**

3. Other operating income

	2021 Shs'000	2020 Shs'000
Interest income	2,289,296	1,834,915
Rental income	23,175	8,192
Total other operating income	**2,312,471**	**1,843,107**

4. Operating profit

The following items have been charged in arriving at the operating profit:

	2021 Shs'000	2020 Shs'000
Depreciation on property, plant and equipment (Note 14)	3,585,089	3,632,361
Depreciation on right-of-use assets (Note 15)	112,701	92,731
Ammortisation of intangible assets	1,160	-
Directors' emoluments	196,285	241,714
Audit fees		
-current year	57,000	54,000
Repairs and maintenance	2,675,201	2,516,485
Staff costs	12,701,306	8,255,923

5. Staff costs

	2021 Shs'000	2020 Shs'000
Salaries and wages	9,491,970	5,330,995
NSSF company contribution	803,087	576,209
Gratuity and pension costs	649,249	548,187
Leave transport and allowance	192,071	169,281
Staff medical expenses	279,823	235,653
Staff welfare expenses	678,375	504,684
Staff termination pay	236,013	603,709
Staff training costs	46,323	182,480
Wages and allowance costs	324,345	103,881
Staff uniforms	50	844
Total staff costs	**12,701,306**	**8,255,923**

The average number of persons employed during the year, by category, were:

	2021 Shs'000	2020 Shs'000
Production	226	201
Sales and distribution	39	24
Management and administration	86	78
Total	**351**	**303**

6. Tax

	2021 Shs'000	2020 Shs'000
Current tax	2,464,973	1,715,781
Rental tax	6,953	2,458
Deferred tax credit (Note 10)	(923,393)	(665,801)
Tax charge	**1,548,533**	**1,052,438**

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

Profit before tax	7,469,095	5,926,380
Tax calculated at a rate of 30% (2020: 30%)	2,240,729	1,777,913
Tax effect of:		
-expenses not deductible for tax purposes	190,310	113,578
-rent tax	-	2,458
- under/(over)provision in prior year	(299,896)	(258,901)
-adjustment to indexation on revalued assets not recognised	(582,610)	(582,610)
Tax charge	**1,548,533**	**1,052,438**

Tax (payable)/claimable		
At start of year	812,275	451,682
charge for the year	(2,471,926)	(1,718,240)
Tax paid	1,255,844	2,078,833
At end of year	**(403,807)**	**812,275**

7. Dividends

The directors recommend the declaration of a dividend of Shs 1.5 per share for the year(2020: Shs 1.35 per share) amounting to a total of Shs 1,350,000,000 (2020: Shs 1,218,486,000).

Payment of dividend is subject to a withholding tax at the rate of 10% for residents and 15% for companies. Payment of dividends to shares held by a Company resident in Uganda from a local subsidiary or associated company in which it controls (directly or indirectly) 25% or more of the shareholding are exempt from withholding tax.

8. Earnings per share

Basic

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

	2021 Shs'000	2020 Shs'000
Profit attributable to equity holders	5,920,562	4,873,942
Weighted average number of ordinary shares	900,000	900,000
Basic earnings per share	**6.58**	**5.42**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.The company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) attributable equity holders of the company (after adjusting for interest on convertible debt) by the adjusted weighetd average number of ordinary shares in issue during the year.

	2021 Shs'000	2020 Shs'000
Profit attributable to owners of the	5,920,562	4,873,942
Interest expense on convertible debt net of tax	-	-
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	5,920,562	4,873,942
Weighted average number of ordinary shares adjusted for the effect of dilution	900,000	900,000
Diluted earnings/(loss) per share	6.58	5.42

9. Share capital

	2021 Shs'000	2020 Shs'000
Authorised, issued and fully paid:		
900,000,000 (2020: 900,000,000) ordinary shares at Shs 1 each	900,000	900,000
Share premium	**9,766,028**	**9,766,028**

10. Revaluation reserve

	2021 Shs'000	2020 Shs'000
Property, plant and equipment		
At start of year	3,571,186	4,930,609
Transfer of excess depreciation for the year	(1,942,034)	(1,942,034)
Deferred tax on the transfer of excess depreciation	582,610	582,610
At end of year	**2,211,762**	**3,571,186**

11. Borrowings

The borrowings are made up as follows:

	2021 Shs'000	2020 Shs'000
Non current		
Borrowings from related parties (Note 24(iii))	20,600,381	20,592,838

The Loan from National Social Security Fund (NSSF) was obtained on the 27th day of December 2010 for 10 years with a gross period of 2 years from the first disbursement date. The loan amounting to UGX 11,050bn financing working capital i.e. UGX. 950m was for procurement of spare parts in Kajjansi, UGX. 3bn was for the procurement and installation of the kiln extension in Kamonkoli, 1UGX. 60m for payment of creditors reviewed by the parties and approved by the Lender, UGX. 3.3bn for repayment of a bridge finance loan by standard chartered bank and UGX. 3.6bn for retirement of outstanding loan arrears due to Standard Chartered Bank Uganda. An interest rate of 15% was charged on the loan and an arrangement fee of 1% of the loan amount was to be charged. A surcharge of 2% to be charged in case of default.

In July 2015, NSSF caped the interest on the loan and the total outstanding amount due was UGX. 20.6bn

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

	2021 Shs'000	2020 Shs'000
Over 5 years	**20,600,381**	20,592,838

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant.

The carrying amounts of the Company's borrowings are denominated in Uganda shillings.

Maturity based on the repayment structure of non-current borrowings (excluding finance lease liabilities) is as follows:

	2021 Shs'000	2020 Shs'000
Over 5 years	20,600,381	20,592,838

12. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2020:30%). The movement on the deferred tax account is as follows:

	2021 Shs'000	2020 Shs'000
At start of year	5,468,450	6,134,251
Charge to profit or loss	(923,393)	(665,801)
At end of year	4,545,056	5,468,450

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

	At start of year	Charge/(credit) to profit or loss	At end of year
Deferred tax liabilities	**Shs'000**	**Shs'000**	**Shs'000**
Property, plant and equipment			
- accelerated tax depreciation	6,918,029	(136,877)	6,781,152
Revaluation	1,219,293	(582,610)	636,683
Unrealised exchange gain	-	22,782	22,782
	8,137,322	**(696,705)**	**7,440,617**
Deferred tax assets			
Unrealised exchange losses	(4,573)	4,573	-
Provision for impairment of trade recievables	(744,511)	(231,261)	(975,772)
Unpaid interest	(1,919,789)	-	(1,919,789)
	(2,668,872)	**(226,688)**	**(2,895,561)**
Net deferred tax liability	**5,468,450**	**(923,393)**	**4,545,056**

13. Property, plant and equipment

	Land Shs'000	Buildings Shs'000
Year ended 31 December 2021		
Cost		
At start of year	2,405,118	12,343,520
Transfers from/(to)		135,420
Additions	3,832,931	26,442
Disposals	-	-
Write off	-	(75,712)
At end of year	**6,238,049**	**12,429,670**
Depreciation		
At start of year		3,742,291
Reclassification		16,972
Charge for the year	-	281,818
Write off		(21,486)
Disposals	-	-
At end of year	**-**	**4,019,595**
Net book value	**6,238,049**	**8,410,075**
Year ended 31 December 2020		
Cost	**Shs'000**	**Shs'000**
At start of year	2,405,118	12,343,520
Reclassification		-
Additions	-	-
Disposals		
At end of year	**2,405,118**	**12,343,520**
Depreciation		
At start of year	-	3,452,701
Charge for the year	-	289,590
Disposals		
At end of year	**-**	**3,742,291**
Net book value	**-**	**8,601,229**

Plant and machinery Shs'000	Furniture, fittings and computer equipment Shs'000	Motor vehicle Shs'000	Capital work in progress Shs'000	Total Shs'000
64,403,791	2,183,534	3,755,338	1,950,765	87,042,066
271,462	25,469	287,024	(727,795)	-
1,377,975	746,867	823,629	2,259,288	9,067,132
-	(200)	(55,585)	-	(55,785)
(5,977,233)	(630,608)	(1,525,063)	-	(8,208,616)
60,075,995	**2,325,062**	**3,285,343**	**3,482,258**	**87,844,797**
39,988,872	1,374,971	3,233,647	-	48,339,781
(17,175)	(2,453)	2,656	-	-
2,572,598	520,914	209,689	-	3,585,019
(5,923,704)	(617,066)	(1,525,063)	-	(8,087,319)
-	(200)	(55,585)	-	(55,785)
36,620,591	**1,276,166**	**1,865,344**	**-**	**43,781,696**
23,455,404	**1,048,896**	**1,419,999**	**3,482,258**	**44,054,681**
Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
63,188,303	1,543,341	3,688,435	2,402,947	85,571,664
-	546,016		(546,016)	-
1,215,488	154,718	328,292	93,834	1,792,332
	(60,541)	(261,389)	-	(321,930)
64,403,791	**2,183,534**	**3,755,338**	**1,950,765**	**87,042,066**
37,040,588	1,150,465	3,385,597	-	45,029,351
2,948,284	285,047	109,439	-	3,632,360
	(60,541)	(261,389)		(321,930)
39,988,872	**1,374,971**	**3,233,647**	**-**	**48,339,781**
24,414,919	**808,563**	**521,691**	**-**	**38,702,285**

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14. Intangible assets

Year ended 31 December 2021	
Cost	**Shs'000**
At start of year	-
Reclassification from work in progress	8,420
At end of year	**8,420**
Depreciation	
At start of year	-
Charge for the year	1,160
At end of year	**1,160**
At end of year	**7,260**

15. Prepaid Operating Lease

	2021 Shs'000	2020 Shs'000
Cost		
At start of year	1,359,877	1,359,877
Additions	1,455,074	-
At end of year	**2,814,951**	**1,359,877**
Depreciation		
At start of year	533,997	441,267
Charge for the year	112,701	92,730
At end of year	646,698	533,997
At end of year	**2,168,253**	**825,880**

16. Inventories

	2021 Shs'000	2020 Shs'000
Spares and consumables	4,819,304	3,598,672
Work in progress	1,645,066	1,220,149
Finished goods	1,103,213	1,397,460
Goods in transit	390,621	2,524,930
Total inventory	**7,958,204**	**8,741,211**

The cost of inventory recognised as an expense amounted to UGX 2.7bn (2020: UGX 2.6bn) has been included under "Cost of sales" in the profit or loss.

17. Trade and other receivables

	2021 Shs'000	2020 Shs'000
Current		
Trade receivables	4,723,832	3,439,984
Less: expected credit losses	(2,652,572)	(2,481,703)
Net trade receivables	2,071,260	958,281
Prepayments	393,466	396,657
Other receivables	2,334,719	440,675
Total trade and other receivables	**4,799,445**	**1,795,613**

			2021			**2020**
Trade and other receivables	**Gross amount Shs'000**	**ECL allowance Shs'000**	**Carrying amount Shs'000**	**Gross amount Shs'000**	**ECL allowance Shs'000**	**Carrying amount** Shs'000
Trade receivables	4,723,832	(2,652,572)	2,071,260	3,439,984	(2,481,703)	958,281
Prepayments	393,466	-	393,466	396,657	-	396,657
Other receivables	2,334,719	-	2,334,719	440,675	-	440,675
	7,452,017	(2,652,572)	4,799,445	4,277,316	(2,481,703)	1,795,613

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

18. Cash and cash equivalents

	2021 Shs'000	2020 Shs'000
Cash at bank and in hand	**5,903,531**	**2,179,742**

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the below

Cash at bank and in hand	5,903,531	2,179,742
Government securities (Note 19)	-	10,970,964
	5,903,531	**13,150,706**

The carrying amounts of the company's cash and cash equivalents are denominated in the following currencies:

Uganda Shillings	5,697,463	1,974,402
US Dollars	206,068	180,785
Other currencies	-	24,555
	5,903,531	**2,179,742**

19. Investment securities

	2021 Shs'000	2020 Shs'000
Treasury bonds	9,527,126	4,742,120
Treasury bills	-	10,970,964
	9,527,126	**15,713,084**

The maturity analysis for the treasury bills and treasury bonds is summarised below.

Treasury bond **Maturing within 12 years**	**9,752,124**	**4,742,120**
Treasury bills **Maturing within 0- 1 year**	**-**	**10,970,964**

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

20. Staff advances

Staff advances comprise of the following:

	2021 Shs'000	2020 Shs'000
At start of year	86,055	114,005
Advances to staff	320,257	208,922
Receipts from staff	(285,501)	(236,872)
At end of year	**120,810**	**86,055**

Staff advances are unsecured and due within three months from the reporting date.

21. Trade and other payables

	2021 Shs'000	2020 Shs'000
Current		
Trade payables	3,798,787	2,735,939
Advances from customers	2,726,482	3,188,933
Accruals	293,626	115,430
Other payables	1,513,905	800,244
Total trade and other payables	**8,332,800**	**6,840,546**

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

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

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

	0 to 1 month Shs'000	2 to 3 months Shs'000	4 to 12 months Shs'000	Total Shs'000
Year ended 31 December 2021				
Trade payables	1,023,667	1,354,341	1,420,778	3,798,787
Advances from customers	627,091	1,090,593	1,008,798	2,726,482
Accruals	293,626			293,626
Other payables	1,113,756	150	400,000	1,513,906
	3,058,139	**2,445,084**	**2,829,577**	**8,332,800**
Year ended 31 December 2020				
Trade payables	69,736	938,489	1,727,714	2,735,939
Advances from customers	-	1,005,350	2,183,582	3,188,932
Accruals	115,430	-	-	115,430
Other payables	800,244	-	-	800,244
	985,410	**1,943,839**	**3,911,297**	**6,840,546**

22. Retirement benefit obligations

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

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

	2021 Shs'000	2020 Shs'000
At start of year	-	73,775
Contributions for the year	773,780	806,294
Payments for the year	(772,902)	(880,069)
At end of year	**878**	**-**

23. Cash from operations

	2021 Shs'000	2020 Shs'000
Reconciliation of profit before tax to cash used in operations:		
Profit before tax	7,469,095	5,926,380
Adjustments for:		
Depreciation on property, plant and equipment (Note 14)	3,585,019	3,632,361
Amortization of prepaid operating lease rentals	112,701	92,730
Ammortisation on software	1,160	-
Write offs	121,296	-
Restatement of loan	7,543	
Expected credit losses	170,869	(798,518)
Changes in working capital:		
- inventories	783,007	(4,021,531)
- trade and other receivables	(3,174,701)	863,840
- staff loans	(34,755)	27,950
- retirement benefits obligation	878	(73,775)
- trade and other payables	1,492,254	2,484,455
Cash from operations	**10,534,366**	**8,133,892**

24. Related party transactions and balances

The Company is controlled by National Social Security Fund incorporated Uganda, which owns 32.5% of the Company's shares. The remaining 66.5% of the shares are the general public.

	2021 Shs'000	2020 Shs'000
i. Key management compensation (including directors' remuneration)		
Short term employee benefits	803,087	748,456
Termination benefits	236,013	603,708
	1,039,100	**1,352,164**

The Key management personnel include the Managing Director, Head of Internal Audit, Head of Finance, Head of Human Resource and Support Services, Head of Sales and Marketing and Head of Production.

ii. Directors' benefits and other remuneration		
Salaries	196,285	103,935
Other benefits	-	137,779
	196,285	**241,714**
iii. Borrowings from related parties		
At start	20,592,838	20,592,838
Restatement	7,543	-
At end of year	**20,600,381**	**20,592,838**

25. Risk management objectives and policies

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

(a) Market risk

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposure primarily with respect to the US Dollar. The risk arises from future transactions, assets and liabilities in the statement of financial position date.

The table below summarises the effect on post-tax loss and components of equity had the Uganda Shilling weakened by 10% against the US Dollar, with all other variables held. If the Uganda shilling strengthened against each currency, the effect would have been the opposite.

	2021 Shs'000	2020 Shs'000
Effect on loss - increase	158,672	158,112

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

(b) Credit risk

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

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

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

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

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

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

Basis for measurement of loss allowance	Lifetime expected credit losses	
	2021 Shs'000	2020 Shs'000
As at 31 December		
Trade receivables	4,723,832	3,439,984
Other receivables	2,334,719	440,675
Cash at bank	5,903,531	2,179,742
Gross carrying amount	12,962,082	6,060,401
Loss allowance	(2,652,572)	(2,481,703)
Exposure to credit risk	**10,309,510**	**3,578,698**

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

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

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

c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

Basis for measurement of loss allowance	Cash and cash equivalents Shs'000	Trade receivables Shs'000	Total Shs'000
Year ended 31 December 2021			
At start of year	-	(2,481,704)	(2,481,704)
Changes relating to assets	-	(170,869)	(170,869)
At end of year	**-**	**(2,652,573)**	**(2,652,573)**
Year ended 31 December 2020			
At start of year	-	(3,280,222)	(3,280,222)
Changes relating to assets	-	798,518	798,518
At end of year	**-**	**(2,481,704)**	**(2,481,704)**

(c) Liquidity risk

Cash flow forecasting is performed by the finance department of the Company by monitoring the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

The table below discloses the undiscounted maturity profile of the Company's financial liabilities:

	Interest rate %age	Between 1-3months Shs'000	Between 3-12 months Shs'000	More than 5 years Shs'000	Total Shs'000
Year ended 31 December 2021					
Interest bearing liabilities					
-Borrowings	15%	-	-	23,681,764	23,681,764
Non-interest bearing liabilities					
-Trade and other payables		3,058,139	5,274,661	-	8,332,800
Year ended 31 December 2020					
Interest bearing liabilities					
-Borrowings	15%	-	-	23,681,764	23,681,764
Non- Interest bearing liabilities					
-Trade and other payables		985,410	5,855,135	-	6,840,546

26. Capital management

Internally imposed capital requirements

The Company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;

- to comply with the capital requirements set out by the Company's lenders;

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

- to maintain a strong asset base to support the development of business, and
- to maintain an optimal capital structure to reduce the cost of capital.

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

	2021 Shs'000	2020 Shs'000
The gearing ratios at 31 December 2021 and 2020 were as follows:		
Total borrowings (Note 11)	20,600,381	20,592,838
Less cash and cash equivalents (Note 18)	(5,903,531)	(2,179,742)
Net debt	**14,696,850**	**18,413,096**
Total equity	**40,656,388**	**35,954,312**
Gearing ratio	**0.36**	**0.51**

Externally imposed capital requirements

The Company's bankers have established certain guidelines for the management of capital and working capital.

These are dividend pay-outs and any changes in the capital structure of the Company must first be approved in writing by the bankers.

27. Segment information

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

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

The segment results for the year ended 31 December 2021 and 2020 were as follows;

Statement of profit or loss	Kajjansi factory Shs'000	Kamonkoli factory Shs'000	Total Shs'000
31 December 2021			
Revenue from contracts with customers	25,207,463	11,478,694	36,686,157
Cost of sales	(12,229,830)	(7,218,207)	(19,448,037)
Gross profit	**12,977,633**	**4,260,487**	**17,238,120**
Other operating income	1,519,731	792,740	2,312,471
(Increase)/decrease in impairment losses	(109,356)	(61,513)	(170,869)
Selling and distribution expenses	(1,533,426)	(134,050)	(1,667,476)
Administrative expenses	(6,610,834)	(1,928,978)	(8,539,812)
Other operating expenses	(1,426,563)	(276,776)	(1,703,339)
Operating profit	**4,817,185**	**2,651,910**	**7,469,095**
Profit before tax	**4,817,185**	**2,651,910**	**7,469,095**
31 December 2020			
Revenue from contracts with customers	25,596,448	4,066,229	29,662,677
Cost of sales	(11,579,248)	(4,553,499)	(16,132,747)
Gross profit	**14,017,200**	**(487,270)**	**13,529,930**
Other operating income	1,842,867	240	1,843,107
Selling and distribution expenses	(999,555)	(332,564)	(1,332,119)
Administrative expenses	(6,047,825)	(706,548)	(6,754,373)
Other operating expenses	(1,073,895)	(271,027)	(1,344,922)
Operating profit	**7,738,792**	**(1,797,169)**	**5,941,623**
Finance costs	(15,243)	-	(15,243)
Profit before tax	**7,723,549**	**(1,797,169)**	**5,926,380**

Statement of financial position	Kajjansi factory Shs'000	Kamonkoli factory Shs'000	Total Shs'000
31 December 2021			
Equity	(37,443,278)	(3,329,176)	(40,772,455)
Non-current liabilities	(9,404,768)	(16,081,452)	(25,486,220)
Non-current assets	29,574,513	18,202,846	47,777,359
Current assets	25,637,865	4,673,628	30,311,493
Current liabilities	**(8,364,331)**	**(3,465,846)**	**(11,830,177)**
31 December 2020			
Equity	2,973,236	(38,861,615)	(35,888,379)
Non-current liabilities	(34,800,840)	8,728,279	(26,072,561)
Non-current assets	15,532,142	23,996,022	39,528,164
Current assets	23,258,432	6,014,888	29,273,320
Current liabilities	**(6,962,970)**	**122,425**	**(6,840,545)**

28. Presentation currency

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

29. Commitments and contingencies

The company had no contingent liabilities or capital commitments as at 31 December 2021.

30. Events after the reporting period

There were no events adjusting or non-adjustable which would require a disclosure in the financial statements.

Schedule of manufacturing accounts

For the year ended 31 December 2021

	2021 Shs'000	2020 Shs'000
COST OF SALES		
Opening stock of finished goods and work-in-progress	2,617,609	1,192,206
Purchases	4,546,006	3,934,032
Production costs (1.1)	15,032,701	13,624,118
Closing stock of finished goods and work-in-progress	(2,748,279)	(2,617,609)
Total cost of sales	**19,448,037**	**16,132,747**
Production costs		
Utilities	1,827,447	1,677,637
Repairs and maintenance	2,516,144	2,377,635
Transportation expenses	782,230	997,699
Loading and offloading costs	213,430	2,024,631
Sales outlet expenses	30,051	78,975
Salaries and wages	5,735,088	2,670,011
NSSF company contribution	389,463	276,069
Staff pension and gratuity	337,491	271,505
Staff welfare	133,267	18,749
Insurance	201,729	282,923
Professional fees	8,615	-
Bonus	285,148	-
Depreciation of property, plant and equipment	2,572,598	2,948,284
Total production costs	**15,032,701**	**13,624,118**

Schedule of expenditures

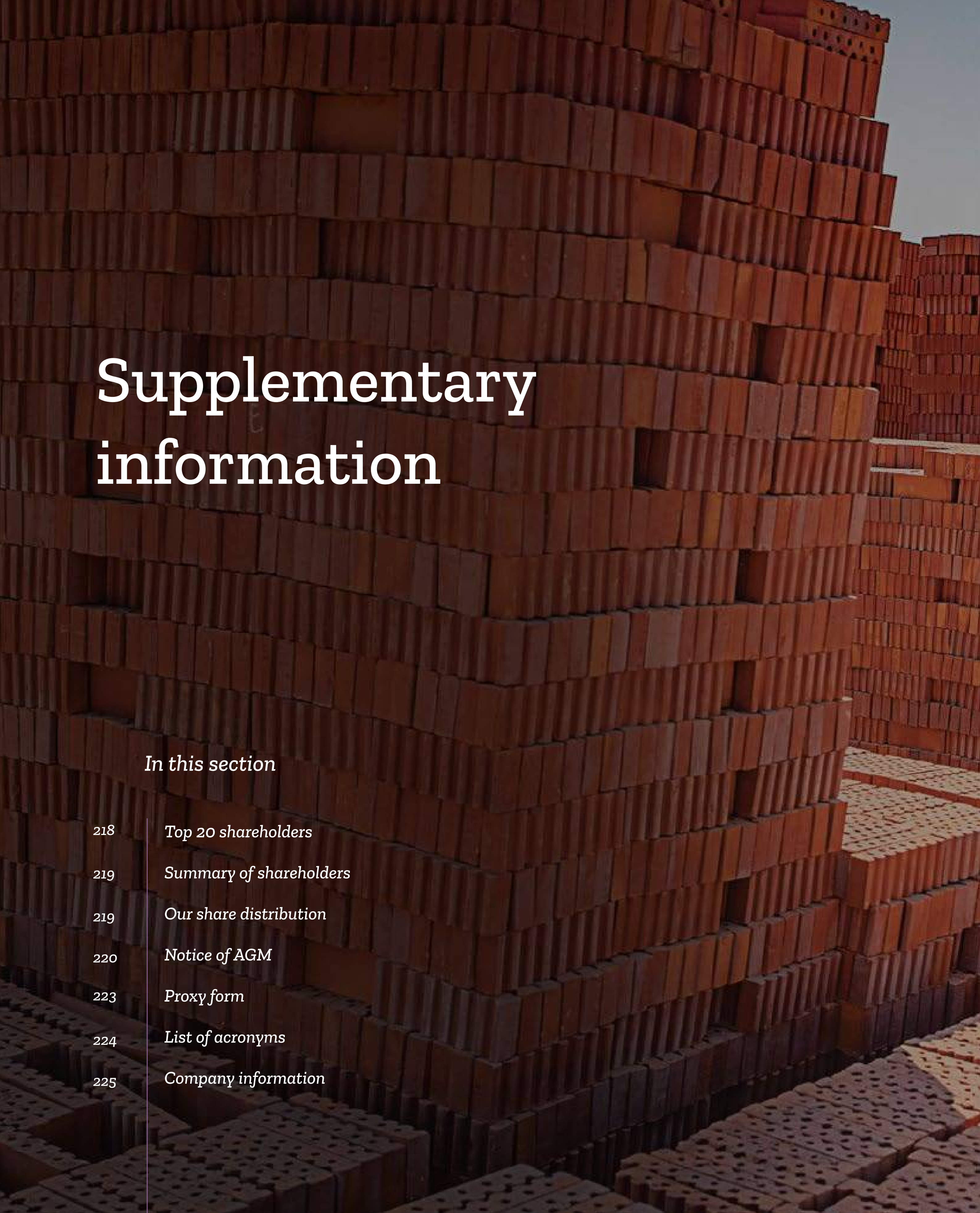
For the year ended 31 December 2021

	2021 Shs'000	2020 Shs'000
SELLING AND DISTRIBUTION EXPENSES		
Business promotion expenses	148,211	128,566
Donations	-	12,430
Bonus costs	314,952	174,395
Repairs and maintenance	138,334	141,007
Public relations and entertainment expenses	2,731	2,541
Sports and recreation costs	2,999	-
Transport expenses	729,492	559,477
Commission expense	233,570	291,097
Subscriptions expenses	23,799	21,430
Research and development	73,388	1,176
Total selling and distribution expenses	**1,667,476**	**1,332,119**
ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	3,756,882	2,660,984
NSSF company contribution	413,624	300,140
Gratuity and pension costs	311,758	276,682
Leave transport and allowance	192,071	169,281
Staff medical expenses	279,823	235,653
Staff welfare expenses	545,108	485,935
Staff termination pay	236,013	603,709
Staff training costs	46,323	182,480
Wages and allowance costs	324,345	103,881
Staff uniforms	50	844
Total employment costs	**6,105,997**	**5,019,589**

Schedule of expenditures (continued)

For the year ended 31 December 2021

	2021 Shs'000	2020 Shs'000
Other administrative expenses		
Directors' remuneration	196,285	241,714
Annual general meeting expenses	111,533	88,725
Audit fees		
-	57,000	54,000
Legal and professional fees	276,601	322,410
Consultancy fees	511,229	729,406
Travel expenses	181,964	164,369
Printing and stationery expenses	43,899	79,213
Other expenses	118,148	273,767
Bank charges	109,618	52,981
Telephone and communication costs	257,190	189,832
Write offs	121,296	336,885
Fuel	59,854	-
Unrealised exchange loss	(75,940)	15,243
Realised forex loss	75,418	-
Withholding tax expense	389,720	-
Total other administrative expenses	**2,433,815**	**2,548,545**
Total administrative expenses	**8,539,812**	**7,568,134**
OTHER OPERATING EXPENSES	**Shs'000**	**Shs'000**
Establishment		
Rent and rates	49,682	92,085
Repairs and maintenance	159,057	138,850
Insurance	155,216	51,530
Software licence expenses	66,037	100,767
Security expenses	146,995	184,882
Depreciation on right-of-use assets	112,701	92,731
Depreciation on property, plant and equipment	1,012,491	684,077
Ammortisation on software	1,160	-
Total other operating expenses	**1,703,339**	**1,344,922**



Supplementary information

In this section

Top 20 shareholders

As at 31 December 2021

Investor Name	Postal Address	Shares Held
NATIONAL SOCIAL SECURITY FUNDS	P.O BOX 7140, KAMPALA 256 KAMPALA	292,640,000
NATIONAL INSURANCE CORPORATION LTD	P.O. BOX 7134 KAMPALA KAMPALA	160,783,091
TIMOTHY SABIITI MUTEBILE	P.O. BOX 9193 KAMPALA KAMPALA	32,475,436
JONES MUHUMUZA	P.O BOX 7140 KAMPALA 256 KAMPALA	21,779,409
MOSES SANYE	UGANDA CLAYS LIMITED (KAMONKOL KAJJANSI - KAMPALA	21,092,604
SIMON MWEBAZE	P.O. BOX 23384 KAMPALA	21,057,217
JOSEPH TUKURATIIRE	P.O. BOX 12822 KAMPALA KAMPALA	15,215,983
OCAYA BRUNO RONNIE MAX & OCAYA BERNADETTE M &	P.O BOX 7062 KAMPALA MAKERERE UNIVERSITY KAMPALA	13,134,374
UGANDA COMM EMPLOYEES CONTRB SCHEME-SIMS	C/O STANDARD CHARTERED BANK UG P.O. BOX 7111	12,857,767
UGANDA DEVELOPMENT BANK LIMITED	P.O. BOX 7210 KAMPALA	10,147,335
ROOFINGS LIMITED	P.O BOX 7169 KAMPALA KAMPALA	8,929,300
BANK OF UGANDA DEFINED BENEFITS SCHEME-GENEAFRICA	C/O STANDARD CHARTERED BANK P.O. BOX 7111 KAMPALA	7,965,957
RICHARD MUGABYOMU	P.O. BOX 3188 KAMPALA UGANDA CLAYS LTD NSAMBYA	7,525,189
KETRAH TUKURATIIRE	P.O. BOX 12822 KAMPALA	7,283,741
SCBK-KENYA AIRWAYS LIMITED STAFF PROVIDENT FUND (B	PLOT 5 SPEKE ROAD KAMPALA P.O BOX 7111 256 KAMPALA	7,102,000
TUMWEBAZE BYARUHANGA REUBEN	UGANDA CLAYS KAMPALA	6,587,864
AMANDA AYEBARE	P.O. BOX 12822 KAMPALA	6,226,225
ALIAKAI PATRICE TADRIA AND ALIAKAI GRACE NAMULINDA &	NAALYA ESTATE, WAKISO 256 KAMPALA	6,000,000
ALLAN RWAKABWEKYE	P.O. BOX 12822 KAMPALA	5,636,300
BRITISH-AMERICAN INSURANCE CO (K) LTD	P.O BOX 30375-00100 NAIROBI	5,500,000
Other share holders		230,060,208
Total		**900,000,000**

Summary of shareholders

As at 31 December 2021

Nationality	Category	No. of members	No. of shares	Percent holding
East African				
	Corporate	75	525,433,090	58.38%
	Individual	2,741	356,589,035	39.62%
		2,816	**882,022,125**	**98.00%**
Foreign				
	Corporate	2	1,429,857	0.16%
	Individual	112	16,548,018	1.84%
		114	**17,977,875**	**2.00%**
Grand Totals:		**2,930**	**900,000,000**	**100.00%**

*Prepared by Deloitte (Uganda) Limited

Our share distribution

As at 31 December 2021

Range ID	Description	No. of investors	No. of shares held	Percent holding
1	Less than 500 Shares	129	33,757	0.00%
2	Between 501 and 1,000 Shares	141	116,338	0.01%
3	Between 1,001 and 5,000 Shares	622	1,658,447	0.18%
4	Between 5,001 and 10,000 Shares	538	4,542,747	0.50%
5	Between 10,001 and 50,000 Shares	852	21,761,825	2.42%
6	Between 50,001 and 100,000 Shares	250	19,089,450	2.12%
7	Above 100,001 Shares	398	852,797,436	94.76%
		2,930	900,000,000	100.00%

Prepared by Deloitte (Uganda) Limited

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 2021 will be convened and held by electronic means on Wednesday 29 June 2022 at 2:30 pm

AGENDA

Ordinary business

1. To receive and confirm the minutes of the meeting held on 30 June 2021.
2. To receive, consider and approve the Directors' report and audited financial statements for the year ended 31 December 2021, together with the report of the auditors.
3. To consider, approve and declare a final dividend of UGX 1.5 per share for the year ended 31 December 2021.
4. To rotate and elect Directors in accordance with the Articles of Association of the Company and determine their remuneration. The Directors to retire but are eligible for re-election and have expressed willingness to continue in office are: (1) Eng. Martin S Kasekende, (2) Dr. Tom Mutyabule and (3) Mr. Henry Ngabirano.
5. To consider, and if deemed fit, appoint PKF Uganda as external auditors of the Company for the year ending 31 December 2022 and authorize the Directors to fix their remuneration.

Any other business

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

Lex Uganda Advocates & Solicitors

Company Secretary

Notes:

1. AGM documents

The following documents will be published and accessible on the Company's website www.ugandaclays.co.ug at least 14 days before the AGM:

i. Notice of the AGM

ii. Minutes of the AGM held on 8 October 2020

iii. The Annual Report

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

v. Proxy form

2. Hybrid AGM

The AGM will be hybrid, as provided for in the Company's Articles of Association. The Company has put in place an execution plan for the hybrid Annual General Meeting. All shareholders will attend the AGM virtually.

3. Registration for the AGM

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

i. Dial the USSD code *284*32# from a mobile telephone on any Ugandan mobile network or *483*810# for Kenyan mobile networks and follow the various prompts in the registration process.

ii. Shareholders who reside outside Uganda may send an email request to ugandaclays@image.co.ke and provide their name, ID/Passport number/ SCD number to be registered. Once registered they will receive a notification.

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

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

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

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

4. Attendance of and participation in the AGM

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

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

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

5. Proxies

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

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

6. Updating of shareholder details

Shareholders are urged to contact the Share Registrar, to update their contact details for ease of communication and receipt of dividends. The contacts of the Share Registrar are: SCD Registrars, UAP Nakawa Business Park, Plot 3-5, New Port Bell Road, Block A, 4th Floor, P. O. Box 23552, Kampala. Tel: +256-312-370-815/7/8; email: registry@use.or.ug.

7. Unclaimed dividends

Shareholders who have not received past dividends should send an email to registry@use.or.ug or call+256-312-370-815/7/8. Shareholders will be required to provide valid identification such as a copy of the national identity card, passport or driver's license.

8. Securities Central Depository (SCD) accounts

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

PROXY FORM

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

Annual General Meeting Of Uganda Clays Limited

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

Signed: ....

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

Notes:

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

List of acronyms

ACCA	Association of Chartered Certified Accountants
AGM	Annual General Meeting
BA.	Bachelor of Arts
BARC	Board Audit and Risk Committee
BATEC	Board Administration and Technical Committee
BFC	Board Financial Committee
BA.	Bachelor of Arts
bn	Billion
BSc.	Bachelor of Sciences
BOU.	Bank Of Uganda
Cap Ex	Capital Expenditure
CCM	Continuous Control Management
COx	Carbon Oxide
CPA	Certified Public Accountants
CRM	Customer Relations Management
CSR	Corporate Social Responsibility
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EFRIS	Electronic Fiscal Receipting and Invoicing System
EFU	Energy, Fuel and Utilities
EIA	Environmental Impact Assessment
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ExCo	Executive Committee
FCCA	Fellow of the Chartered Certified Accountants
Fig.	Figure
Fx	Foreign Exchange
FY	Financial Year
GHG	Green House Gases
GJ	Giga Joules
GJ/t	Giga Joules per tonne
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICPAU	Institute of Certified Public Accountants of Uganda
ISSA	International Social Security Association
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IT	Information Technology
k	Thousand
KPI	Key Performance Indicator
kWh	Kilo Watt Hour
kWh/t	Kilo Watt Hour per tonne
l/t	Litres per tonne
LTIFR	Lost Time Injury Frequency Rate
m	Million
m^3	Cubic Metres
MBA	Masters Degree in Business Administration
MD	Managing Director
MSc.	Masters Degree in Science
NEMA	National Environmental Management Authority
NIC	National Insurance Corporation
No.	Number
NOx	Nitrogen Oxide
NSSF	National Social Security Fund
NWSC	National Water and Sewerage Corporation
OSH	Occupational Health & Safety
PGD	Post Graduate Diploma
PPE	Personal Protective Equipment
PPDA	Public Procurement and Disposal of Public Assets Authority
Q&A	Question and Answer
RAF	Risk Appetite Framework
RMPP	Risk Management Policy and Procedures
SDG	Sustainable Development Goals
SOx	Sulphur Oxides
TCO_2e	Tonnes of Carbon dioxide equivalent
TCO_2e/t	Tonnes of Carbon dioxide equivalent operational
tn	Trillion
UCL	Uganda Clays Limited
URA	Uganda Revenue Authority
USE	Uganda Securities Exchange
UNSDG.	United Nations Sustainability Development Goals
UGX	Uganda Shilling
VAT	Value Added Tax
WHT	Withholding Tax
Y/Y.	Year on Year

Company information

Board of Directors

Eng. Martin Kasekende
Chairman

Mr.Richard Byarugaba
Member

Mr.Bayo Folayan
Member

Mrs. Marion Adengo Muyobo
Member

Mr.Joseph Tukuratiire
Member

Mrs. Florence Namatta Mawejje
Member

Mrs. Peninah Tukamwesiga
Member

Mr.Henry Ngabirano
Member

Dr Tom Mutyabule
Member

Mr. Reuben Tumwebaze
Managing Director

Registered Office

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

Independent Auditor

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

Company Secretary/ Legal Advisor

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

Company Registrar

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

Principal Bankers

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

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

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

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

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

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

KCB Bank South Sudan Limited,
Buluk Plaza,
P.O.Box 47
Juba, South Sudan

Uganda Clays Ltd

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