UGANDA CLAYS LIMITED

ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2024

CONTENTS

BOARD OF DIRECTORS	:	Eng. Martin Kasekende	Chairman
	:	Milton Steven Owor (term started 30th June 2024)	Member
	:	Mr. Bayo Folayan	Member
	:	Mrs. Marion Adengo Muyobo	Member
	:	Mr. Joseph Tukuratiire	Member
	:	Walter Odongo Ogwal (term started 30th June 2024)	Member
	:	Mrs. Peninnah 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 : Ernst & Young
: Certified Public Accountants of Uganda
: Ernst & Young House
Plot 18, Clement Hill Road
Shimoni Office Village
P. O. Box 7215,Kampala
: Kampala, Uganda

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

COMPANY REGISTRAR : SCDD Registrars
: Block A, 4th Floor
: UAP Nakawa Business Park
: Plot 3-5 New Port Bell Road
P. O. Box 7111
: Kampala, Uganda

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

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

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

PRINCIPAL BANKERS (Continued)

: 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

: Absa Bank (U) Limited
: Plot 2/4 Hannington Road
: P. O. Box 7101
: Kampala, Uganda

The directors submit their report and the audited financial statements for the year ended 31 December 2024 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	**2024**	**2023**
	Shs'000	**Shs'000**
Loss before tax	(5,973,198)	(4,341,239)
Income tax credit	1,023,160	1,489,989
Loss for the year	**(4,950,038)**	**(2,851,250)**

During the year 2024, the total turnover of the Company improved slightly from Shs 30.4 billion to Shs 31.6 billion. This was mainly attributed to improved machinery availability during the period, which increased product supply and in turn, boosted revenues. The Company incurred a loss before tax of Shs 6 billion, an increase from the loss before tax of Shs 4.3 billion in 2023 reflecting the improvements in the production volumes and improved revenues; however the direct and indirect costs still remain high. The Company has continued investing in critical spare parts during the period; successfully paid for the capacity expansion plant from Italy; and shipped 70% of the entire plant to Uganda. This will increase the efficiency levels resulting from higher volumes and better quality of products.

As at 31 December 2024, the net asset position of the Company decreased to Shs 38.3 billion compared to Shs 43.2 billion as at 31 December 2023 which is a result of the loss obtained for the year.

Key performance indicators	**2024**	**2023**
	Shs'000	**Shs'000**
Turnover	31,601,824	30,449,841
Gross profit	8,282,758	8,684,383
Gross profit margin	26%	29%
Loss for the year	(4,950,038)	(2,851,250)
Net loss margin	(16) %	(9) %
Net assets	38,286,580	43,236,618
Loss on capital employed	(13) %	(7) %

PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging, and this has a resultant effect on overall demand of the Company's products. The Company's strategic focus is to enhance sales growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions. In addition to the business risks, the Company's activities expose it to a number of financial risks which are described in detail in Note 32 to the financial statements.

SHARE CAPITAL

The authorised, issued and paid-up share capital is Shs 900,000,000 (2024: Shs 900,000,000) representing 900,000,000 (2023: 900,000,000) ordinary shares of Shs 1 each.

DIVIDEND

The directors don't recommend the declaration of a dividend for the year. (2023: Nil)

DIRECTORS

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

Eng. Martin Kasekende	Chairman
Milton Steven Owor (term started 30th June 2024)	Member
Mr. Bayo Folayan	Member
Mrs. Marion Adengo Muyobo	Member
Mr. Joseph Tukuratiire	Member
Walter Odongo Ogwal (term started 30th June 2024)	Member
Mrs. Peninnah Tukamwesiga	Member
Mr. Henry Ngabirano	Member
Dr. Tom Mutyabule	Member
Mr. Reuben Tumwebaze	Managing Director

INDEPENDENT AUDITOR

The Company's auditor, Ernst & Young, has indicated willingness to continue in office in accordance with section 167(2) of the Companies Act Cap. 106, of Uganda.

BY ORDER OF THE BOARD

....
COMPANY SECRETARY

27/3/2025

The Companies Act Cap. 106, of Uganda of Uganda requires the directors of the Company to prepare financial statements for each financial year, which give a true and fair view of the state of financial affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the Company keeps proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Tax Procedures Code Act Cap. 343 of Uganda requires a taxpayer with an annual turnover of Ugandan Shillings 500 million to furnish, with the taxpayer's return of income, audited financial statements prepared by an accountant registered by the Institute of Certified Public Accountants of Uganda (ICPAU). The financial statements are prepared by the Company's accountant with the oversight of the directors.

The directors are ultimately responsible for the internal control of the Company. The directors delegate the responsibility for the internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Company's assets. Appropriate accounting policies supported by reasonable and prudent judgements and estimates, are applied on a consistent basis and using the going concern basis. These systems and controls include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap. 106, of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The directors further accept the responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

Preparation and approval of the financial statements

The accountant who prepared these financial statements is CPA Jones Muhumuza– FM1681.

....
Accountant

The financial statements were approved by the Board of Directors on 27 MARCH 2025 and signed on its behalf by:

....
DIRECTOR

....
DIRECTOR

Ernst & Young
Certified Public Accountants
Ernst & Young House
Plot 18, Clement Hill Road
Shimoni Office Village,
P.O. Box 7215
Kampala, Uganda

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www.ey.com

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Uganda Clays Limited set out on pages 11 to 53, which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Uganda Clays Limited as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act Cap. 106, of Uganda.

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 of Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements of the Company and in Uganda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of financial statements of the Company and in Uganda. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Inventory valuation and existence	
As at 31 December 2024, the Company held inventories of Ushs 7,492 million (2023: Ushs 5,644 million) as described in Note 19 to the financial statements. Inventory mainly consists of raw materials i.e clay, semi-finished products or work in progress, and finished goods which are the packaged items that are ready for sale. As described in note 3(g) of the financial statements, inventories are carried at the lower of cost and net realisable value. IAS 2 Inventories guides on the nature of costs that can be included as part of the valuation of the inventory especially for inventory produced by the holding entity. Management applies judgement in determination of costs that are necessary to bring the inventories to their present location and condition including direct materials and labour costs as well as indirect costs or production overheads. While using the absorption costing methodology, management has also applied assumptions in allocation of direct and indirect manufacturing costs as well as overheads to the units of production. Due to the significance of the amounts, multiple locations where inventory is held and significant judgements and related assumptions involved the valuation of inventory, the existence and valuation of inventory has been considered a key audit matter.	Our audit procedures included but were not limited to: • Obtained an understanding of the inventory valuation process including the production process, recognition of work in progress and related items. • At 31 December 2024, we attended the year end counts for inventory and witnessed the reconciliation of the counted amounts to the accounting records. We agreed the final and reconciled amounts to the amounts included in the financial statements. During these counts, we also focused on identifying any inventory items that are potentially obsolete or slow-moving and evaluated whether these were appropriately valued. • We evaluated the assumptions and judgements made by management regarding the valuation of inventory, including absorption rates and cost considerations. We assessed the reasonableness and consistency of these assumptions and judgments in relation to industry standards and company policy. • We assessed the accuracy and appropriateness of the absorption rates used for allocating overhead costs to inventory. In performing this procedure, we evaluated the reliability of data sources including inspection of support documentation where applicable for the data used in the cost determination and allocation calculations. We checked for the consistency of application of methodology across the different products and production lines. • We assessed the manual adjustments made in relation to inventory valuation in line with the requirements of IFRS Accounting Standards and company policy. We also evaluated management's process for recording of manual journal entries in relation to inventory valuation. • We assessed the adequacy of the disclosures in accordance with IFRS Accounting Standards.

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other information

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act Cap. 106, of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Companies Act Cap. 106, of Uganda 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 on the audit resulting in this independent auditor's report is CPA Freda Kaheru Agaba - P0531.

Ernst & Young
....
Ernst & Young
Certified Public Accountants of Uganda
Kampala, Uganda

....
CPA Freda Kaheru Agaba
Partner

28 March
........................**2025**

	Note	2024 Shs'000	2023 Shs'000
Revenue from contracts with customers	4.1	31,601,824	30,449,841
Cost of sales	5	(23,319,066)	(21,765,458)
Gross profit		**8,282,758**	**8,684,383**
Other operating income	6	298,088	1,003,087
Selling and distribution expenses	7	(235,426)	(294,307)
Administrative expenses	8	(10,736,864)	(11,416,990)
Increase in impairment of financial assets	10	(374,201)	(491,574)
Operating loss		**(2,765,645)**	**(2,515,401)**
Finance costs	11	(3,207,553)	(1,825,838)
Loss before tax	12	**(5,973,198)**	**(4,341,239)**
Income tax credit	13	1,023,160	1,489,989
Loss for the year		**(4,950,038)**	**(2,851,250)**
Other comprehensive income:			
Total comprehensive loss for the year, net of tax		**(4,950,038)**	**(2,851,250)**
Loss per share			
Basic and diluted loss per share	14	(5.50)	(3.17)

UGANDA CLAYS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	2024 Shs'000	2023 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	57,818,516	53,304,643
Intangible assets	16	2,679	6,790
Investment securities: non-current	17	927,828	2,000,021
Right-of-use asset	18	1,841,285	2,334,253
		60,590,308	**57,645,707**
Current assets			
Inventories	19	7,491,613	5,644,537
Trade and other receivables	20	7,328,447	12,130,328
Investment securities: current	17	36,334	135,703
Staff advances	21	96,258	123,483
Current tax recoverable	13	505,809	408,415
Cash and bank balances	22	332,467	753,329
		15,790,928	**19,195,795**
TOTAL ASSETS		**76,381,236**	**76,841,502**
EQUITY			
Share capital	23	900,000	900,000
Share premium	23	9,766,028	9,766,028
Other components of equity	24	4,789,730	4,789,730
Retained earnings		22,830,822	27,780,860
		38,286,580	**43,236,618**
LIABILITIES			
Non-current liabilities			
Loan from related party: non-current	24	17,179,652	17,421,361
Deferred tax liability	25	1,855,687	2,885,762
Lease liabilities: non-current	26	36,826	71,649
		19,072,165	**20,378,772**
Current liabilities			
Loan from related party: current	24	2,952,909	-
Trade and other payables	27	10,213,554	6,686,534
Contract liabilities	4.2	2,930,167	3,673,039
Provident fund payable	28	2,793,773	1,752,147
Bank overdraft	22	-	503,523
Borrowed funds	29	66,660	533,520
Lease liabilities: current	26	65,428	77,349
		19,022,491	**13,226,112**
Total liabilities		**38,094,656**	**33,604,884**
TOTAL EQUITY AND LIABILITIES		**76,381,236**	**76,841,502**

The financial statements were approved and authorised for issue by the Board of Directors on ..27 MARCH.........2025 and were signed on its behalf by:

.... DIRECTOR

.... DIRECTOR

UGANDA CLAYS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

Year ended 31 December 2024	**Note**	**Ordinary share capital Shs'000**	**Share premium Shs'000**	**Other components of equity Shs'000**	**Revaluation reserve Shs'000**	**Retained earnings Shs'000**	**Proposed dividend Shs'000**	**Total Shs'000**
At start of year		900,000	9,766,028	4,789,730	-	27,780,860	-	43,236,618
Total comprehensive loss for the year		-	-	-	-	(4,950,038)	-	(4,950,038)
At end of year		**900,000**	**9,766,028**	**4,789,730**	**-**	**22,830,822**	**-**	**38,286,580**
				-				
Year ended 31 December 2023				-				
				-				
At start of year		900,000	9,766,028	-	852,338	29,779,772	450,000	41,748,138
Transfer of excess depreciation		-	-	-	(852,338)	852,338	-	-
Impact of recognition of new NSSF loan after modification	24	-	-	4,789,730	-	-	-	4,789,730
Dividends paid	23	-	-	-	-	-	(450,000)	(450,000)
Total comprehensive loss for the year		-	-	-	-	(2,851,250)	-	(2,851,250)
At end of year		**900,000**	**9,766,028**	**4,789,730**	**-**	**27,780,860**	**-**	**43,236,618**

Other components of equity relate to the net effect of derecognition of the old NSSF loan and recognition of the new NSSF loan after modification in the loan terms in May 2024. Refer to note 24 for details.

UGANDA CLAYS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 Shs'000	2023 Shs'000
Cash from operations	30	8,175,810	1,633,926
Interest paid on lease liabilities	26	(10,573)	(8,053)
Tax paid	13	(74,848)	(202,206)
Net cash generated from operating activities		**8,090,389**	**1,423,667**
Investing activities			
Cash paid to purchase of Property, plant and equipment, intangible assets and Right of Use asset	15,16,18	(8,731,446)	(7,792,215)
Proceeds from disposal of Property, plant and equipment		-	47,141
Maturities of investment securities	17	1,105,695	4,457,120
Interest received on investment securities	17	265,145	778,144
Net cash used in investing activities		**(7,360,606)**	**(2,509,810)**
Financing activities			
Dividends paid to ordinary shareholders	23	-	(450,000)
Proceeds from borrowed funds	29	1,400,000	1,000,000
Repayment of borrowed funds	29	(1,992,713)	(555,807)
Payment of principal portion of lease liabilities	26	(56,020)	(19,283)
Net cash used in financing activities		**(648,733)**	**(25,090)**
Increase/(decrease) in cash and cash equivalents		81,051	(1,111,233)
Net ECLs and foreign exchange differences on bank balances		1,611	(9,469)
Cash and cash equivalent at start of year		249,806	1,370,508
At end of year	**22**	**332,467**	**249,806**

1. GENERAL INFORMATION

Uganda Clays Limited (the "Company'') is incorporated in Uganda under the Companies Act Cap. 106, of Uganda as a limited liability company and is domiciled in Uganda. The Company's shares are listed on the Uganda Securities Exchange (USE) since 18 January 2000. The address of its registered office is: 14 Km Entebbe Road, Kajjansi, P. O. Box 3188, Kampala, Uganda.

The financial statements for the year ended 31 December 2024 were authorised for issue in accordance with the resolution of the Board of Directors on 27 March 2025.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act Cap. 106, of Uganda.

The financial statements have been prepared on a historical cost basis, except otherwise stated. The financial statements are presented in Uganda Shillings (Shs) and all values are rounded to the nearest thousand (Shs'000), except where otherwise indicated.

For purposes of reporting under the Companies Act Cap. 106, of Uganda, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

(b) Going concern

As of 31 December 2024, the Company reported a loss of Ushs 4.95 billion for the year (2023: Ushs 2.85 billion), and its current liabilities exceeded current assets by Ushs 3.2 billion (2023: current assets exceeded current liabilities). The directors have conducted a going concern assessment and are confident that the Company will continue as a going concern for the foreseeable future. This confidence is based on the following:

i. The net current liability position is primarily caused by the current portion of the NSSF loan of Ushs 2.95 billion and Ushs 2.93 billion relating to contract liabilities. These liabilities have been assessed not to require cash outflows in the foreseeable future.
   - For the NSSF loan, the Company signed a variation to the loan restructuring agreement on 28 February 2025 which gives a moratorium period of three years from 2 January 2025 to 1 January 2028 and as such the amounts currently reported as current liabilit-ies will be classified as non-current in 2025.
   - For the contract liabilities, the amounts relate to advance payments made by customers for products yet to be delivered. The deliveries are expected to be made in 2025 and therefore the amounts will ultimately be recognised as revenue rather than cash outflows.

ii. The Company has also secured a Ushs 6 billion loan with a term of three years to facilitate the Company's investment in plant and machinery and support working capital needs. The facility was signed 10 February 2025 and drawdowns commenced in February 2025.

iii. The directors are implementing strategic initiatives focused on increasing sales through enhanced production capacity. The initiatives include installation of new plant and machinery as well as expansion of the Company's drying capacity.

iv. The directors are also reviewing the Company's cost structure to enhance the operating efficiency with a focus on production line costs, supplier negotiations and alternative fuel sources.

As a result, the directors believe that these actions provide a reasonable basis for the assumption that the Company will continue as a going concern, and this assumption is appropriate in the preparation of these financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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.

(a) Changes in Material accounting policy information

The financial statements have been prepared in compliance with the standards and interpretations applicable for financial periods commencing on or after 1 January 2024.

New and amended standards and interpretations that were effective during the reporting period

The new and amended standards which are effective for annual periods beginning on or after 1 January 2024 had no impact on the Company's financial statements. These are listed below;

- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

New and revised International Financial Reporting Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards issued but not yet effective that are expected to have a material impact on the Company's financial statements

IFRS 18 – Presentation and Disclosure in Financial Statements (Effective for annual periods on or after 1 January 2027)

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

IFRS 18, and the consequential amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and must be applied retrospectively. Early adoption is permitted and must be disclosed.

The directors are still making assessments of the impact of the systems to the Company's financial reporting process and systems and intend to adopt the requirements when they become effective.

Standards issued but not yet effective that are not expected to have a material impact on the Company's financial statements

- Lack of exchangeability – Amendments to IAS 21 (Effective for annual periods on or after 1 January 2025)
- Classification and Measurement of Financial instruments- Amendments to IFRS 9 and IFRS 7(Effective for annual periods on or after 1 January 2026)
- Annual Improvements to IFRS Accounting Standards—Volume 11 (Effective for annual periods on or after 1 January 2026)
- Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7 (Effective for annual periods on or after 1 January 2026)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(a) Changes in Material accounting policy information (Continued)

Standards issued but not yet effective that are not expected to have a material impact on the Company's financial statements (Continued)

- IFRS 19 - Subsidiaries without Public Accountability: Disclosures Effective for annual periods on or after 1 January 2027)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting)

(b) Revenue from contracts with customers

The company recognizes revenue from distribution of clay products. The company recognizes revenue as and when it satisfies a performance obligation by transferring control of a product 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. The Company has generally concluded that it is the principal in its revenue arrangements.

i) Sales from distribution of products

Sales from distribution of products are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods, 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. The normal credit term is 30 to 90 days upon delivery.

Variable consideration
If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. As at year end, the Company did not have any contracts with a variable consideration.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The company did not have contract assets during the year.

Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 3(f).

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Revenue from contracts with customers (continued)

ii) Other operating income

The other income comprises of the following:

- Interest income is recognised in profit or loss for all interest-bearing instruments at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability

- Rental income from operating leases, which is recognised on a straight-line over the period of the lease.

(c) 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.

Freehold land and capital work in progress are not depreciated.

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 detailed below;

	Years
Buildings	50
Plant and machinery	5 - 30
Furniture, fittings and computer equipment	3 - 5
Motor Vehicles	4 - 10

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Clay reserves

The Company consistently engages in the acquisition of clay reserves, a pivotal aspect of its operational strategy. The avenues for acquiring clay involve either purchasing a quarry outright or procuring the clay directly from suppliers.

The acquisition of clay quarries creates a reserve and land, depending on the contractual terms. When the contract designates the acquisition as a purchase of a lease over the quarry or when the contract characterises the acquisition as a right of excavation, the entire cost is recorded as a clay reserve.

The total cost encompasses several integral components essential for acquiring and preparing the quarry for its intended use. These include the purchase price, legal and professional fees, survey and exploration costs, land preparation expenses, environmental remediation costs, financing costs, and license fees.

A certified and experienced geologist is engaged to conduct a thorough assessment, estimating both the quantity and type of clay present in the quarry. The quantities derived from this evaluation serve as the basis for calculating the cost per tonne. This calculation involves dividing the total cost of the clay reserve by the determined quantity of clay, providing a precise metric for cost evaluation.

Subsequently, the clay reserves undergo a reduction based on the quantity excavated and utilized in the clay bank for the production process. This reduction is a direct reflection of the physical extraction and utilization of clay from the acquired reserves.

This depreciation, in this context, captures the gradual depletion of the clay reserves over time, considering factors such as technological advancements, changes in extraction methods, and market conditions that influence the quarry's longevity.

Depreciation of the clay reserves is calculated using the units of production method, net of residual values, over the estimated useful lives of the reserve. Under this method, capitalised costs associated with a cost centre are incurred to find and develop the commercially producible reserves in that cost centre, so that each unit produced from the centre is assigned an equal amount of cost.

Following the completion of clay extraction, the land is revalued to determine its updated value. This revaluation reflects the changes in the land's worth resulting from the removal of clay and alterations to the landscape.

The company conducts a geological assessment every two years, overseen by a qualified geologist, to keep abreast of the geological characteristics of the reserves, involving a thorough analysis of quality, quantity, and distribution.

Regular impairment tests are conducted to assess whether there has been any decline in the recoverable amount of the clay reserves.

(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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in Note 3(b).
In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.
The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The company's financial assets are all classified at amortised cost for both years presented and as such the accounting policies disclosed are limited to the amortised cost classification.

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables, investment securities and cash and bank balances.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Financial instruments (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.
When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Company considers that there is Significant increase in credit risk (SICR) when the contractual payments are more than 30 days past due.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs.
Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Financial instruments (Continued)

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets are written off either partially or in their entirety only when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit or loss.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

The Company's financial liabilities include trade and other payables, borrowed funds, bank over drafts and provident fund payable.

Subsequent measurement
For the purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

The company's financial liabilities are all classified at amortised cost for both years presented and as such the accounting policies disclosed are limited to the amortised cost classification.

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Financial instruments (Continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Modification and derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

To determine if the modified terms of a liability are substantially different to the original terms, the modification is assessed at first on a qualitative basis-factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different. If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the Company recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Company recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. Modification gains are presented in 'other income' and modification losses are presented in 'other expenses' in the statement of profit or loss and other comprehensive income.

g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Expired and/or damaged stocks are expensed in the year they are determined.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

g) Inventories (Continued)

The Company reviews its inventory to assess loss on account of slow moving, damaged and obsolescence on a regular basis. The Company makes judgment as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value of such product.

(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

Value Added Tax (VAT)
Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of goods and services is not recoverable from Uganda Revenue Authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense for the item as applicable; and
- Receivables and payables are stated with the amount of VAT included.

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

Current tax
Taxation is provided in the statement of comprehensive income on the basis of the results included therein adjusted in accordance with the provisions of the Ugandan Income Tax Act (Cap. 340).
Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Deferred tax
Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Taxation (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- ➢ When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ➢ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income 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 reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income 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 or substantively enacted at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised in other comprehensive income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(k) 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.

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 exchange for consideration.

Company as a lessee
The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(k) Leases (Continued)

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 18 Right of Use asset and are subject to impairment in line with the company's policy as described in Note 3 (p)

Lease liabilities
At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.
The company's lease liabilities are disclosed in Note 26.

Company as a lessor
Leases in which the company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The company does not have finance leases.

(l) Employee entitlements

The Company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently 10% of the employees' gross salary. The Company's contributions are charged to the statement of comprehensive income in the period to which they relate.

The Company operates a defined contribution plan or staff provident fund which run as contributory fund by a third-party fund manager. The Company contributes 10% of the employee's basic pay per month and staff contribute a minimum of 5%. The balance as at 31 December represents the accrued liability that the Company had not yet transferred to the Fund manager at the balance sheet date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Employee entitlements (Continued)

Performance bonus provisions are recognised when it is apparent that the conditions for the bonus have been met and for only staff whose contracts contain a performance benefit clause.

(m) Dividends

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Uganda, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. The approved dividends are recognised as liabilities until when paid.

(n) Segment reporting

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance. The Company's reportable segments under IFRS 8 are; therefore, Kajjansi factory and Kamonkoli factory.
All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated on consolidation. Income and expenses associated with each segment are included in determining business segment performance.
Refer to note 34 for segment reporting.

(o) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit (CGU)'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income (OCI). For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation. For all assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(o) Impairment of non-financial assets (Continued)

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(p) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

(q) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period;

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period;

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Current versus non-current classification (Continued)

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(r) Material accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements, estimates and assumptions., which have the most significant effect on the amounts recognised in the consolidated financial statements:

Measurement of expected credit losses (ECL):
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for all receivables.
The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with macro-economic variable i.e interest rates, inflation and foreign exchange. The assessment of the correlation between historical observed default rates, macro-economic variables and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The information about the ECLs on the Company's trade and other receivables is disclosed in notes 32, 20 and 10.

Property, plant and equipment
Critical estimates are made by the management in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Details of the Company's property, plant and equipment are disclosed in note 15.

Current income taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no provision has been recognized. Details on the current income tax amounts recognised in the financial statements are disclosed in note 13.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Material accounting judgements, estimates and assumptions (Continued)

Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)
The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The company currently has lease contracts that include extension options.
The carrying amounts of the company's lease related balances are disclosed in notes 26.

4.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from sale of goods	2024	2023
	Shs'000	Shs'000
Gross revenue	32,565,237	30,618,407
Discounts allowed	(963,413)	(168,566)
	31,601,824	**30,449,841**

The Company presents disaggregated revenue based on the type of goods provided to customers, the nature of customer, nature of supply i.e. good or service and the timing of transfer of goods.

Set out below is the disaggregation of the Company's revenue from contracts with customers:

(a) Types of goods	2024	2023
	Shs'000	Shs'000
Roofing tiles	23,275,532	21,727,624
Maxpans	3,785,281	3,491,655
Half bricks	1,865,206	1,721,685
Quarry tiles	1,865,916	2,684,001
Other products	809,889	824,876
	31,601,824	**30,449,841**

Other products majorly include malta, pompey, other bricks and ventilators.

(b) Nature of customer

	2024	2023
	Shs'000	Shs'000
Individuals	15,835,649	15,258,391
Agents	13,693,627	13,194,452
Corporates and institutions	2,072,548	1,996,998
	31,601,824	**30,449,841**

(c) Nature of supply
The Company's revenue is entirely made up of supply of goods and as such there is no supply of services.

(d) Timing of revenue recognition
The Company's revenue is entirely made up of sale of goods transferred at a point in time and, therefore, it does not have any revenue that is recognised over time.

4.1 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information (Note 34).

Year ended 31 December 2024	Kajjansi factory Shs'000	Kamonkoli factory Shs'000	Total Shs'000
External customer	20,004,633	11,597,191	31,601,824
Year ended 31 December 2023			
External customer	18,778,778	11,671,063	30,449,841

There were no inter – segment sales or transfers for both years presented.

4.2 CONTRACT BALANCES

	2024 Shs'000	2023 Shs'000
Contract liabilities	**2,930,167**	**3,673,039**

Contract liabilities include short-term advances received to deliver goods after the reporting date, any other advance payments by customers which are generally short term in nature.

The composition of the contract liabilities at reporting date is analysed as below:

	2024 Shs'000	2023 Shs'000
Individuals	2,351,203	2,947,078
Agents	183,620	230,241
Corporates and institutions	395,344	495,720
	2,930,167	**3,673,039**

The amount of revenue recognised from contract liabilities during the year is indicated in reconciliation of movement in the contract liabilities during the year below:

	2024 Shs'000	2023 Shs'000
At 1 January	3,673,039	3,382,651
Additions	842,160	1,788,785
Revenue recognised during the year	(1,585,032)	(1,498,397)
At 31 December	**2,930,167**	**3,673,039**

5. COST OF SALES

	2024 Shs'000	2023 Shs'000
Opening stock of raw materials, finished goods and work-in-progress	2,622,926	2,873,563
Purchases	7,016,611	5,753,259
Production costs (see note below)	18,030,292	15,761,562
Closing stock of raw materials, finished goods and work-in-progress	(4,350,763)	(2,622,926)
	23,319,066	**21,765,458**

5. COST OF SALES (Continued)

Below is a breakdown of the production costs which are included in the cost of sales:

	2024 Shs'000	2023 Shs'000
Employee benefits expense (note 9)	4,345,289	4,098,464
Utilities	2,348,832	2,071,483
Machinery repairs and maintenance	2,755,507	2,256,474
Transportation expenses	201,918	157,046
Loading and offloading costs	339,921	295,976
Sales outlet expenses	28,435	22,346
Casual labour wages.	4,434,320	3,497,014
Insurance	163,132	242,542
Depreciation of PPE and amortisation of intangibles	3,412,938	3,120,217
	18,030,292	**15,761,562**

6. OTHER OPERATING INCOME

	2024 Shs '000	2023 Shs '000
Other income[1]	17,981	247,744
Unrealised foreign exchange	79	104,508
Gain on disposal of property, plant and equipment	-	47,141
Interest income*	253,849	587,434
Rental income	26,179	16,260
	298,088	**1,003,087**

[1]The other income mainly relates to interest received on the Company's current accounts, write back of previous overprovisions made.

*Interest income is determined using the effective interest rate method.

7. SELLING AND DISTRIBUTION EXPENSES

	2024 Shs'000	2023 Shs'000
Sports and recreation costs	3,204	2,280
Business promotion expenses	99,112	85,567
Repairs and maintenance	119,355	125,246
Donations	10,448	1,748
Public relations and entertainment expenses	-	350
Transport expenses	145	41,955
Commission expenses	3,162	13,288
After sale services	-	23,873
	235,426	**294,307**

8. ADMINISTRATIVE EXPENSES

	2024 Shs'000	2023 Shs'000
Employee benefits expense (note 9)	6,025,585	6,226,326
Audit fees	112,000	87,000
Telephone and communication costs	406,722	214,748
Other administrative expenses[2]	1,372,490	1,515,835
Director's renumeration	328,631	283,402
Insurance expense	103,895	106,993
Depreciation of PPE and amortisation of intangibles	806,746	1,734,843
Depreciation of right-of-use asset	494,967	463,728
Legal and professional fees	778,428	419,593
Security expenses	168,284	176,195
Bank charges	113,244	121,046
Casual labour wages	24,511	38,638
Research and development costs	1,361	28,643
	10,736,864	**11,416,990**

[2]Other administrative expenses mainly relate to fees for the annual general meeting, travel costs, printing and stationery costs, equipment maintenance costs, fuel expenses and subscriptions.

9. EMPLOYEE BENEFIT EXPENSE

The following are the total employee benefits for the year, included within the cost of sales and administrative expenses:

	2024 Shs'000	2023 Shs'000
Salaries and wages	7,316,834	7,386,186
NSSF company contribution	782,061	809,566
Provident fund costs	703,704	765,848
Leave transport and allowance	335,705	333,455
Staff medical expenses	528,490	333,605
Staff welfare expenses	660,094	536,303
Staff termination pay	30,830	136,808
Staff training costs	12,458	23,019
Staff uniforms	698	-
	10,370,874	**10,324,790**

Included in the administrative expenses are the following employee benefits:

	2024 Shs'000	2023 Shs'000
Salaries and wages	3,885,372	4,157,808
NSSF company contribution	408,197	434,743
Provident fund costs	376,849	422,616
Leave transport and allowance	335,705	333,455
Staff medical expense	528,490	333,605
Staff welfare expenses	446,986	384,272
Staff termination pay	30,830	136,808
Staff training costs	12,458	23,019
Staff uniforms	698	-
	6,025,585	**6,226,326**

9. EMPLOYEE BENEFIT EXPENSE (Continued)

Below is the breakdown of employee benefit expenses that are included in the production costs:

	2024 Shs'000	2023 Shs'000
Salaries and wages	3,431,462	3,228,378
NSSF company contribution	373,864	374,823
Provident fund costs	326,855	343,232
Staff welfare expenses	213,108	152,031
	4,345,289	**4,098,464**

The average number of persons employed during the year, by category, were:

	2024 Individuals	2023 Individuals
Production	190	186
Sales and distribution	13	29
Management and administration	79	65
	282	280

10. INCREASE IMPAIRMENT OF FINANCIAL ASSETS

	2024 Shs'000	2023 Shs'000
Trade receivables (note 20)	(611,831)	480,292
Trade debtors direct write off	962,535	-
Government securities	16,749	8,362
Bank balances	6,748	2,920
	374,201	**491,574**

11. FINANCE COSTS

	2024 Shs'000	2023 Shs'000
Interest expense on NSSF loan	2,711,199	1,610,710
Interest expense on provident fund	350,652	104,508
Interest expense on short-term loan	125,853	89,327
Interest expense on lease liabilities	19,849	21,293
	3,207,553	**1,825,838**

12. LOSS BEFORE TAX

The following items have been charged in arriving at the loss before tax:

	2024 Shs'000	2023 Shs'000
Depreciation on property, plant and equipment (note 15)	4,215,574	4,849,977
Depreciation on right-of-use assets (note 18)	494,967	463,728
Amortisation of intangible assets (note 16)	4,111	5,083
Directors' emoluments	328,631	283,402
Audit fees	112,000	87,000

13. INCOME TAX CREDIT

	2024 Shs'000	2023 Shs'000
Current tax	-	86,460
Current tax over provision in prior year	-	(406,242)
Rental tax charge for the year	6,915	-
Rental tax over provision in prior year	-	(4,878)
Deferred tax credit (Note 25)	(1,030,075)	(1,165,329)
	(1,023,160)	**(1,489,989)**

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

	2024 Shs'000	2023 Shs'000
Loss before tax	(5,973,198)	(4,341,239)
Tax calculated at a rate of 30% (2023: 30%)	(1,791,959)	(1,302,372)
Tax effect of:		
• expenses not deductible for tax purposes[3]	574,504	653,968
• Current tax over provision in prior year	-	(406,242)
• Deferred tax under/(over) provision in prior year	187,380	(376,392)
• Rental tax charge over provision in prior year	-	(4,878)
• Rental tax charge	6,915	-
• adjustment to indexation on revalued assets not recognised	-	(54,073)
Income tax credit	**(1,023,160)**	**(1,489,989)**

Current tax recoverable	**2024 Shs'000**	**2023 Shs'000**
At start of year	408,415	(211,460)
Current tax over provision in prior year	-	406,242
Rental tax over provision in prior year	-	4,878
Rental tax charge for the year	(6,915)	-
WHT deducted by customers	29,461	6,549
Tax paid	74,848	202,206
At end of year	**505,809**	**408,415**

[3]The expenses not deductible for tax purposes include donations, staff welfare costs, subscriptions, corporate social responsibility expenses and depreciation that relates to non-qualifying assets.

14. LOSS PER SHARE

- Basic

Basic loss per share is calculated by dividing the loss 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.

	2024 Shs'000	2023 Shs'000
Loss attributable to equity holders	(4,950,038)	(2,851,250)
Weighted average number of ordinary shares	900,000	900,000
Basic loss per share	(5.50)	(3.17)

- Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive ordinary shares in issue as at 31 December 2024.

	2024 Shs'000	2023 Shs'000
Loss attributable to owners of the company	(4,950,038)	(2,851,250)
Weighted average number of ordinary shares adjusted for the effect of dilution	900,000	900,000
Diluted loss per share	(5.50)	(3.17)

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and machinery	Furniture, fittings and computer equipment	Motor vehicle	Clay reserves	Capital work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	-	Shs'000	Shs'000
Cost								
At 1 January 2023	**6,653,522**	**12,429,187**	**64,052,122**	**2,586,692**	**3,589,474**	**-**	**9,773,694**	**99,084,691**
Transfers from WIP	-	-	4,070,916	47,093	-	-	(4,118,009)	-
Additions	31,915	-	640,513	53,355	-	-	5,974,880	6,700,663
Disposals	-	-	-	(25,201)	(359,728)	-	-	(384,929)
Reclassification	(6,014,300)	-	-	-	-	6,913,843	-	899,543
Write off	-	-	(402,720)	(15,169)	-	-	-	(417,889)
At 31 December 2023	671,137	12,429,187	68,360,831	2,646,770	3,229,746	6,913,843	11,630,565	105,882,079
Additions	-	-	1,765,008	44,265	-	-	6,920,174	8,729,447
Transfers from WIP	-	15,750	1,514,305	55,896	154,292	-	(1,740,243)	-
Adjustments	3	(21,516)	(18,646)	19,512	1,999	-	2	(18,646)
Write offs	-	-	-	(9,000)	-	-	-	(9,000)
At 31 December 2024	671,140	12,423,421	71,621,498	2,757,443	3,386,037	6,913,843	16,810,498	114,583,880
Depreciation and impairment								
At 1 January 2023	-	4,167,438	39,813,446	1,832,735	2,605,537	-	-	48,419,156
Reclassification	-	-	-	-	-	63,506	-	63,506
Charge for the year	-	274,040	3,120,217	440,036	339,778	675,906	-	4,849,977
Write offs	-	-	(355,105)	(15,169)	-	-	-	(370,274)
Disposals	-	-	-	(25,201)	(359,728)	-	-	(384,929)
At 31 December 2023	**-**	**4,441,478**	**42,578,558**	**2,232,401**	**2,585,587**	**739,412**	**-**	**52,577,436**
Adjustments	-	(502,485)	(16,024)	(3,056)	1,070	501,849	-	(18,646)
Charge for the year	-	249,347	3,193,719	367,722	185,566	219,220	-	4,215,574
Write offs	-	-	-	(9,000)	-	-	-	(9,000)
At 31 December 2024	**-**	**4,188,340**	**45,756,253**	**2,588,0 67**	**2,772,223**	**1,460,481**	**-**	**56,765,364**
Carrying amount								
At 31 December 2024	**671,140**	**8,235,081**	**25,865,245**	**169,376**	**613,814**	**5,453,362**	**16,810,498**	**57,818,516**
At 31 December 2023	**671,137**	**7,987,709**	**25,782,273**	**414,369**	**644,159**	**6,174,431**	**11,630,565**	**53,304,643**

During the year ended 31 December 2023, the directors enhanced the presentation of the financial statements with separate presentation of the clay reserves including those which were recorded under land within property, plant and equipment. Reclassifications were also made from the right of use assets establishing a clay reserves category under the property, plant and equipment.

16. INTANGIBLE ASSETS

Year ended 31 December 2023

	2024	2023
Cost	**Shs'000**	**Shs'000**
At 1 January/December	**15,840**	**15,840**
Amortisation		
At 1 January	9,050	3,967
Amortisation	4,111	5,083
At 31 December	**13,161**	**9,050**
Carrying amount		
At 31 December	2,679	6,790

Intangible assets relate to software.

17. INVESTMENT SECURITIES

The maturity analysis for the treasury bonds is summarised below:

	2024 Shs'000	2023 Shs'000
Government securities	**850,902**	**2,135,724**
Opening balance	2,135,724	6,878,376
Maturities	(1,105,695)	(4,457,120)
Withholding tax on interest paid	(29,460)	(86,460)
Interest earned	253,849	587,434
Interest received	(265,145)	(778,144)
Gross carrying amount	989,273	2,144,086
Expected credit losses	(25,111)	(8,362)
Net carrying amount	**964,162**	**2,135,724**
Current	36,334	135,703
Non-current	927,828	2,000,021
	964,162	**2,135,724**

Movement in expected credit losses of the investment securities:

At 1 January	8,362	-
Increase in expected credit losses (note 10)	16,749	8,362
At 31 December	**25,111**	**8,362**

The Company has recognised an ECL on investment securities to the extent that it expects the counterparties to default. The changes in ECL are due to changes in the probability of default ratings of the different counterparties.

18. RIGHT-OF-USE ASSET

	2024 Shs'000	2023 Shs'000
At 1 January	2,334,253	2,549,886
Additions	1,999	1,084,132
Reclassification of cost to clay reserves*	-	(899,543)
Reclassification of depreciation to clay reserves*	-	63,506
Depreciation	(494,967)	(463,728)
At 31 December	**1,841,285**	**2,334,253**

*During the year ended 31 December 2023, the directors enhanced the presentation of the financial statements with separate presentation of the clay reserves including those which were recorded as right of use assets with presentation classified under property, plant and equipment.

19. INVENTORIES

	2024 Shs'000	2023 Shs'000
Spares and consumables	3,140,850	3,021,611
Raw materials	1,160,132	1,384,316
Work in progress	1,266,311	674,962
Finished goods	1,924,320	563,648
	7,491,613	**5,644,537**

The cost of inventory recognised as an expense amounted to Shs 5.28 billion (2023: 6.00 billion) has been included under 'cost of sales' in the profit or loss.

20. TRADE AND OTHER RECEIVABLES

	2024 Shs'000	2023 Shs'000
Current		
Trade receivables	2,826,593	4,369,928
Less: expected credit losses	(2,484,265)	(3,096,096)
Net trade receivables	342,328	1,273,832
Other receivables	158,478	22,062
Prepayments	6,827,641	10,834,434
Total trade and other receivables	7,328,447	12,130,328

		2024			2023	
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	2,826,593	(2,484,265)	342,328	4,369,928	(3,096,096)	1,273,832
Other receivables*	158,478	-	158,478	22,062	-	22,062
Prepayments	6,827,641	-	6,827,641	10,834,434	-	10,834,434
	9,812,712	**(2,484,265)**	**7,328,447**	**15,226,424**	**(3,096,096)**	**12,130,328**

*Other receivables include the staff lunch recoverable and rental income recoverable. The expected credit losses on other receivables were considered immaterial and as such not recognised in the financial statements.

20. TRADE AND OTHER RECEIVABLES (Continued)

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

The change in the Expected Credit Losses on trade receivables is as follows:

	2024 Shs'000	2023 Shs'000
At 1 January	3,096,096	2,615,804
(Decrease)/ increase in expected credit losses (note 10)	(611,831)	480,292
As at 31 December	**2,484,265**	**3,096,096**

The decrease in the ECL in the period was as a result of a decrease in the gross trade receivables in the period. There were also a number of recoveries hence less receivables became overdue.

21. STAFF ADVANCES

Staff advances comprise of the following:	2024 Shs'000	2023 Shs'000
At start of year	123,483	128,191
Advances to staff	321,194	231,827
Receipts from staff	(348,419)	(236,535)
At end of year	**96,258**	**123,483**

Staff advances are unsecured and due within three months from the reporting date. No ECLs have been recognised on these advances as the resultant ECLs are considered immaterial. The advances relate to staff still in employment with the Company and recoveries are made at source through the payroll therefore all advances are considered as stage 1 for ECL purposes.

22. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	2024 Shs'000	2023 Shs'000
Cash at bank	338,160	748,642
Expected credit losses	(9,668)	(2,920)
	328,492	745,722
Cash in hand	3,975	7,607
	332,467	**753,329**

Movement in expected credit losses of the cash at bank balances:

At 1 January	2,920	-
Increase in expected credit losses (note 10)	6,748	2,920
At 31 December	**9,668**	**2,920**

The Company has recognised an ECL on bank balances to the extent that it expects the counterparties to default. The changes in ECL are due to changes in the probability of default of the different counterparties.

22. CASH AND CASH EQUIVALENTS (CONTINUED)

Bank overdraft:

	2024 Shs'000	2023 Shs'000
Bank overdraft – Stanbic Bank Uganda	-	503,523

The bank overdraft is repayable strictly on demand, in which event the facility shall immediately become due and payable and the bank shall not be obliged to give any notice in making, or prior to, demand.

For purposes of the cashflow statement, the cash and cash equivalents are represented by the following:

	2024 Shs'000	2023 Shs'000
Cash at bank and on hand (net of ECL)	332,467	753,329
Bank overdraft	-	(503,523)
	332,467	**249,806**

23. SHARE CAPITAL

Authorised, issued and fully paid:	2024 Shs'000	2023 Shs'000
900,000,000 (2023: 900,000,000) ordinary shares at Shs 1 each	900,000	900,000
Share premium	9,766,028	9,766,028

Dividends

The directors do not recommend payment of a dividend for the year (2023: Nil).

24. LOAN FROM RELATED PARTY

	2024 Shs'000	2023 Shs'000
Loan from related party	20,132,561	17,421,361

The Company obtained a 10-year loan of Ushs 11,050 million from the National Social Security Fund (NSSF or the Fund) on 27 December 2010, which had a grace period of 2 years from the first disbursement date. The loan was for financing working capital and was repayable at an interest rate of 15% per annum. In July 2015, the Company and NSSF agreed to freeze the accumulation of interest and any repayments on the loan whose outstanding amount was Ushs 20.6 billion until such a time that would be agreed by the parties to the agreement.

In May 2023, the Board of Directors of NSSF and Uganda Clays Limited signed an addendum to the initial loan contract which now requires Uganda Clays Limited to start loan repayments on 02 January 2025 with 10 equal instalments paid semi-annually and interest chargeable at 14% annually. This constituted a change in contractual terms, hence a modification in the agreement. IFRS 9 requires that upon modification of the terms of an existing financial liability or a part of it an assessment is done to establish whether the modification is a substantial modification or not.

24. LOAN FROM RELATED PARTY (CONTINUED)

Considering that NSSF is the majority shareholder and therefore a related party, careful evaluation of the facts and circumstances was required in assessing the appropriate accounting treatment of this intercompany loan modification. As a result of the above, it resulted in recognition of other components of equity of Ushs 4,790 million in the year ended 31 December 2023.

The table below indicates the reconciliation of movements in the loan for the year ended 31 December:

	2024 Shs'000	2023 Shs'000
At 1 January	17,421,361	20,600,381
Derecognition of old loan through equity	-	(20,600,381)
Recognition of new loan through equity	-	15,810,651
Interest charge for the period	2,711,200	1,610,710
	20,132,561	17,421,361

	2024 Shs'000	2023 Shs'000
Current	2,952,909	-
Non-current	17,179,652	17,421,361
	20,132,561	17,421,361

25. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2023:30%). The movement on the deferred tax account is as follows:

	2024 Shs'000	2023 Shs'000
At start of year	2,885,762	4,051,091
Credit to profit or loss	(1,030,075)	(1,165,329)
At end of year	1,855,687	2,885,762

25. DEFERRED TAX (CONTINUED)

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

Year ended 31 December 2024

Deferred tax liabilities	**At start of year Shs'000**	**Credit to profit or loss Shs'000**	**At end of year Shs'000**
Property, plant and equipment			
- accelerated tax depreciation	6,224,026	(167,624)	6,056,402
	6,224,026	(167,624)	6,056,402
Deferred tax assets			
Unrealised exchange losses	(77,538)	186,343	108,805
Provision for impairment of trade receivables	(932,213)	176,500	(755,713)
Provision for penal tax	(9,981)	-	(9,981)
Disallowed interest to be carried forward	(307,976)	(772,361)	(1,080,337)
Tax losses carried forward	(90,767)	(425,333)	(516,100)
Legal provisions	-	(27,600)	(27,600)
Unpaid interest	(1,919,789)	-	(1,919,789)
	(3,338,264)	(862,451)	(4,200,715)
Net deferred tax liability	**2,885,762**	**(1,030,075)**	**1,855,687**

Year ended 31 December 2023

Deferred tax liabilities	**At start of year Shs'000**	**Credit to profit or loss Shs'000**	**At end of year Shs'000**
Property, plant and equipment			
- accelerated tax depreciation	6,634,892	(410,866)	6,224,026
Revaluation	54,073	(54,073)	-
Unrealised exchange gain	66,657	(66,657)	-
	6,755,622	(531,596)	6,224,026
Deferred tax assets			
Unrealised exchange losses	-	(77,538)	(77,538)
Provision for impairment of trade receivables	(784,742)	(147,471)	(932,213)
Provision for penal tax	-	(9,981)	(9,981)
Disallowed interest to be carried forward	-	(307,976)	(307,976)
Tax losses carried forward	-	(90,767)	(90,767)
Unpaid interest	(1,919,789)	-	(1,919,789)
	(2,704,531)	(633,733)	(3,338,264)
Net deferred tax liability	**4,051,091**	**(1,165,329)**	**2,885,762**

26. LEASE LIABILITIES

	2024 Shs'000	2023 Shs'000
At 1 January	148,998	155,041
Interest accrued	19,849	21,293
Payment of interest component of lease obligation	(10,573)	(8,053)
Payment of principal component of lease obligation	(56,020)	(19,283)
At 31 December	**102,254**	**148,998**

	2024 Shs'000	2023 Shs'000
Current	65,428	77,349
Non-current	36,826	71,649
	102,254	**148,998**

27. TRADE AND OTHER PAYABLES

	2024 Shs'000	2023 Shs'000
Trade payables	4,664,980	3,661,324
Taxes and levies liabilities	3,940,870	1,705,464
Accruals	1,180,409	1,002,899
Legal provision	92,000	-
Other payables	335,295	316,847
	10,213,554	**6,686,534**

Other payables are majorly comprised of union dues payable and unpaid dividends because shareholders' payment details are not being available to the Company.

28. PROVIDENT FUND PAYABLE

The provident fund is a contributory fund under the Liaison Financial Services Limited. The Company contributes 10% of the employee's basic pay per month and staff contribute a minimum of 5%. The balance as at 31 December represents the accrued liability that the Company had not yet transferred to Liaison Financial Services Limited at the balance sheet date.

	2024 Shs'000	2023 Shs'000
At 1 January	1,752,147	634,250
Contributions for the year	1,175,183	1,220,157
Interest accrued	350,652	104,508
Payments during the year	(484,209)	(206,768)
At 31 December	**2,793,773**	**1,752,147**

29. BORROWED FUNDS

This relates to a facility of Shs 1.4 billion that was sanctioned on 28 April 2024 from Stanbic Bank Uganda Limited ("the Bank") to be repaid in 9 equal instalments of both principal and interest. Interest rate is charged at 1% per annum below the Bank's Prime rate prevailing from time to time. The collateral in respect of the facility is pledge of treasury bond held with Bank of Uganda and the Company's call account with the bank.

	2024 Shs'000	2023 Shs'000
At 1 January	533,520	-
Additions	1,400,000	1,000,000
Interest accrued	125,853	89,327
Repayments during the year	(1,992,713)	(555,807)
At 31 December	**66,660**	**533,520**

30. CASH FROM OPERATIONS

	Note	2024 Shs'000	2023 Shs'000
Loss before tax		(5,973,198)	(4,341,239)
Adjustments for:			
Depreciation of property, plant and equipment	15	4,215,574	4,849,977
Amortisation of intangible assets	16	4,111	5,083
Depreciation of right of use assets	18	494,967	463,728
Write-offs	15	-	47,615
Gain on disposal of property, plant and equipment	6	-	(47,141)
Interest income	6	(253,849)	(587,434)
Interest expense	11	3,207,553	1,825,838
Impairment of financial assets	10	374,201	491,574
Unrealised foreign exchange gain	6	(79)	(104,508)
Changes in working capital:			
- Inventories		(1,847,076)	485,153
- trade and other receivables		4,451,259	(3,449,017)
- staff advances		27,225	4,708
- provident fund payable		690,974	1,117,897
- trade and other payables		3,527,020	581,304
- contract liabilities		(742,872)	290,388
Cash from operations		**8,175,810**	**1,633,926**

31. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's majority shareholder is the National Social Security Fund incorporated Uganda, which owns 32% of the Company's shares. The remaining 68% of the shares are the general public.

i) Key management compensation (including directors' remuneration)

	2024 Shs'000	2023 Shs'000
Short term employee benefits	2,078,852	2,117,000

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.
Short term employee benefits include salaries, employer contributions to NSSF and provident fund. There are no post-employment benefits nor share based payments.

ii) **Directors' benefits and other remuneration**	2024 Shs'000	2023 Shs'000
Director fees paid	**328,631**	**283,402**

iii) Borrowings from related parties

The company has a loan from a related party, NSSF. Refer to note 24 for all details on the borrowing. There are no other borrowings from any other related party.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

	2024 Shs'000	2023 Shs'000
Effect on pre-tax profit	51,345	52,567
Effect on equity	34,256	36,797

A 10% sensitivity rate is being used when reporting foreign risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

- **Interest rate risk**

The Company is exposed to interest risk arising from the investment securities, bank balances/ deposits with commercial banks, Loan from related party, bank overdraft and borrowed funds. The maximum exposure to this risk is limited to the carrying amounts of the items in notes 24, 22, 17, and 29 respectively. The Company enters into financial agreements at favourable interest rates. The Company currently holds instruments with interest rates agreed and fixed at placement, as such analysis of interest sensitivity would not be relevant.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and investments securities.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in below.

	2024 Shs '000	2023 Shs '000
Trade and other receivables	500,806	1,295,894
Investment securities	964,162	2,135,724
Staff advances	96,258	123,483
Bank balances	328,492	745,722
	1,889,718	**4,300,823**

Trade receivables

Customer credit risk is managed by Sales and Finance departments subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on their financial position, the Company's history of trading with that customer and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored by the departments mentioned with regular reporting to Senior management and Board of Directors.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for all customers. There is no segmentation for purposes of credit risk as the customer debt profile is generally similar. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

The default parameter has been set based on age of the receivables after review of prior loss experience and nature of payment pattern, management has considered debtors that are over 360 days overdue to have defaulted, and this formed basis for determination of the loss rates.

For probability of default modelling the company used the migration matrix model which gives the probabilities of moving from one state to another in a dynamic system. The model is based on historical data.

The company has developed a provision matrix based on monthly historical data and derived loss rates that have been applied on the various buckets of the credit customers (trade receivables) to arrive at the ECLs. A minimum of 24 months historical data is utilised at each point in time from the date of that review.

In the provision matrix the company has used the value-based approach i.e., using the total receivables values in each bucket and tracking these in square matrices month on month to derive the loss rates.

The derived loss rate is adjusted to take account of macro-economic conditions affecting the customer base of the company. The macro-economic factors affecting the derived loss rate are inflation, gross domestic product, foreign exchange rates and interest rates. An assumption has been made that the macro-economic factors will change at a constant rate for the foreseeable future, however this constant rate will be reviewed at each date for the actual movements that have occurred in the selected factors.

Sensitivity of the loss rates to the changes in the economic factors has been based on the relationship between the different factors and the effects of that factor to the exposure of the company or its customers' ability to meet their obligations.

The derived loss rates are reviewed on annual basis based on historical data available to the company and macro-economic factors.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix as at 31 December (Amounts in Shs'000):

2024

	Gross receivable	Loss rates	ECL	Carrying amount
Not due	88,644	5.8%	(5,115)	83,529
< 30 days	49,438	9.9%	(4,883)	44,555
30 to 60 days	16,048	11.5%	(1,845)	14,203
60 to 90 days	18,342	12.5%	(2,301)	16,041
90 to 120 days	30,762	14.4%	(4,426)	26,336
120 to 150 days	97,915	16%	(15,650)	82,265
150 to 180 days	22,405	17%	(4,023)	18,382
180 to 210 days	15,639	20.8%	(3,255)	12,384
210 to 240 days	23,664	22.7%	(5,362)	18,302
240 to 270 days	30,185	24.7%	(7,454)	22,731
270 to 300 days	5,000	28%	(1,400)	3,600
300 to 330 days	-	0%	-	-
330 to 360 days	54,433	100%	(54,433)	-
(> 360 days)	2,374,118	100%	(2,374,118)	-
	2,826,593		**2,484,265**	**342,328**

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

2023

	Gross receivable	Loss rates	ECL	Carrying amount
Not due	225,145	0.6%	(1,379)	223,766
< 30 days	261,915	1.4%	(3,772)	258,143
30 to 60 days	62,378	4.0%	(2,469)	59,909
60 to 90 days	185,104	4.4%	(8,093)	177,011
90 to 120 days	74,684	5.3%	(3,924)	70,760
120 to 150 days	60,704	5.9%	(3,572)	57,132
150 to 180 days	106,192	6.5%	(6,925)	99,267
180 to 210 days	26,263	7.9%	(2,065)	24,198
210 to 240 days	9,664	8.6%	(832)	8,832
240 to 270 days	254,565	8.9%	(22,750)	231,815
270 to 300 days	4,062	11.5%	(469)	3,593
300 to 330 days	14,522	10.8%	(1,569)	12,953
330 to 360 days	19,456	79.2%	(15,403)	4,053
(> 360 days)	3,065,274	98.6%	(3,022,874)	42,400
	4,369,928		**(3,096,096)**	**1,273,832**

Other financial assets exposed to credit risk

Credit risk from staff advances, other receivables, investment securities, balances with banks and financial institutions is managed by the company's finance and department in accordance with the company's policy.

The company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2024 and 2023 is the carrying amounts as illustrated above.

The company has elected to apply a 12-month credit loss to derive ECLs on investment securities and bank deposits as the company has utilized the practical expedient and considered these to be low risk instruments and therefore will be considered for 12-month ECLs.
The Exposure at default is the amount of funds held as deposit in each counter party plus any accrued interest income. The loss given default considered was based on the publicly available LGD details based on sectors/industries as disclosed by reputable credit rating agencies including Moody's and S&P. This was done for investment securities and balances with commercial banks.

The probability of default (PD) has been computed using a combination of parameters incorporated in the Company approved counter party model and S & P corporate probability of default rates.

The derived probability of default is reviewed on annual basis based on economic and forward-looking information at the Company's disposal.

The ECLs relating to investment securities and bank deposits have been disclosed in notes 17 and 22 respectively.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

Set out below is the movement in the expected credit losses recognised on the financial assets at amortised cost and exposed to credit risk:

	Bank balances Shs'000	Trade receivables Shs'000	Investment securities Shs'000	Total Shs'000
Year ended 31 December 2024				
At start of year	2,920	3,096,096	8,362	3,107,378
Increase/(decrease) during the year	6,748	(611,831)	16,749	(588,333)
At end of year	9,668	2,484,265	25,111	2,519,045
Year ended 31 December 2023				
At start of year	-	2,615,804	-	2,615,804
Decrease during the year	2,920	480,292	8,362	491,574
At end of year	2,920	3,096,096	8,362	3,107,378

(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:

31 December 2024	Between 0-3 months	Between 3-12 months	Between 1-5 years	More than 5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Loan from related party	2,933,030	2,933,030	23,464,249	-	29,330,309
Borrowed funds	66,660	-	-	-	66,660
Provident fund payable	2,793,773	-	-	-	2,793,773
Lease liabilities	32,671	24,553	45,030	-	102,254
Trade and other payables	6,272,684	-	-	-	6,272,684
	12,098,818	**2,957,583**	**23,509,279**	**-**	**38,565,680**

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

31 December 2023	Between 0-3 months	Between 3-12 months	Between	More than 5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Loan from related party	-	-	23,464,247	5,866,062	29,330,309
Borrowed funds		537,955	-	-	537,955
Bank overdraft	503,523	-	-	-	503,523
Provident fund payable	1,752,147	-	-	-	1,752,147
Lease liabilities	45,671	21,734	83,031	-	150,436
Trade and other payables	3,481,321	1,499,749	-	-	4,981,070
	5,782,662	**2,059,438**	**23,547,278**	**5,866,062**	**37,255,440**

33. CAPITAL MANAGEMENT

Internally imposed capital requirements

The Company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to comply with the capital requirements set out by the Company's lenders;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business, and
- to maintain an optimal capital structure to reduce the cost of capital.

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

The gearing ratios at 31 December 2024 and 2023 were as follows:

	2024 Shs'000	2023 Shs'000
Loan from related party (note 24)	20,132,561	17,421,361
Borrowed funds (note 29)	66,660	533,520
Less cash and cash equivalents	(332,467)	(249,806)
Net debt	19,861,061	17,705,075
Total equity	38,330,508	43,236,618
Gearing ratio	0.52	0.41

33. CAPITAL MANAGEMENT (Continued)

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.

34. 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.

The senior management team is the Chief Operating Decision Maker (CODM) and 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 2024 and 2023 were as follows:

Statement of profit or loss **31 December 2024**	**Kajjansi factory Shs'000**	**Kamonkoli factory Shs'000**	**Total Shs'000**
Revenue from contracts with customers	20,004,633	11,597,191	31,601,824
Cost of sales	(14,813,880)	(8,505,186)	(23,319,066)
Gross profit	**5,190,753**	**3,092,005**	**8,282,758**
Other operating income	296,938	1,150	298,088
Increase in impairment losses	471,834	116,500	588,334
Selling and distribution expenses	(164,449)	(70,977)	(235,426)
Administrative expenses	(8,969,452)	(2,729,947)	(11,699,399)
Operating loss	**(3,174,376)**	**408,731**	**(2,765,645)**
Finance costs	(389,782)	(2,817,771)	(3,207,553)
Loss before tax	**(3,564,158)**	**(2,409,040)**	**(5,973,198)**

34. SEGMENT INFORMATION (Continued)

Statement of profit or loss 31 December 2023	**Kajjansi factory Shs'000**	**Kamonkoli factory Shs'000**	**Total Shs'000**
Revenue from contracts with customers	18,778,778	11,671,063	30,449,841
Cost of sales	(12,469,324)	(9,296,134)	(21,765,458)
Gross profit	**6,309,454**	**2,374,929**	**8,684,383**
Other operating income	828,281	174,806	1,003,087
Increase in impairment losses	(491,574)	-	(491,574)
Selling and distribution expenses	(208,698)	(85,609)	(294,307)
Administrative expenses	(8,363,423)	(3,053,567)	(11,416,990)
Operating loss	**(1,925,960)**	**(589,441)**	**(2,515,401)**
Finance costs	(69,184)	(1,756,654)	(1,825,838)
Loss before tax	**(1,995,144)**	**(2,346,095)**	**(4,341,239)**

Statement of financial position	**Kajjansi factory Shs'000**	**Kamonkoli factory Shs'000**	**Total Shs'000**
31 December 2024			
Non-current liabilities	(6,795,459)	(12,276,706)	(19,072,165)
Non-current assets	39,394,607	21,195,701	60,590,308
Current assets	11,366,109	4,424,819	15,790,928
Current liabilities	(15,111,821)	(3,910,670)	(19,022,491)
31 December 2023			
Non-current liabilities	(7,614,041)	(12,764,731)	(20,378,772)
Non-current assets	36,534,302	21,111,405	57,645,707
Current assets	16,644,320	2,551,475	19,195,795
Current liabilities	(9,813,486)	(3,412,626)	(13,226,112)

35. PRESENTATION CURRENCY

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

36 COMMITMENTS AND CONTINGENCIES

The company had no contingent liabilities or capital commitments as at 31 December 2024 (2023: None)

37 EVENTS AFTER THE REPORTING PERIOD

There were no events adjusting or non-adjustable which would require a disclosure in the financial statements.