

UGANDA CLAYS LIMITED
ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2025

**UGANDA CLAYS LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

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**UGANDA CLAYS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2025**

BOARD OF DIRECTORS:	– Eng. Martin Kasekende	Chairman
	– Milton Steven Owor	Member
	– Mr. Bayo Folayan	Member
	– Mrs. Marion Adengo Muyobo	Member
	– Mr. Joseph Tukuratiire	Member
	– Walter Odongo Ogwal	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, 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

**UGANDA CLAYS LIMITED
COMPANY INFORMATION (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

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

**UGANDA CLAYS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2025**

The directors submit their report and the audited financial statements for the year ended 31 December 2025 which disclose the state of affairs of Uganda Clays Limited (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

	2025	2024
	Shs'000	Shs'000
Profit/(loss) before tax	665,722	(5,973,198)
Income tax (expense)/ credit	<u>(523,973)</u>	<u>1,023,160</u>
Profit/(loss) for the year	<u>141,749</u>	<u>(4,950,038)</u>

During the year 2025, the total turnover of the Company improved from Shs 31.6 billion to Shs 34.8 billion. This was mainly attributed to improved machinery availability during the period, which increased product supply and in turn, boosted revenues. The Company returned a profit before tax of Shs 666 million, an improvement from the loss before tax of Shs 6 billion in 2024 reflecting the improvements in the production volumes, revenues and cost efficiency; 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 2025, the net asset position of the Company decreased to Shs 37.9 billion compared to Shs 38.3 billion as at 31 December 2024 which is a result of the effect of variation to the loan restructuring agreement with NSSF during the year.

Key performance indicators

	2025	2024
	Shs'000	Shs'000
Turnover	34,809,574	31,601,824
Gross profit	14,986,234	8,282,758
Gross profit margin	43%	26%
Profit/(loss) for the year	141,749	(4,950,038)
Net profit/(loss) margin	0.41%	(15.7)%
Net assets	37,960,509	38,286,580
Profit/(loss) on capital employed	<u>0.37%</u>	<u>(12.9)%</u>

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.

**UGANDA CLAYS LIMITED
REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

SHARE CAPITAL

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

DIVIDEND

The directors do not recommend the declaration of a dividend for the year. (2024: 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	Member
Mr. Bayo Folayan	Member
Mrs. Marion Adengo Muyobo	Member
Mr. Joseph Tukuratiire	Member
Walter Odongo Ogwal	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

31-3-.....2026

UGANDA CLAYS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2025

The Companies Act Cap. 106, 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... **31-3-** 2026 and signed on its behalf by:


.....
DIRECTOR


.....
DIRECTOR



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

The firm is licensed and regulated by ICPAU; NO: AF 0010
Tel: +256 414 343520/4
Tel: +256 752 343520/4
Email: info.uganda@ug.ey.com
www.ey.com

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 52, which comprise the statement of financial position as at 31 December 2025, 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 2025, 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 for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) as applicable to audits of financial statements of public interest entities, 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 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 OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Inventory valuation and existence</p> <p>As at 31 December 2025, the Company held inventories of Ushs 7,864 million (2024: Ushs 7,492 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.</p> <p>As described in note 3(g) of the financial statements, inventories are carried at the lower of cost and net realisable value.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Obtained an understanding of the inventory valuation process including the production process, recognition of work in progress and related items. • At 31 December 2025, 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

The directors are responsible for the other information. The other information comprises the information included on pages 1-5 of the document titled "Uganda Clays Limited Annual Report and Audited Financial Statements for the year ended 31 December 2025" which includes the Company information, Report of the Directors as required by the Companies Act Cap 106 of Uganda, and the Statement of Directors' Responsibilities, which we obtained prior to the date of this report, and the detailed Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with 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

Freda Kaheru Agaba

CPA Freda Kaheru Agaba
Partner

07 April 2026

UGANDA CLAYS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 Shs'000	2024 Shs'000
Revenue from contracts with customers	4.1	34,809,574	31,601,824
Cost of sales	5	<u>(19,823,340)</u>	<u>(23,319,066)</u>
Gross profit		14,986,234	8,282,758
Other operating income	6	87,702	298,088
Selling and distribution expenses	7	(320,520)	(235,426)
Administrative expenses	8	(10,025,464)	(10,736,864)
Expected Credit Losses on financial assets	10	<u>(137,186)</u>	<u>(374,201)</u>
Operating profit/(loss)		4,590,766	(2,765,645)
Finance costs	11	<u>(3,925,044)</u>	<u>(3,207,553)</u>
Profit/(loss) before tax	12	665,722	(5,973,198)
Income tax (expense) / credit	13	<u>(523,973)</u>	<u>1,023,160</u>
Profit/(loss) for the year		<u>141,749</u>	<u>(4,950,038)</u>
Other comprehensive income:		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year, net of tax		<u>141,749</u>	<u>(4,950,038)</u>
Earnings/(loss) per share (Shs per share)			
Basic and diluted earnings/(loss) per share	14	<u>0.16</u>	<u>(5.50)</u>

UGANDA CLAYS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	2025 Shs'000	2024 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	64,059,729	57,818,516
Intangible assets	16	52,734	2,679
Investment securities	17	-	927,828
Right-of-use asset	18	<u>1,629,127</u>	<u>1,841,285</u>
		<u>65,741,590</u>	<u>60,590,308</u>
Current assets			
Inventories	19	7,864,343	7,491,613
Trade and other receivables	20	6,264,639	7,328,447
Investment securities	17	-	36,334
Staff advances	21	177,514	96,258
Current tax recoverable	13	-	505,809
Cash and bank balances	22	<u>554,674</u>	<u>332,467</u>
		<u>14,861,170</u>	<u>15,790,928</u>
TOTAL ASSETS		<u>80,602,760</u>	<u>76,381,236</u>
EQUITY			
Share capital	23	900,000	900,000
Share premium	23	9,766,028	9,766,028
Other components of equity	24	4,321,910	4,789,730
Retained earnings		<u>22,972,571</u>	<u>22,830,822</u>
		<u>37,960,509</u>	<u>38,286,580</u>
LIABILITIES			
Non-current liabilities			
Loan from related party	24	23,576,910	17,179,652
Borrowed funds	29	2,740,426	-
Deferred tax liability	25	1,720,122	1,855,687
Lease liabilities	26	-	36,826
		<u>28,037,458</u>	<u>19,072,165</u>
Current liabilities			
Loan from related party		-	2,952,909
Trade and other payables	27	4,929,575	10,213,554
Contract liabilities	4.2	3,641,357	2,930,167
Current tax payable	13	171,283	-
Provident fund payable	28	3,859,988	2,793,773
Borrowed funds	29	1,941,093	66,660
Lease liabilities	26	61,497	65,428
		<u>14,604,793</u>	<u>19,022,491</u>
Total liabilities		<u>42,642,251</u>	<u>38,094,656</u>
TOTAL EQUITY AND LIABILITIES		<u>80,602,760</u>	<u>76,381,236</u>

The financial statements were approved and authorised for issue by the Board of Directors on 31-3-2026 and were signed on its behalf by:

.....
DIRECTOR



.....
DIRECTOR



UGANDA CLAYS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Ordinary share capital Note 23 Shs'000	Share premium Note 23 Shs'000	Other components of equity Note 24 Shs'000	Retained earnings Shs'000	Total Shs'000
At 1 January 2025	900,000	9,766,028	4,789,730	22,830,822	38,286,580
Recognition of loss on NSSF loan modification	-	-	(467,820)	-	(467,820)
Total comprehensive profit for the year	-	-	-	141,749	141,749
At 31 December 2025	<u>900,000</u>	<u>9,766,028</u>	<u>4,321,910</u>	<u>22,972,571</u>	<u>37,960,509</u>
At 1 January 2024	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 31 December 2024	<u>900,000</u>	<u>9,766,028</u>	<u>4,789,730</u>	<u>22,830,822</u>	<u>38,286,580</u>

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 2023 and February 2025. Refer to note 24 for details.

UGANDA CLAYS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 Shs'000	2024 Shs'000
Cash from operations	30	1,544,756	8,175,810
Interest paid on lease liabilities	26	(12,129)	(10,573)
Tax paid	13	<u>-</u>	<u>(74,848)</u>
Net cash generated from operating activities		<u>1,532,627</u>	<u>8,090,389</u>
Investing activities			
Purchase of intangibles	16	(52,528)	-
Purchase of property, plant and equipment,	15	(5,981,290)	(8,731,446)
Maturities of investment securities	17	928,489	1,105,695
Interest received on investment securities	17	<u>60,784</u>	<u>265,145</u>
Net cash used in investing activities		<u>(5,044,545)</u>	<u>(7,360,606)</u>
Financing activities			
Proceeds from borrowed funds	29	6,000,000	1,400,000
Repayment of borrowed funds	29	(2,220,825)	(1,992,713)
Payment of principal portion of lease liabilities	26	<u>(39,532)</u>	<u>(56,020)</u>
Net cash from/ (used in) financing activities		<u>3,739,643</u>	<u>(648,733)</u>
Increase in cash and cash equivalents		227,725	81,050
Net ECLs and foreign exchange differences on bank balances		(5,518)	1,611
Cash and cash equivalent at start of year		<u>332,467</u>	<u>249,806</u>
At end of year	22	<u>554,674</u>	<u>332,467</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025 were authorised for issue in accordance with the resolution of the Board of Directors on 31 March 2026.

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 comprehensive income.

(b) Going concern

The Company’s directors have made an assessment of the Company’s ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. The directors are not aware of any material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern. The shareholders of the Company have no plans of ceasing business. Therefore, the financial statements continue to be prepared on the going concern basis.

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 2025.

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 2025 had no impact on the Company’s financial statements. Below we indicate the amendment that was effective for the year:

- Lack of exchangeability – Amendments to IAS 21; The amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

New and revised IFRS Accounting 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

- 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)
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (Effective for annual periods on or after 1 January 2026)
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures (Effective for annual periods on or after 1 January 2027)
- Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21(Effective for annual periods on or after 1 January 2027)
- Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 (The examples do not have an effective date or transition requirements. Entities are entitled to sufficient time to implement any changes as a result of illustrative examples.)
- 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).

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(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 overdrafts 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.

Reclassification of financial assets and liabilities

The company does not reclassify its financial assets subsequent to their initial recognition, part from the exceptional circumstances in which the company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Inventories (Continued)

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Taxation (Continued)

Deferred tax (Continued)

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Leases (Continued)

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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.

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;

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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.

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.

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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.

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 note 26.

4.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from sale of goods	2025	2024
	Shs'000	Shs'000
Gross revenue	36,288,922	32,565,237
Discounts allowed	<u>(1,479,348)</u>	<u>(963,413)</u>
	<u>34,809,574</u>	<u>31,601,824</u>

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	2025	2024
	Shs'000	Shs'000
Roofing tiles	23,774,470	23,275,532
Maxpans	5,784,858	3,785,281
Half bricks	2,364,837	1,865,206
Quarry tiles	2,172,002	1,865,916
Other products	<u>713,407</u>	<u>809,889</u>
	<u>34,809,574</u>	<u>31,601,824</u>

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

(b) Nature of customer

	2025	2024
	Shs'000	Shs'000
Individuals	18,191,353	15,835,649
Agents	12,929,918	13,693,627
Corporates and institutions	<u>3,688,303</u>	<u>2,072,548</u>
	<u>34,809,574</u>	<u>31,601,824</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

4.1 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(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.

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

	Kajjansi factory Shs'000	Kamonkoli factory Shs'000	Total Shs'000
Year ended 31 December 2025			
External customer	<u>24,645,682</u>	<u>10,163,892</u>	<u>34,809,574</u>
Year ended 31 December 2024			
External customer	<u>20,004,633</u>	<u>11,597,191</u>	<u>31,601,824</u>

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

4.2 CONTRACT BALANCES

	2025 Shs'000	2024 Shs'000
Contract liabilities	<u>3,641,357</u>	<u>2,930,167</u>

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:

	2025 Shs'000	2024 Shs'000
Individuals	3,398,035	2,351,203
Agents	104,096	183,620
Corporates and institutions	<u>139,226</u>	<u>395,344</u>
	<u>3,641,357</u>	<u>2,930,167</u>

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:

	2025 Shs'000	2024 Shs'000
At 1 January	2,930,167	3,673,039
Additions	2,592,175	842,160
Revenue recognised during the year	<u>(1,880,985)</u>	<u>(1,585,032)</u>
At 31 December	<u>3,641,357</u>	<u>2,930,167</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. COST OF SALES

	2025	2024
	Shs'000	Shs'000
Opening stock of raw materials, finished goods and work-in-progress	4,350,763	2,622,926
Purchases	6,329,673	7,016,611
Production costs (see note below)	14,228,268	18,030,292
Closing stock of raw materials, finished goods and work-in-progress	<u>(5,085,364)</u>	<u>(4,350,763)</u>
	<u>19,823,340</u>	<u>23,319,066</u>

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

	2025	2024
	Shs'000	Shs'000
Employee benefits expense (note 9)	3,893,736	4,345,289
Utilities	1,244,213	2,348,832
Machinery repairs and maintenance	1,719,110	2,755,507
Transportation expenses	511,195	201,918
Loading and offloading costs	43,076	339,921
Sales outlet expenses	30,252	28,435
Casual labour wages	3,812,917	4,434,320
Insurance	192,654	163,132
Depreciation of PPE and amortisation of intangibles	<u>2,781,115</u>	<u>3,412,938</u>
	<u>14,228,268</u>	<u>18,030,292</u>

6. OTHER OPERATING INCOME

	2025	2024
	Shs '000	Shs '000
Other income ¹	59,314	17,981
Unrealised foreign exchange	-	79
Interest income ²	-	253,849
Rental income	<u>28,388</u>	<u>26,179</u>
	<u>87,702</u>	<u>298,088</u>

¹The other income mainly relates to income on transportation services to clients, sale of scrap and bidding documents.

²Interest income is determined using the effective interest rate method.

7. SELLING AND DISTRIBUTION EXPENSES

	2025	2024
	Shs'000	Shs'000
Sports and recreation costs	10,403	3,204
Business promotion expenses	113,537	99,112
Repairs and maintenance	101,116	119,355
Transport expenses	-	145
Donations	65,723	10,448
Commission expenses	10,620	3,162
After sale services	<u>19,121</u>	<u>-</u>
	<u>320,520</u>	<u>235,426</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

8. ADMINISTRATIVE EXPENSES

	2025	2024
	Shs'000	Shs'000
Employee benefits expense (note 9)	5,809,429	6,025,585
Audit fees	151,831	112,000
Telephone and communication costs	257,700	406,722
Other administrative expenses ³	948,287	1,372,490
Director's remuneration	461,890	328,631
Insurance expense	69,514	103,895
Depreciation of PPE and amortisation of intangibles	710,949	806,746
Depreciation of right-of-use asset	212,158	494,967
Legal and professional fees	954,660	778,428
Security expenses	165,038	168,284
Bank charges	71,340	113,244
Casual labour wages	10,256	24,511
Research and development costs	20,010	1,361
Write off of property, plant and equipment	63,471	-
Under provisioning penalty	118,931	-
	<u>10,025,464</u>	<u>10,736,864</u>

³Other 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:

	2025	2024
	Shs'000	Shs'000
Salaries and wages	6,751,510	7,316,834
NSSF company contribution	731,384	782,061
Provident fund costs	666,601	703,704
Leave transport and allowance	376,319	335,705
Staff medical expenses	539,182	528,490
Staff welfare expenses	554,766	660,094
Staff termination pay	65,563	30,830
Staff training costs	16,440	12,458
Staff uniforms	1,400	698
	<u>9,703,165</u>	<u>10,370,874</u>

Included in the administrative expenses are the following employee benefits:

	2025	2024
	Shs'000	Shs'000
Salaries and wages	3,520,117	3,885,372
NSSF company contribution	381,008	408,197
Provident fund costs	356,374	376,849
Leave transport and allowance	376,319	335,705
Staff medical expense	539,182	528,490
Staff welfare expenses	553,026	446,986
Staff termination pay	65,563	30,830
Staff training costs	16,440	12,458
Staff uniforms	1,400	698
	<u>5,809,429</u>	<u>6,025,585</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

9. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

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

	2025	2024
	Shs'000	Shs'000
Salaries and wages	3,231,393	3,431,462
NSSF company contribution	350,376	373,864
Provident fund costs	310,227	326,855
Staff welfare expenses	<u>1,740</u>	<u>213,108</u>
	<u>3,893,736</u>	<u>4,345,289</u>

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

	2025	2024
	Individuals	Individuals
Production	105	190
Sales and distribution	26	13
Management and administration	<u>90</u>	<u>79</u>
	<u>221</u>	<u>282</u>

10. INCREASE IN IMPAIRMENT OF FINANCIAL ASSETS

	2025	2024
	Shs'000	Shs'000
Trade receivables (note 20)	156,779	(611,831)
Trade debtors direct write off	-	962,535
Government securities	(25,111)	16,749
Bank balances (note 22)	<u>5,518</u>	<u>6,748</u>
	<u>137,186</u>	<u>374,201</u>

11. FINANCE COSTS

	2025	2024
	Shs'000	Shs'000
Interest expense on NSSF loan	2,976,529	2,711,199
Interest expense on provident fund	379,204	350,652
Interest expense on borrowed funds	558,407	125,853
Interest expense on lease liabilities	<u>10,904</u>	<u>19,849</u>
	<u>3,925,044</u>	<u>3,207,553</u>

12. PROFIT/ (LOSS) BEFORE TAX

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

	2025	2024
	Shs'000	Shs'000
Depreciation on property, plant and equipment (note 15)	3,503,883	4,215,574
Depreciation on right-of-use assets (note 18)	212,158	494,967
Amortisation of intangible assets (note 16)	2,473	4,111
Directors' emoluments (note 8)	461,890	328,631
Audit fees (note 8)	<u>151,831</u>	<u>112,000</u>

13. INCOME TAX EXPENSE / (CREDIT)

	2025	2024
	Shs'000	Shs'000
Current tax	651,023	-
Rental tax charge for the year	8,517	6,915
Deferred tax credit (Note 25)	<u>(135,567)</u>	<u>(1,030,075)</u>
	<u>523,973</u>	<u>(1,023,160)</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

13. INCOME TAX CREDIT (CONTINUED)

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

	2025	2024
	Shs'000	Shs'000
Profit/(loss) before tax	<u>665,722</u>	<u>(5,973,198)</u>
Tax calculated at a rate of 30% (2024: 30%)	199,717	(1,791,959)
Tax effect of:		
• expenses not deductible for tax purposes ³	315,332	574,504
• Deferred tax under provision in prior year	407	187,380
• Rental tax charge	<u>8,517</u>	<u>6,915</u>
Income tax expense/(credit)	<u>523,973</u>	<u>(1,023,160)</u>
Current tax (payable) / recoverable		
At start of year	505,809	408,415
Current tax charge for the year	(651,023)	-
Rental tax charge for the year	(8,517)	(6,915)
Under provisioning penalty	(118,931)	-
WHT deducted by customers	101,379	29,461
Tax paid	-	<u>74,848</u>
At end of year	<u>(171,283)</u>	<u>505,809</u>

³The 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. EARNINGS/(LOSS) PER SHARE

- Basic

Basic earnings/(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.

	2025	2024
	Shs'000	Shs'000
Profit/(loss) attributable to equity holders	141,749	(4,950,038)
Weighted average number of ordinary shares	<u>900,000</u>	<u>900,000</u>
Basic earnings/(loss) per share	<u>0.16</u>	<u>(5.50)</u>

- Diluted

Diluted earnings/(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 2025.

	2025	2024
Profit/(loss) attributable to owners of the Company (Shs '000)	<u>141,749</u>	<u>(4,950,038)</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	900,000	900,000
Diluted earnings/(loss) per share (Shs '000)	<u>0.16</u>	<u>(5.50)</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

15. PROPERTY, PLANT AND EQUIPMENT

	Land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Furniture, fittings and computer equipment Shs'000	Motor vehicle Shs'000	Clay reserves Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost								
At 01 January 2024	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	<u>671,140</u>	<u>12,423,421</u>	<u>71,621,498</u>	<u>2,757,443</u>	<u>3,386,037</u>	<u>6,913,843</u>	<u>16,810,498</u>	<u>114,583,880</u>
Additions	-	82,849	933,437	56,626	6,699	96,000	4,805,679	5,981,290
Transfer from prepayments	-	-	-	-	-	-	3,550,000	3,550,000
Capitalised borrowing costs	-	-	-	-	-	-	277,277	277,277
Transfers from WIP	-	411,717	2,554,142	4,590	-	-	(2,970,449)	-
Write offs	-	-	-	-	(20,561)	-	(42,910)	(63,471)
At 31 December 2025	<u>671,140</u>	<u>12,917,987</u>	<u>75,109,077</u>	<u>2,818,659</u>	<u>3,372,175</u>	<u>7,009,843</u>	<u>22,430,095</u>	<u>124,328,976</u>
Depreciation								
At 1 January 2024	-	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	<u>-</u>	<u>4,188,340</u>	<u>45,756,253</u>	<u>2,588,067</u>	<u>2,772,223</u>	<u>1,460,481</u>	<u>-</u>	<u>56,765,364</u>
Charge for the year	-	262,147	2,774,901	168,162	277,234	21,439	-	3,503,883
At 31 December 2025	<u>-</u>	<u>4,450,487</u>	<u>48,531,154</u>	<u>2,756,229</u>	<u>3,049,457</u>	<u>1,481,920</u>	<u>-</u>	<u>60,269,247</u>
Net carrying amount								
At 31 December 2025	<u>671,140</u>	<u>8,467,500</u>	<u>26,577,923</u>	<u>62,430</u>	<u>322,718</u>	<u>5,527,923</u>	<u>22,430,095</u>	<u>64,059,729</u>
At 31 December 2024	<u>671,140</u>	<u>8,235,081</u>	<u>25,865,245</u>	<u>169,376</u>	<u>613,814</u>	<u>5,453,362</u>	<u>16,810,498</u>	<u>57,818,516</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

16. INTANGIBLE ASSETS

Year ended 31 December 2025

	2025	2024
	Shs'000	Shs'000
Cost		
At 1 January	15,840	15,840
Additions	<u>52,528</u>	<u>-</u>
At 31 December	<u>68,368</u>	<u>15,840</u>
Amortisation		
At 1 January	13,161	9,050
Amortisation	<u>2,473</u>	<u>4,111</u>
At 31 December	<u>15,634</u>	<u>13,161</u>
Carrying amount		
At 31 December	<u>52,734</u>	<u>2,679</u>

Intangible assets relate to software.

17. INVESTMENT SECURITIES

The maturity analysis for the treasury bonds is summarised below:

	2025	2024
	Shs'000	Shs'000
Government securities	964,162	850,902
Opening balance	989,273	2,135,724
Maturities	(928,489)	(1,105,695)
Withholding tax on interest paid	-	(29,460)
Interest earned	-	253,849
Interest received	<u>(60,784)</u>	<u>(265,145)</u>
Gross carrying amount	-	989,273
Expected credit losses	<u>-</u>	<u>(25,111)</u>
Net carrying amount	<u>-</u>	<u>964,162</u>
Current	-	36,334
Non-current	<u>-</u>	<u>927,828</u>
	<u>-</u>	<u>964,162</u>

Movement in expected credit losses of the investment securities:

At 1 January	25,111	8,362
(Decrease)/increase in expected credit losses (note 10)	<u>(25,111)</u>	<u>16,749</u>
At 31 December	<u>-</u>	<u>25,111</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

18. RIGHT-OF-USE ASSET

	2025	2024
	Shs'000	Shs'000
At 1 January	1,841,285	2,334,253
Additions	-	1,999
Depreciation	<u>(212,158)</u>	<u>(494,967)</u>
At 31 December	<u>1,629,127</u>	<u>1,841,285</u>

The right of use asset is composed of asset categories below:

	2025	2024
	Shs'000	Shs'000
Land	1,599,751	1,774,550
Car	<u>29,376</u>	<u>66,735</u>
	<u>1,629,127</u>	<u>1,841,285</u>

19. INVENTORIES

	2025	2024
	Shs'000	Shs'000
Spares and consumables	2,778,979	3,140,850
Raw materials	1,090,775	1,160,132
Work in progress	1,781,510	1,266,311
Finished goods	<u>2,213,079</u>	<u>1,924,320</u>
	<u>7,864,343</u>	<u>7,491,613</u>

The cost of inventory recognised as an expense amounted to Shs 5.085 billion (2024: 4.35 billion) has been included under 'cost of sales' in the profit or loss.

20. TRADE AND OTHER RECEIVABLES

	2025	2024
	Shs'000	Shs'000
Current		
Trade receivables	3,734,392	2,826,593
Less: expected credit losses	<u>(2,641,044)</u>	<u>(2,484,265)</u>
Net trade receivables	1,093,348	342,328
Other receivables	91,469	158,478
Prepayments	<u>5,079,822</u>	<u>6,827,641</u>
	<u>6,264,639</u>	<u>7,328,447</u>

Trade and other receivables	2025			2024		
	Gross amount	ECL allowance	Carrying amount	Gross Amount	ECL Allowance	Carrying Amount
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	3,734,392	(2,641,044)	1,093,348	2,826,593	(2,484,265)	342,328
Other receivables*	91,469	-	91,469	158,478	-	158,478
Prepayments	<u>5,079,822</u>	<u>-</u>	<u>5,079,822</u>	<u>6,827,641</u>	<u>-</u>	<u>6,827,641</u>
	<u>8,905,683</u>	<u>(2,641,044)</u>	<u>6,264,639</u>	<u>9,812,712</u>	<u>(2,484,265)</u>	<u>7,328,447</u>

*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.

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

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:

	2025 Shs'000	2024 Shs'000
At 1 January	2,484,265	3,096,096
Increase/(decrease) in expected credit losses (note 10)	<u>156,779</u>	<u>(611,831)</u>
As at 31 December	<u>2,641,044</u>	<u>2,484,265</u>

The increase in the ECL in the period was as a result of an increase in the gross trade receivables in the period.

21. STAFF ADVANCES

	2025 Shs'000	2024 Shs'000
Staff advances comprise of the following:		
At start of year	96,258	123,483
Advances to staff	203,170	321,194
Recoveries from staff	<u>(121,914)</u>	<u>(348,419)</u>
At end of year	<u>177,514</u>	<u>96,258</u>

Staff advances are unsecured and due within three months from the reporting date. The advances relate to staff still in employment with the Company and recoveries are made at source through the payroll and as such no impairment has been recognised on these advances in accordance with IAS 36.

22. CASH AND CASH EQUIVALENTS

For purposes of the statement of cashflows, the cash and cash equivalents are represented by the carrying amounts of the cash at bank and in hand.

Cash at bank and in hand	2025 Shs'000	2024 Shs'000
Cash at bank	564,415	338,160
Expected credit losses	<u>(15,186)</u>	<u>(9,668)</u>
	549,229	328,492
Cash in hand	<u>5,445</u>	<u>3,975</u>
	<u>554,674</u>	<u>332,467</u>

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

At 1 January	9,668	2,920
Increase in expected credit losses (note 10)	<u>5,518</u>	<u>6,748</u>
At 31 December	<u>15,186</u>	<u>9,668</u>

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.

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

23. SHARE CAPITAL

Authorised, issued and fully paid:	2025	2024
	Shs'000	Shs'000
900,000,000 (2024: 900,000,000) ordinary shares at Shs 1 each	<u>900,000</u>	<u>900,000</u>
Share premium	<u>9,766,028</u>	<u>9,766,028</u>

Dividends

The directors do not recommend payment of a dividend for the year (2024: Nil).

24. LOAN FROM RELATED PARTY

	2025	2024
	Shs'000	Shs'000
Loan from related party	<u>23,576,910</u>	<u>20,132,561</u>

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. The loan carried an interest rate of 15% per annum, included a two-year grace period from the date of first disbursement, and was intended to finance working capital requirements.

In July 2015, the Company and NSSF agreed to suspend the accrual of interest and all loan repayments on the outstanding balance, which at that time amounted to Ushs 20.6 billion, until a future repayment arrangement could be mutually agreed.

In May 2023, the Board of Directors of NSSF and Uganda Clays Limited signed an addendum to the original loan agreement, under which the Company was required to commence loan repayments on 2 January 2025 through ten equal semi-annual instalments, with interest chargeable at 14% per annum. This addendum constituted a change in the contractual terms of the loan and therefore a modification of the financial liability. In accordance with IFRS 9, the impact of the modification was established leading to recognition of other equity component of Ushs 4,790 million for the year ended 31 December 2023.

On 28 February 2025, the Company signed a variation to the loan restructuring agreement which gives a moratorium period of three years from 2 January 2025 to 1 January 2028. It was contracted that interest continues to accrue during the moratorium period until full settlement of the loan. After the moratorium, the loan will be repaid over seven years in 14 equal semi-annual instalments starting 2 January 2028, while the interest rate remains unchanged at 14% per annum. This variation 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. Management determined that the modification was not substantial as the change in carrying amount was below 10% of the original value.

Considering that NSSF is the Company's majority shareholder and therefore a related party, the modification transaction was assessed to contain an equity element. As a result of the above, it resulted in recognition of a loss through equity of Shs 468 million for the year ended 31 December 2025.

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

24. LOAN FROM RELATED PARTY (CONTINUED)

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

	2025 Shs'000	2024 Shs'000
At 1 January	20,132,561	17,421,361
Recognition of modification loss through equity	467,820	-
Interest charge for the period	<u>2,976,529</u>	<u>2,711,200</u>
	<u>23,576,910</u>	<u>20,132,561</u>
	2025 Shs'000	2024 Shs'000
Current	-	2,952,909
Non-current	<u>23,576,910</u>	<u>17,179,652</u>
	<u>23,576,910</u>	<u>20,132,561</u>

25. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2024:30%). The movement on the deferred tax account is as follows:

	2025 Shs'000	2024 Shs'000
At start of year	1,855,687	2,885,762
Credit to profit or loss	<u>(135,565)</u>	<u>(1,030,075)</u>
At end of year	<u>1,720,122</u>	<u>1,855,687</u>

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 2025

	At start of year Shs'000	Credit to profit or loss Shs'000	At end of year Shs'000
Deferred tax liabilities			
Property, plant and equipment - accelerated tax depreciation	<u>6,056,402</u>	<u>42,087</u>	<u>6,098,489</u>
	<u>6,056,402</u>	<u>42,087</u>	<u>6,098,489</u>
Deferred tax assets			
Unrealised exchange losses	108,805	(108,805)	-
Provision for impairment of trade receivables	(755,713)	(41,156)	(796,869)
Provision for penal tax	(9,981)	9,981	-
Disallowed interest to be carried forward	(1,080,337)	(524,953)	(1,605,290)
Tax losses carried forward	(516,100)	516,100	-
Legal provisions	(27,600)	(28,819)	(56,419)
Unpaid interest	<u>(1,919,789)</u>	-	<u>(1,919,789)</u>
	<u>(4,200,715)</u>	<u>(177,652)</u>	<u>(4,378,367)</u>
Net deferred tax liability	<u>1,855,687</u>	<u>(135,565)</u>	<u>1,720,122</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

25. DEFERRED TAX (CONTINUED)

Year ended 31 December 2024

	At start of year Shs'000	Credit to profit or loss Shs'000	At end of year Shs'000
Deferred tax liabilities			
Property, plant and equipment - accelerated tax depreciation	<u>6,224,026</u>	<u>(167,624)</u>	<u>6,056,402</u>
	<u>6,224,026</u>	<u>(167,624)</u>	<u>6,056,402</u>
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	<u>(1,919,789)</u>	<u>-</u>	<u>(1,919,789)</u>
	<u>(3,338,264)</u>	<u>(862,451)</u>	<u>(4,200,715)</u>
Net deferred tax liability	<u>2,885,762</u>	<u>(1,030,075)</u>	<u>1,855,687</u>

26. LEASE LIABILITIES

	2025 Shs'000	2024 Shs'000
At 1 January	102,254	148,998
Interest accrued	10,904	19,849
Payment of interest component of lease obligation	(12,129)	(10,573)
Payment of principal component of lease obligation	<u>(39,532)</u>	<u>(56,020)</u>
At 31 December	<u>61,497</u>	<u>102,254</u>
	2025 Shs'000	2024 Shs'000
Current	61,497	65,428
Non-current	<u>-</u>	<u>36,826</u>
	<u>61,497</u>	<u>102,254</u>

27. TRADE AND OTHER PAYABLES

	2025 Shs'000	2024 Shs'000
Financial liabilities		
Trade payables	1,307,094	4,664,980
Other payables	319,497	335,295
Accruals	<u>1,826,219</u>	<u>1,180,409</u>
	<u>3,452,810</u>	<u>6,180,684</u>
Non-financial liabilities		
Legal provision	188,062	92,000
Taxes and levies liabilities	<u>1,288,703</u>	<u>3,940,870</u>
	<u>4,929,575</u>	<u>10,213,554</u>

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

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

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 reporting date.

	2025	2024
	Shs'000	Shs'000
At 1 January	2,793,773	1,752,147
Contributions for the year	1,045,118	1,175,183
Interest accrued	379,204	350,652
Payments during the year	<u>(358,107)</u>	<u>(484,209)</u>
At 31 December	<u>3,859,988</u>	<u>2,793,773</u>

29. BORROWED FUNDS

The Company had the following loan facilities running during the period:

a) Stanbic Bank Uganda Limited

This related to a facility of Shs 1.4 billion that was sanctioned on 28 April 2024 from Stanbic Bank Uganda Limited to be repaid in 9 equal instalments of both principal and interest. Interest rate was charged at 1% per annum below the Bank's Prime rate prevailing from time to time. The collateral in respect of the facility was a treasury bond held with Bank of Uganda and the Company's call account with the bank. The loan was fully repaid during the period and as such nil carrying amount as at 31 December 2025 (2024: Shs 67 million).

b) Housing Finance Bank Limited

On 10 February 2025, the Company obtained a facility of Shs 6 billion to facilitate the investment in plant and machinery and support working capital needs. The loan attracts interest at 18.5% per annum and the runs for 36 (thirty-six) calendar months period from date of disbursement which was 24 February 2025.

The securities availed for the facility are:

- i) A first Legal Mortgage over land and developments Comprised in leasehold register volume 4068 Folio 1 Busiro Block 537 Plot 579 at Kajansi Wakiso in the name of Uganda Clays Limited of P.O. Box 745, Kampala.
- ii) A first Legal Mortgage over land and developments Comprised in leasehold register volume WBU6436 Folio 2 Busiro Block G.537 Plot 571 at Kajansi Wakiso in the name of Uganda Clays Limited of P.O. Box 3188, Kampala.
- iii) A first Legal Mortgage over land and developments Comprised in leasehold register volume 4068 Folio 2 Busiro County Block G.536 Plot 579 at Kajansi Wakiso in the name of Uganda Clays Limited of P.O. Box 376, Kampala.
- iv) A chattels Mortgage over the new Production line and associated equipment to be procured.
- v) A fixed and floating Debenture over the borrowers current and future assets of Shs 6,000,000,000(Uganda Shillings, six Billion Only) over the Borrower's current and future floating and fixed assets.
- vi) Business proceeds of the borrower shall be remitted to the Borrower's account held with the Bank throughout the duration of the loan
- vii) All risks Insurance cover over property Mortgaged with the Bank noted in the policy as a first note payee.

The loan has a carrying amount as at 31 December 2025 of Shs 4.7 billion (2024: nil).

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

29. BORROWED FUNDS (CONTINUED)

The movement in the borrowed funds during the year is analysed below:

	2025	2024
	Shs'000	Shs'000
At 1 January	66,660	533,520
Additions	6,000,000	1,400,000
Interest accrued- charge to profit or loss	558,407	125,853
Interest accrued- capitalised	277,277	-
Repayments during the year	<u>(2,220,825)</u>	<u>(1,992,713)</u>
At 31 December	<u>4,681,519</u>	<u>66,660</u>

The borrowed funds are analysed below:

Non-current	2,740,426	-
Current	<u>1,941,093</u>	<u>66,660</u>
	<u>4,681,519</u>	<u>66,660</u>

30. CASH FROM OPERATIONS

	Note	2025	2024
		Shs'000	Shs'000
Profit/(loss) before tax		665,722	(5,973,198)
Adjustments for:			
Depreciation of property, plant and equipment	15	3,503,883	4,215,574
Amortisation of intangible assets	16	2,473	4,111
Depreciation of right of use assets	18	212,158	494,967
Interest income	6	-	(253,849)
Interest expense	11	3,925,044	3,207,553
Impairment of financial assets	10	137,186	374,201
Unrealised foreign exchange gain	6	-	(79)
Under provisioning penalty	8	118,931	-
Write off of property, plant and equipment	8	63,471	-
Changes in working capital:			
- Inventories		(372,730)	(1,847,076)
- trade and other receivables		(2,511,207)	4,451,259
- staff advances		(81,256)	27,225
- provident fund payable		687,011	690,974
- trade and other payables		(5,517,120)	3,527,020
- contract liabilities		<u>711,190</u>	<u>(742,872)</u>
Cash from operations		<u>1,544,756</u>	<u>8,175,810</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

31. RELATED PARTY DISCLOSURES

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)

	2025	2024
	Shs'000	Shs'000
Short term employee benefits	<u>1,821,642</u>	<u>2,078,852</u>

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.

	2025	2024
	Shs'000	Shs'000
ii) Directors' benefits and other remuneration		
Director fees paid	<u>461,890</u>	<u>328,631</u>

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.

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (Continued)

	2025	2024
	Shs'000	Shs'000
Effect on pre-tax profit	2,921	9,210
Effect on equity	<u>2,044</u>	<u>6,447</u>

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 and borrowed funds. The maximum exposure to this risk is limited to the carrying amounts of the items in notes 24, 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.

	2025	2024
	Shs '000	Shs '000
Trade and other receivables (note 20)	1,184,817	500,806
Investment securities (note 17)	-	964,162
Bank balances (note 22)	<u>549,229</u>	<u>328,492</u>
	<u>1,734,046</u>	<u>1,793,460</u>

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.

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.

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (Continued)

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):

2025

	Gross receivable	Loss rates	ECL	Carrying amount
	Shs '000		Shs '000	Shs '000
Not due	118,890	0.9%	(1,103)	117,787
< 30 days	12,891	2.4%	(307)	12,584
30 to 60 days	51,855	4.1%	(2,136)	49,719
60 to 90 days	106,346	6.0%	(6,390)	99,956
90 to 120 days	448,628	12.3%	(55,281)	393,347
120 to 150 days	115,541	16.3%	(18,869)	96,672
150 to 180 days	177,989	17.1%	(30,388)	147,601
180 to 210 days	39,914	18.2%	(7,278)	32,636
210 to 240 days	3,971	20.3%	(804)	3,167
240 to 270 days	26,758	23.1%	(6,190)	20,568
270 to 300 days	150,959	24.7%	(37,292)	113,667
300 to 330 days	9,523	40.7%	(3,879)	5,644
330 to 360 days	2,763	100%	(2,763)	-
(> 360 days)	<u>2,468,364</u>	100%	<u>(2,468,364)</u>	-
	<u>3,734,392</u>		<u>(2,641,044)</u>	<u>1,093,348</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (Continued)

2024

	Gross receivable	Loss rates	ECL	Carrying amount
	Shs '000		Shs '000	Shs '000
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)	<u>2,374,118</u>	100%	<u>(2,374,118)</u>	-
	<u>2,826,593</u>		<u>(2,484,265)</u>	<u>342,328</u>

Other financial assets exposed to credit risk

Credit risk from other receivables, investment securities, balances with banks and financial institutions is managed by the Company's finance 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 2025 and 2024 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.

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025				
At start of year	9,668	2,484,265	25,111	2,519,044
Increase/(decrease) during the year	<u>5,518</u>	<u>156,779</u>	<u>(25,111)</u>	<u>137,186</u>
At end of year	<u>15,186</u>	<u>2,641,044</u>	<u>-</u>	<u>2,656,230</u>
Year ended 31 December 2024				
At start of year	2,920	3,096,096	8,362	3,107,378
Increase/(decrease) during the year	<u>6,748</u>	<u>(611,831)</u>	<u>16,749</u>	<u>(588,333)</u>
At end of year	<u>9,668</u>	<u>2,484,265</u>	<u>25,111</u>	<u>2,519,044</u>

(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 2025	Between 0-3 months Shs'000	Between 3-12 months Shs'000	Between 1-5 years Shs'000	More than 5 years Shs'000	Total Shs'000
Loan from related party	-	-	21,210,266	28,280,355	49,490,621
Borrowed funds	655,267	1,965,800	3,057,912	-	5,678,979
Provident fund payable	3,859,988	-	-	-	3,859,988
Lease liabilities	18,446	43,051	-	-	61,497
Trade and other payables	<u>3,452,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,452,810</u>
	<u>7,986,511</u>	<u>2,008,851</u>	<u>24,268,178</u>	<u>28,280,355</u>	<u>62,543,895</u>

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (Continued)

31 December 2024	Between 0-3 months Shs'000	Between 3- 12 months Shs'000	Between 1-5 years Shs'000	More than 5 years Shs'000	Total 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	<u>6,180,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,180,684</u>
	<u>12,006,818</u>	<u>2,957,583</u>	<u>23,509,279</u>	<u>-</u>	<u>38,473,680</u>

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 2025 and 2024 were as follows:

	2025 Shs'000	2024 Shs'000
Loan from related party (note 24)	23,576,910	20,132,561
Borrowed funds (note 29)	4,681,519	66,660
Less cash and cash equivalents (note 22)	<u>(554,674)</u>	<u>(332,467)</u>
Net debt	<u>27,703,755</u>	<u>19,866,754</u>
Total equity	<u>37,960,509</u>	<u>38,286,580</u>
Gearing ratio	<u>0.73</u>	<u>0.52</u>

UGANDA CLAYS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

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:

- Obtaining of loan facilities from other financial institutions cannot be obtained without notifying Housing Finance Bank Limited.

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 2025 and 2024 were as follows:

Statement of profit or loss	Kajjansi factory Shs'000	Kamonkoli factory Shs'000	Total Shs'000
31 December 2025			
Revenue from contracts with customers	24,645,682	10,163,892	34,809,574
Cost of sales	<u>(13,593,154)</u>	<u>(6,230,186)</u>	<u>(19,823,340)</u>
Gross profit	11,052,528	3,933,706	14,986,234
Other operating income	86,849	853	87,702
Increase in impairment losses	(110,021)	(27,165)	(137,186)
Selling and distribution expenses	(177,980)	(76,817)	(254,797)
Administrative expenses	(7,733,140)	(2,358,047)	(10,091,187)
Operating profit/(loss)	<u>3,118,236</u>	<u>1,472,530</u>	<u>4,590,766</u>
Finance costs	<u>(476,971)</u>	<u>(3,448,073)</u>	<u>(3,925,044)</u>
Profit/(loss) before tax	<u>2,641,265</u>	<u>(1,975,543)</u>	<u>665,722</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

34. SEGMENT INFORMATION (CONTINUED)

Statement of profit or loss	Kajjansi factory Shs'000	Kamonkoli factory Shs'000	Total Shs'000
31 December 2024			
Revenue from contracts with customers	20,004,633	11,597,191	31,601,824
Cost of sales	<u>(14,813,880)</u>	<u>(8,505,186)</u>	<u>(23,319,066)</u>
Gross profit	5,190,753	3,092,005	8,282,758
Other operating income	296,938	1,150	298,088
Increase in impairment losses	(257,701)	(116,500)	(374,201)
Selling and distribution expenses	(164,449)	(70,977)	(235,426)
Administrative expenses	(8,006,917)	(2,729,947)	(10,736,864)
Operating loss	<u>(2,941,376)</u>	<u>175,731</u>	<u>(2,765,645)</u>
Finance costs	<u>(389,782)</u>	<u>(2,817,771)</u>	<u>(3,207,553)</u>
Loss before tax	<u>(3,331,158)</u>	<u>(2,642,040)</u>	<u>(5,973,198)</u>
Statement of financial position	Kajjansi factory Shs'000	Kamonkoli factory Shs'000	Total Shs'000
31 December 2025			
Non-current liabilities	(9,902,552)	(18,134,906)	(28,037,458)
Non-current assets	42,743,868	22,997,722	65,741,590
Current assets	10,662,264	4,198,906	14,861,170
Current liabilities	<u>(11,685,462)</u>	<u>(2,919,331)</u>	<u>(14,604,793)</u>
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	<u>(15,111,821)</u>	<u>(3,910,670)</u>	<u>(19,022,491)</u>

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 2025 (2024: None).

37. EVENTS AFTER THE REPORTING PERIOD

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