U G A N D A C L A Y S L I M I T E D

MINUTES OF THE ANNUAL GENERAL MEETING OF UGANDA CLAYS LIMITED HELD AT THE KAMPALA SHERATON HOTEL ON FRIDAY 9TH DECEMBER 2015 AT 2.30PM

DIRECTORS PRESENT

1. Dr. Martin Aliker	-	Chairman
2. Eng. Martin Kasekende	-	Director
3. Mr. Joseph Tukuratiire	-	Director
4. Mr. Richard Byarugaba	-	Director
5. Dr. Ijuka Kabumba	-	Director
6. Mr. Richard Bigirwa	-	Director
7. Mr. Musa Okello	-	Director
8. Mrs. Agnes Kunihira	-	Director
9. Mr. George Inholo	-	Managing Director

LIST OF MEMBERS PRESENT

The list of members who attended the meeting is attached to the minutes.

IN ATTENDANCE

1. Mr. Matthias Nalyanya	-	Lex Uganda Advocates, Secretary
2. Mr. Emmanuel Meta Aloro	-	Lex Uganda Advocates, Secretary
3. Mr. Phillmon Dramani	-	Lex Uganda Advocates, Secretary
4. Mr. Julius Tumuhimbise	-	Jim Roberts & Associates, External Auditors

The meeting started at 2.30pm with a prayer.

MIN. 1/AGM/2015: ADOPTION OF AGENDA

The following agenda was adopted:

1. Adoption of agenda.

2. To receive and confirm the minutes of the meeting held on 17th October 2014.

3. To receive and consider the Directors' report and audited financial statements for the year ended 31 December 2014, together with the report of the auditors.

4. To rotate and elect Directors in accordance with Article 59 of the Articles of Association of the Company and determine their remuneration.

5. To appoint auditors for the next year ending 31 December 2015 and authorize the Directors to fix their remuneration.

6. To consider and pass a special resolution to approve the new Memorandum and Articles of Association for the Company.

7. To consider any other business for which notice has been given to the Company Secretary.

MIN. 2/AGM/2015: MINUTES OF PREVIOUS ANNUAL GENERAL MEETING

The meeting considered the minutes of the Annual General Meeting held on 17th October 2014 and adopted them as a true record of the meeting.

MIN. 3/AGM/2015: TO RECEIVE AND CONSIDER THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014, TOGETHER WITH THE REPORT OF THE AUDITORS

3.1. Chairman's Statement

The Chairman presented his statement on pages 12-14 of the Annual Report and highlighted the following:

3.1.1. The sales revenue grew marginally by about 5%.

3.1.2. The Company posted a net loss of UGX 5.1 billion mainly due to the high production costs at the Kamonkoli factory, high finance costs and aggressive competition.

3.1.3. The new management had introduced a performance culture in the Company and put in place cost reduction initiatives across the business.

3.1.4. The Company could not pay dividends because of the loss position.

3.2. Managing Director's Statement

The Managing Director presented his statement on pages 16-21 of the Annual Report and the following were the key highlights:

3.2.1. The revenue for the year grew by 5% from UGX 21.1 billion in 2013 to UGX 22.2 billion in 2014.

3.2.2. Distribution expenses reduced by over UGX 700 million in comparison to the previous year.

3.2.3. The Company paid off all its commercial loan with Standard Chartered Bank and the East African Development Bank. The only remaining debt was the shareholder loan owed to the National Social Security Fund.

3.2.4. The Company had cleared all its tax arrears to the Uganda Revenue Authority and was now tax compliant.

3.2.5. During the year under review, the Company faced a number of key challenges that impacted on sales performance including stock-outs of fast moving products due to machine breakdowns, predatory pricing from the competition and the war in South Sudan which had led to the closure of the Company's Juba outlet.

3.2.6. The Company had prioritised importation of critical spares, segmented its customers in order to strategize and improve sales in the various segments and had introduced customer days with key sector players.

3.2.7. The Company was rolling out agencies in key towns within Uganda.

3.2.8. The Company was one of the largest employers in Wakiso and Budaka Districts, with a total workforce of 652 as at 31st December 2014.

3.2.9. In the coming year, the Company would focus on growing revenue, cutting costs and progressing the debt-equity swap with the NSSF.

3.3. Directors' Report

The Company Secretary presented the Directors' report on pages 24 to 25 of the Annual Report. The Directors did not recommended the payment of a dividend for the year ended 31st December 2014 because of the loss position of the Company.

3.4. Report and Opinion of External Auditors

The Report and Opinion of the external auditors M/s Jim Roberts & Associates was presented by Mr. Julius Tumuhimbise. According to the report and opinion which was unqualified:

3.4.1 The financial statements presented fairly, in all material aspects, the financial position of Uganda Clays Ltd as at 31st December 2014, and its financial performance and cash flows for the year then ended. The financial statements were in accordance with International Financial Reporting Standards and the requirements of the Companies Act.

3.4.2 The external auditors had obtained all the information and explanations necessary for the purpose of the audit. Proper books of account had been kept by the Company. The Company's statement of financial position and statement of comprehensive income were in agreement with the books of account.

3.4.3 As emphasis of matter, the external auditors drew attention to the fact that the Company incurred a net loss of UGX 5.1 billion for the year ended 31 December, 2014 and, as of that date, the Company's current liabilities exceeded its current assets by UGX 890 million. The financial statements were prepared on a going-concern basis which assumed that the Company would continue in operational existence for the foreseeable future.

3.5. Financial Statements

The Finance Manager presented the audited financial statements of the Company for the year ended 31st December 2014 and highlighted the following:

3.5.1. Total revenues for the year were UGX 22,112,617,000/= compared to UGX 21,095,645,000/= in 2013.

3.5.2. The gross profit was UGX 4,229,175,000/=.

3.5.3. Finance costs were UGX 4,545,885,000/= compared to UGX 4,811,840,000= in 2013.

3.5.4. The Company made a net loss of UGX 5,179,306,000/= for the year compared to a loss of UGX 3,292,912,000/= in 2013.

3.5.5. Current liabilities exceeded current assets by UGX 890 million.

3.6. Reactions from Members

Some of the members raised queries from the various reports presented which were answered as follows:

Query 1: A member wanted to know the Company's strategy to fight competition.

Answer: In response, the Managing Director stated that competition was reality and was good for the customer. Strategies to deal with competition included maintaining the quality of products, competitive pricing, ensuring availability, accessibility and immediate delivery of products.

Query 2: A member inquired about the status of a court case between a shareholder and the Company.

Answer: The Managing Director informed the meeting the case was resolved out of court.

Query 3: A member sought assurance from the Board about the future of the Company given the continued loss making position and the heavy indebtedness.

Answer: The Chairman responded that the Company was turning a corner and would soon be out of the red. Finance costs would significantly come down because all the commercial loans had just been paid.

In further answer the Managing Director assured the meeting that management had adopted strategies to return the Company to profitability which included:

(i) tackling production problems by importing critical spares;
(ii) substantially reducing finance costs by paying off commercial loans;
(iii) adopting a more efficient distribution model for the Company's products;
(iv) cutting costs;
(v) rationalizing staffing levels;
(vi) emphasizing quality of products;
(vii) competitive pricing.

Query 4: A member wondered why the Kamonkoli factory line should not be transferred to Kajjansi in view of the loss-making position of Kamonkoli and given that most of the market for products was around Kampala.

Answer: In response, the Managing Director explained that the Board had already considered the possibility of transferring the factory line to Kajjansi but had decided against it for a number of reasons:

(i) Transferring the factory line would take a number of years and would be very costly.

(ii) Clay deposits in Kajjansi would not be sufficient to sustain production with a second factory line. On the other hand, there were vast deposits of clay in Kamonkoli which would sustain production for another fifty years. Transporting the raw clay to Kajjansi was out of the question because it would be prohibitively expensive.

He further explained that the main problem with the Kamonkoli factory was that it was not complete. The only viable alternative therefore was for the Company to raise more than UGX 10 billion for completion of the factory, which will be raised at an appropriate time.

Query 5: Upon a keen observation of photographs of staff in the Annual Report, a member wondered whether the Company had adequate health and safety mechanisms for workers in the factories.

Answer: In response, the Managing Director assured the meeting that health and safety were important to Company. The matter had recently been addressed at Board level and the Company would soon recruit a health and safety officer.

Query 6: A member observed that there was no gender balance on the Board of Directors which was dominated by men.

Answer: The Chairman explained that save for the 4 Directors representing minority shareholders, the other Directors were nominated by the two main shareholders. One of the nominees to be elected to the Board in the forthcoming elections was a lady and this would improve the gender mix on the Board.

Query 7: A member observed that there was need to overhaul the Board to have people who have time to attend to Company issues.

Answer. In response the Chairman stated that all the Directors were committed to the business of the Company and were attending Board and Committee meetings regularly. The Board rotation during the AGM had ensured that new Directors got elected to the Board.

3.7. The meeting unanimously resolved to adopt the financial statements for the year ended 31 December 2016 and all the reports in the Annual Report.

MIN. 4/AGM/2015: ROTATION AND ELECTION OF DIRECTORS

4.1. The Company Secretary informed the meeting that:

4.1.1. The Company's Articles provide for a minimum of 7 and a maximum of 10 directors on the Board. The Board currently comprised of 9 directors: 3 of whom had been nominated by the NSSF, 2 by the National Insurance Corporation and 4 representing the rest of the shareholders. Mr Bernard Katureebe who was one of the two nominees of NIC to the Board had vacated office on 26-8-2015

4.1.2. In accordance with the Company's Articles, half of the directors retire at every Annual General Meeting although they are eligible for re-election. The Directors to retire are those that have held office the longest.

4.2 The meeting was further informed that:

4.2.1 The Directors due to retire were Dr. Ijuka Kabumba, Mrs. Agnes Kunihira, Mr Richard Bigirwa and Mr Musa Okello. Dr. Kabumba was eligible for re-election and had expressed interest to continue in office. Mrs. Agnes Kunihira, Mr Richard Bigirwa and Mr Musa Okello were not eligible for re-election because the NSSF had nominated the following persons for election to the Board in their stead:

(i) Mr. Richard Byarugaba – Managing Director NSSF
(ii) Mrs. Florence Namatta Mawejje – Board Member NSSF
(iii) Mrs. Peninah Tukamwesiga – Board member NSSF.

4.2.2 Mr Bernard Katureebe who was one of the two nominees of NIC to the Board had vacated office on 26-8-2015. In his stead, NIC had nominated Mr Bayo Folayan for appointment as a Director of the Company.

4.2.3 Mr. Richard Byarugaba who was a current member of the Board of the Company representing minority shareholders, had been nominated by the NSSF and would therefore cease to represent the minority shareholders. Mrs. Marion Adengo Muyobo has been identified and recommended by the Board for election to represent minority shareholders.

4.3 The meeting unanimously resolved to re-elect Dr. Ijuka Kabumba as a Director of the Company.

4.4 The meeting also unanimously resolved to elect the following persons as Directors of the Company:

(i) Mr. Richard Byarugaba
(ii) Mrs. Florence Namatta Mawejje
(iii) Mrs. Peninah Tukamwesiga
(iv) Mr. Bayo Folayan
(v) Mrs. Marion Adengo Muyobo

MIN. 5/AGM/2015: TO APPOINT AUDITORS FOR THE NEXT YEAR ENDING 31 DECEMBER 2015 AND AUTHORIZE THE DIRECTORS TO FIX THEIR REMUNERATION

5.1 The Company Secretary informed the meeting informed that:

5.1.1 According to the Company's Articles of Association, external auditors were appointed annually in a general meeting. The current external auditors (Jim Roberts & Associates) were appointed at the last AGM on 17-10-2014 and provided external audit services to the Company in respect of the financial year 2014. Their fees were negotiated and agreed at UGX 30,050,000 (Uganda shillings, Thirty million fifty thousand only), inclusive of all disbursements but are exclusive of VAT.

5.1.2 M/s Jim Roberts & Associates had expressed willingness to continue in office. The auditors had rendered satisfactory services to the Company and the Board of Directors had recommended their re-appointment.

5.2 The meeting unanimously resolved to re-appoint Jim Roberts & Associates as the Company's external auditors for the year ending 31st December 2015.

5.3 The meeting further resolved to authorize the Directors of the Company to negotiate and fix remuneration of the external auditors.

MIN. 6/AGM/2015: TO CONSIDER AND PASS A SPECIAL RESOLUTION TO APPROVE THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION FOR THE COMPANY

6.1 The Company Secretary informed the meeting informed that there was need for the Company to replace the current Memorandum and Articles of Association with a new set because:

(i) The current Memorandum and Articles of Association were drawn under the old Companies Act, cap. 110 and have numerous references to sections in the old Act. The new Companies Act, No. 1 of 2012, introduces a number of new provisions in the law. There is therefore a need to bring the Memorandum and Articles of Association into conformity with the Act.

(ii) There was also a need to consolidate a number of amendments to the current Memorandum Association into one document.

6.2 The meeting unanimously resolved to approve and adopt the new Memorandum and Articles of Association.

MIN. 7/AGM/2015: ANY OTHER BUSINESS

There was no other business to discuss.

There being no other business to discuss, the meeting ended at 4:50pm.

CONFIRMED this ………… day of …………………... 2015 as a true record of the meeting.

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CHAIRMAN **SECRETARY**