

UGANDA CLAYS LIMITED

MINUTES OF THE ANNUAL GENERAL MEETING OF UGANDA CLAYS LIMITED HELD PHYSICALLY AND ELECTRONICALLY AT THE KAMPALA SHERATON HOTEL ON 8 OCTOBER 2020 AT 2:30 PM

DIRECTORS PHYSICALLY PRESENT

- | | | |
|----|---------------------------|-----------------------|
| 1. | Eng. Martin Kasekende | Chairman |
| 2. | Mr. Richard Byarugaba | Member |
| 3. | Mrs. Marion Adengo Muyobo | Member |
| 4. | Ms. Jacqueline Kiwanuka | Ag. Managing Director |

DIRECTORS ATTENDING ELECTRONICALLY

- | | | |
|----|-----------------------------|--------|
| 1. | Mr. Bayo Folayan | Member |
| 2. | Mrs. Peninnah Tukamwesiga | Member |
| 3. | Mr. Joseph Tukuratiire | Member |
| 4. | Ms Florence Namatta Mawejje | Member |
| 5. | Mr. Henry Ngabirano | Member |
| 6. | Dr. Tom Mutyabule | Member |

IN ATTENDANCE PHYSICALLY

- | | | |
|----|-----------------------|---------------------------------|
| 1. | Mr. Matthais Nalyanya | Lex Uganda Advocates, Secretary |
| 2. | Mr. Davis Lado | PKF Uganda, External Auditors |

LIST OF MEMBERS PRESENT

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

The meeting started at 2:30 pm with a prayer.

MIN.1/AGM/2020: ADOPTION OF AGENDA

The following agenda was adopted:

Ordinary Business

1. To receive and confirm the minutes of the meeting held on 26 July 2019.
2. To receive, consider and approve the Directors' report and audited financial statements for the year ended 31 December 2019, together with the report of the auditors.

3. To rotate and elect Directors in accordance with the Articles of Association of the Company and determine their remuneration.
4. To consider, and if deemed fit, appoint PKF Uganda as auditors for the year ending 31 December 2020 and authorize the Directors to fix their remuneration.

Special Business

5. To consider, and if deemed acceptable, approve amendments to the Articles of Association of the Company:

5.1 By inserting under **Article 2** the following new clauses:

- (i) **“General Meeting”** means any meeting of the Shareholders convened either as an Annual General Meeting or Extraordinary General Meeting;
- (ii) **“Hybrid General Meeting”** means a general meeting that comprises of both physical and or virtual attendance of the members in which they exercise their rights which include voting, asking questions, deliberating on issues, making of decisions.
- (iii) **“Virtual General Meeting”** means an online general meeting of the members which takes place in real time through the means of video, audio and text in which they exercise their rights which include voting, asking questions, deliberating on issues, making of decisions without being physically present.
- (iv) the performance of an act by physical or other means shall include the performance of the act by electronic means.

5.2 By substituting for the current Article 38 the following new Article:

Article 38(a): The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. A general meeting may be held by way of teleconference, video conference or by any other means of communication approved by the Board of Directors.

Article 38(b): A general meeting may comprise of any or all of the following:

- (i) a physical meeting at such place as the Directors shall determine;
- (ii) a virtual meeting which shall include video and or tele conferencing facilities;
- (iii) a hybrid meeting that comprises of both the physical and virtual meeting.

Article 38(c): The Board may determine the number of attendees for the physical venue provided that alternative means of attendance are provided to the other members and their proxies.

5.3 By substituting for the current Article 45 the following new Article:

Article 45: No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, members holding at least 45% of the issued shares of the Company being present in person or by proxy or via electronic means shall be a quorum.

5.4 By substituting for the current Article 69 the following new Article:

Article 69:

- (a) The number of directors shall not be less than (7) seven, or more than (10) ten.
- (b) The directors shall as much as possible be nominated and elected on the basis of shareholding strength.
- (c) In every year one third of the directors for the time being shall retire from office, except the managing director. Retiring director shall be eligible for re-election.
- (d) The directors to retire in every year shall be determined by rotation rota.
- (e) A person shall not be qualified to be elected as a director unless that person has a minimum qualification of a Uganda Advanced Level Certificate.

5.5 By substituting for the current Article 83 the following Article:

Article 83: The directors shall have power at any time, and from time to time, to appoint any person to be a director to fill a casual vacancy. A director so appointed shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at such meeting.

Any other Business

6. To consider any other business for which notice has been given to the Secretary at least 48 hours before the meeting.

MIN.2/AGM/2020: MINUTES OF PREVIOUS ANNUAL GENERAL MEETING

The meeting considered the minutes of the Annual General Meeting held on 26 July 2019 and adopted them as a true record of the meeting.

MIN.3/AGM/2020: TO RECEIVE AND CONSIDER THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 TOGETHER WITH THE REPORT OF THE AUDITORS.

3.1 Chairman's Statement

The Chairman presented his statement on pages 24 to 26 of the Annual Report and highlighted the following:

- 3.1.1 The Covid-19 pandemic caused by the corona virus had swept across the world and changed the normal way of doing business. The Government of Uganda had imposed a lockdown in March 2020 and introduced a raft of restrictions in order to curb the spread of the virus.
- 3.1.2 Because of the restrictions, the Company could not hold the annual general meeting where all our shareholders attending are physically gathered in one venue. The Company was therefore holding the first virtual general meeting, following permission from the High Court and a "No Objection" from the Uganda Securities Exchange.
- 3.1.3 Despite the countrywide lockdown, the Company continued with production activities but under the anti-Covid-19 SOPs. For a few months in 2020, it was impossible to carry out any sales from any of the Company's outlets or through agents.

- 3.1.4 The Company had registered a slight year-on-year growth in revenue from UGX 30,065,148,000/= in 2018 to UGX 30,736, 629,000/=.
- 3.1.5 However, due to a number of factors in the market, the Company registered a net loss of UGX 88,464,000/=. This can be attributed mainly to an increase in the cost of doing business due to various factors including scarcity of key fuels like coffee husks users which has led to an increase in price, increase in salaries and wages due to recruitment for offices that had not been occupied.
- 3.1.6 The Company is not in position to pay any dividends for the Financial Year ended 31st December 2019 due to the loss position.
- 3.1.7 The Court case filed against Uganda National Road's Authority (UNRA) for compensation for the surface value of the land and the economic loss resulting from an expropriation of 11.2 acres of land from Uganda Clays Limited for the construction of the Kampala – Entebbe Express Way was still ongoing. He expressed confidence that the claim would eventually be resolved in favour of the Company.
- 3.1.8 The Company needs to replace the old machinery and equipment and improve drying facilities in Kajjansi. This will require large capital expenditure and will therefore be undertaken in a phased approach. The Company also needs to acquire additional land with clay in or near the Kajjansi area to guarantee future sources of raw material.

3.2 Managing Director's Statement

The Ag. Managing Director presented her statement on pages 28-31 of the Annual Report and the following were the key highlights:

- 3.2.1 The revenue for the year grew marginally from UGX 30,065,148,000/= in 2018 to UGX 30,736, 629,000/=.
- 3.2.2 Gross margin dropped from 35% in 2018 to 31% in 2019.
- 3.2.3 The Company registered a loss after tax of UGX 88 million compared to a profit after tax of UGX1.9 billion in 2018.
- 3.2.4 During the year, the Board of Directors approved a five-year Strategic Plan for the period 2019 - 2023. As part of this plan, the Company aims to:
- (i) Be customer focused;
 - (ii) Provide building solutions to a large market at low cost;
 - (iii) Ensure that the production process is lean and efficient;

- (iv) Produce high quality products.

All the above strategic goals will be achieved through a culture of execution discipline and innovation.

3.2.5 The Company underwent an external audit as part of the process of upgrading to the ISO: 9001:2015 standard.

3.2.6 The Company implemented an Enterprise Resource Planning System that will enable the integration and streamlining of all Company business processes and operations.

3.2.7 In spite of the gloom from Covid-19 pandemic, the Company continued with production activities to build stocks and meet existing market demand, establish strong sales channels, and enhance performance management.

3.3. Directors' Report

The Company Secretary presented the Directors' report on pages 58 - 59 of the Annual Report. The Directors did not recommended payment of a dividend for the year ended 31st December 2019 because of the loss position.

3.4 Report and Opinion of External Auditors

The Report and Opinion of the external auditors M/s PKF Uganda was presented by Mr. Frederick Kibbedi. 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 Limited as at 31st December 2019, and its financial performance and cash flows for the year ended. The financial statements were in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012.

3.4.2 The external auditors had obtained all the information and explanations necessary for the audit and in their opinion, proper books of account had been kept by the Company and the Company's statement of financial position and statement of profit and loss were in agreement with the books of account.

3.5 Financial Statements

The Ag. Head of Finance presented the audited financial statements of the Company for the year ended 31st December 2019 and highlighted the following:

3.5.1 Total revenue for the year grew marginally from UGX 30,065,148,000/= in 2018 to UGX 30,736, 629,000/=.

3.5.2 Cost of sales was UGX 21,282,056,000 compared to UGX 19,404,016,000 in 2018.

3.5.3 Administrative expenses UGX 8,234,831,000 compared to UGX 6,047,065,000 in 2018.

3.5.4 The Company made a loss of UGX 88,464,000 compared to a profit of UGX 1,987,364,000 in 2018.

3.6 Reactions from Members

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

Query 1: Some members inquired why they have never received any dividends.

Answer: The Ag. Managing Director responded that dividends have always been whenever declared. The members were advised to contact the Share Registrars Deloitte for further information about their dividends.

Query 2: A member inquired whether there was a roadmap for digitization of business support systems and process integration.

Answer: The Ag. Managing Director responded that digitization of business support systems and process integration was currently ongoing within the business under the Enterprise Resource Planning System.

Query 3: A member inquired about a possibility of the use of robotics and in the Company's factories.

Answer: The Ag. Managing Director informed the meeting that the Kamonkoli factory was largely automated and improvements are made whenever required. The Kjjansi factory is an old one and it is difficult to incorporate automation in it because of its old design. The long-term plan is to build a new factory line which can use robotics.

Query 4: A member asked whether it would be advisable to freeze trading of the Company's shares on the exchange to save the share price from dropping further.

Answer: The Ag. Managing Director responded that there are no significant circumstances within the business that would warrant freezing of trading on the exchange. On the contrary, freezing of trading will have a more negative impact on the business in the long run. The Board's main focus is to improve the Company's performance so that the share price can go up.

Query 5: A member inquired whether a shareholder can enjoy subsidized pricing when purchasing the Company's products.

Answer: The Ag. Managing Director stated that the Company's sales policy does not give any preferential treatment to customers who are shareholders.

Query 6: A member inquired why the Company was using a Kenyan company to hold the virtual annual general meeting which was against the "Buy Uganda Build Uganda" policy.

Answer: The Ag. Managing Director explained that local companies are always the Company's first choice as providers of good and services. There were 2 service providers for the AGM. Image Registrars, a Kenyan company, was providing the technical platform. The Company was unable to identify a local firm to provide a similarly good platform. Events House which was providing the live stream, is a Ugandan company.

Query 7: A member raised concern about the Company being out-competed by other building products from competitor companies and urged management to innovate and diversify the Company's product range.

Answer: The Ag. Managing Director informed the meeting that research and development of new products was ongoing and the Company would introduce roofing tiles in several colours and other new products.

Query 8: A member raised concern about the high cost and scarcity of coffee husks as highlighted in the Chairman's report and wondered what strategies management had to address this challenge.

Answer: The Ag. Managing Director outlined the following strategies to address the coffee husks challenge:

- (i) The Company was constructing a big storage facility to for storage of large quantities of firing fuels to last at least 3 months.
- (ii) The Company was partnering with coffee farmers and processors to ensure consistent supply of coffee husks and stave off competition for the same fuels from other factories.
- (iii) The Company had identified alternative fuels such as rice husks, groundnut husks and saw dust to supplement the coffee husks.

3.7 Adoption of Financial Statement and Reports

The meeting passed a resolution to adopt the financial statements for the year ended 31st December 2019 and all the reports in the Annual Report.

MIN. 4/AGM/2020: ROTATION AND ELECTION OF DIRECTORS

- 4.1 The Company Secretary informed the meeting that according to article 69 of the Company's Articles of Association, one half of the Directors of [excluding the Managing Director] retires every year but are eligible for re-election. The Directors to retire every year are those that have been longest in office.
- 4.2 According to the dates of appointment, the Directors due to retire but were eligible for re-election are:
- (i) Eng. Martin Kasekende
 - (ii) Mr. Richard Byarugaba
 - (iii) Mrs. Florence N. Mawejje
 - (iv) Mr. Joseph Tukuratiire.

Their profiles were contained on page 48 of the Annual Report. They had all expressed willingness to continue in office and had offered themselves for re-election.

- 4.3 The retiring Directors were individually presented to the shareholders for re-election and separate resolutions were passing re-electing them as follows:
- (i) Eng. Martin Kasekede was proposed for re-election and the meeting voted to re-elect him as a Director.
 - (ii) Mr. Richard Byarugaba was proposed for re-election and the meeting voted to re-elect him as a Director.
 - (iii) Mrs. Florence N. Mawejje was proposed for re-election and the meeting voted to re-elect him as a Director.
 - (iv) Mr. Joseph Tukuratiire was proposed for re-election and the meeting voted to re-elect him as a Director.

MIN.5/AGM/2020: TO APPOINT M/S PKF UGANDA CERTIFIED PUBLIC ACCOUNTANTS AS AUDITORS FOR THE YEAR ENDING 31 DECEMBER 2020 AND AUTHORIZE THE DIRECTORS TO FIX THEIR REMUNERATION

- 5.1 The Company Secretary informed the meeting that:

- 5.1.1 According to the Company's Articles of Association, external auditors were appointed annually in a general meeting.
- 5.1.2 The current external auditors, M/s PKF Uganda Certified Public Accountants, were first appointed at the AGM of 26-7-2019. They had rendered satisfactory services to the Company and had expressed willingness to continue in office.
- 5.2 The meeting passed a resolution to re-appoint PKF Uganda-Certified Public Accountants, as the Company's external auditors for the year ending 31st December 2020.
- 5.3 The meeting further resolved to authorize the Directors of the Company to negotiate and fix the remuneration of the external auditors.

MIN.6/AGM/2020: TO CONSIDER, AND IF DEEMED ACCEPTABLE, APPROVE AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

- 6.1 The Company Secretary informed the meeting that it was necessary to amend the Articles of Association of the Company to provide for virtual and hybrid AGMs and to provide clarity in the provisions on the retirement and rotation of directors.
- 6.2 The meeting passed special resolutions to amend the Articles of Association of the Company as set out below:
- 6.2.1 By inserting under **Article 2** the following new clauses:
- (v) **"General Meeting"** means any meeting of the Shareholders convened either as an Annual General Meeting or Extraordinary General Meeting;
 - (vi) **"Hybrid General Meeting"** means a general meeting that comprises of both physical and or virtual attendance of the members in which they exercise their rights which include voting, asking questions, deliberating on issues, making of decisions.
 - (vii) **"Virtual General Meeting"** means an online general meeting of the members which takes place in real time through the means of video, audio and text in which they exercise their rights which include voting, asking questions, deliberating on issues, making of decisions without being physically present.

- (viii) the performance of an act by physical or other means shall include the performance of the act by electronic means.

6.2.2 By substituting for the current Article 38 the following new Article:

Article 38(a): The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. A general meeting may be held by way of teleconference, video conference or by any other means of communication approved by the Board of Directors.

Article 38(b): A general meeting may comprise of any or all of the following:

- (iv) a physical meeting at such place as the Directors shall determine;
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Article 38(c): The Board may determine the number of attendees for the physical venue provided that alternative means of attendance are provided to the other members and their proxies.

6.2.3 By substituting for the current Article 45 the following new Article:

Article 45: No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, members holding at least 45% of the issued shares of the Company being present in person or by proxy or via electronic means shall be a quorum.

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- (c) In every year one third of the directors for the time being shall retire from office, except the managing director. Retiring directors shall be eligible for re-election.
- (d) The directors to retire in every year shall be determined by rotation rota.
- (e) A person shall not be qualified to be elected as a director unless that person has a minimum qualification of a Uganda Advanced Level Certificate.

6.2.5 By substituting for the current Article 83 the following Article:

Article 83: The directors shall have power at any time, and from time to time, to appoint any person to be a director to fill a casual vacancy. A director so appointed shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at such meeting.

MIN.7/AGM/2020: ANY OTHER BUSINESS

There was no other business to discuss.

There being no other business to discuss, the meeting ended at 4:30 pm.

CONFIRMED this day of 2021 as a true record of the meeting.

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CHAIRMAN

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SECRETARY