

# UGANDA CLAYS LIMITED

## MINUTES OF THE ANNUAL GENERAL MEETING OF UGANDA CLAYS LIMITED HELD PHYSICALLY AND ELECTRONICALLY AT THE KAMPALA SHERATON HOTEL ON 30 JUNE 2021 AT 2:30 PM

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### DIRECTORS PHYSICALLY PRESENT

- |    |                           |                   |
|----|---------------------------|-------------------|
| 1. | Eng. Martin Kasekende     | Chairman          |
| 2. | Mr. Richard Byarugaba     | Member            |
| 3. | Mrs. Marion Adengo Muyobo | Member            |
| 4. | Mr. Reuben B. Tumwebaze   | 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. Jones Muhumuza    | Ag. Head of Finance             |
| 2. | Mr. Davis Lado        | PKF Uganda, External Auditors   |
| 3. | Mr. Matthias Nalyanya | Lex Uganda Advocates, Secretary |

### IN ATTENDANCE ELECTRONICALLY

- |                       |                                |
|-----------------------|--------------------------------|
| Mr. Frederick Kibbedi | PKF Uganda, External Auditors. |
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### 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/2021: ADOPTION OF AGENDA

The following agenda was adopted:

#### Ordinary Business

1. Adoption of the agenda.

2. To receive and confirm the minutes of the meeting held on 8 October 2020.
3. To receive, consider and approve the Directors' report and audited financial statements for the year ended 31 December 2020, together with the report of the auditors.
4. To consider, approve and declare a final dividend of UGX 1.35 per share for the year ended 31 December 2020.
5. To rotate and elect Directors and determine their remuneration.
6. To consider, and if deemed fit, appoint PKF Uganda as external auditors of the Company for the year ending 31 December 2021 and authorize the Directors to fix their remuneration.

### **Any other Business**

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

### **MIN.2/AGM/2021: MINUTES OF PREVIOUS ANNUAL GENERAL MEETING**

The meeting considered the minutes of the Annual General Meeting held on 8 October 2020 and adopted them as a true record of the meeting.

### **MIN.3/AGM/2021 TO RECEIVE AND CONSIDER THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 TOGETHER WITH THE REPORT OF THE AUDITORS.**

#### **3.1 Chairman's Statement**

The Chairman presented his statement on pages 12 to 15 of the Annual Report and highlighted the following:

- 3.1.1 The year 2020 was a big year for the Company as it marked seventy years since it was founded in July 1950. Because of the corona virus pandemic, it was not possible to celebrate the platinum jubilee of the Company in a fitting way. Since its founding, the Company had continued to manufacture and provide quality clay baked building products to customers in Uganda and even beyond. In 2001, the Company became the first one to be listed on the Uganda Securities Exchange. The Company was the undisputed market leader in clay baked building products.
- 3.1.2 Despite the countrywide lockdown because of the Covid-19 pandemic, the Company continued with production activities under anti-Covid-19 SOPs.

3.1.3 Despite the difficult circumstances, the Company made a profit after tax of UGX 4.87 billion.

3.1.4 The Board of Directors had recommended a dividend payment of UGX 1.21 billion (UGX 1.35 per share) for the year ended 31 December 2020. The total dividend represents 25% of the net profit for the year.

3.1.5 The Board of Directors took a bold decision to make changes in the top management of the Company and had made the following appointments:

- (i) Mr Reuben B. Tumwebaze: Managing Director
- (ii) Mr Moses Sanye: General Manager Kamonkoli
- (iii) Mr Mark Rwomushana: Head of Sales and Marketing
- (iv) Mr Joseph Sendegeya: Head of Production.

The Board was confident that it had put in place the right management team to successfully execute the Company's business strategy and achieve sustained growth and profitability.

## **3.2 Managing Director's Statement**

The Managing Director presented his statement on pages 20 to 23 of the Annual Report and the following were the key highlights:

3.2.1 The Covid-19 pandemic unleashed unprecedented challenges on the business. However, the pandemic also acted as a catalyst for change because the Board and management had to take decisive action to protect, sustain and upgrade the business.

3.2.2 In 2019, the Board adopted a 5-year turn-around strategy whose main pillars were:

- (i) Customer focus with a strategic objective of creating ubiquitous sales and marketing channels, and a convenient technology platform to improve customer experience.
- (ii) Revenue focus with a strategic objective of growing sales to UGX 72 billion by 2023 through efficient production and offering a wide range of high quality products.
- (iii) Business process focus with a strategic objective of automating production processes.
- (iv) Organizational capacity focus with a strategic objective of establishing a high-performance culture.

The Company was on track to achieve the above strategic objectives.

3.2.3 As the Company pursued the above strategic objectives, it never lost focus on the following three priorities:

- (i) Health and safety
- (ii) Operational excellence
- (iii) Sustainability and positive social impact

### **3.4 Financial Statements**

The Ag. Head of Finance presented the audited financial statements of the Company for the year ended 31<sup>st</sup> December 2020 and highlighted the following:

3.4.1 The year 2020 was unprecedented because of the impact of the Covid-19 pandemic on most businesses. Despite the tough times, the Company's business continued to show resilience but was not immune to the impact of the pandemic. Since the outbreak of the pandemic in March 2020, the main focus of the Company was maintaining production to build product inventory while ensuring employee safety.

3.4.2 The performance highlights were as follows:

- (i) Revenue decreased by 3% to UGX 29.7 billion for the period compared to UGX 30.7 billion in the year 2019, due to business disruptions caused by the Covid-19 pandemic.
- (ii) Gross profit for the period increased by 43% to UGX 13.5 billion, up from UGX 9.5 billion in the year 2019, driven by cost management initiatives put in place during the year resulting in a decrease of production costs.
- (iii) Overhead costs decreased by 15% to UGX 9.4 billion from UGX 11.1 billion in 2019, due to cost-cutting management initiatives put in place during the period.
- (iv) As a result, profit after tax for the period was UGX 4.89 billion compared to a loss of UGX 88 million in 2019.
- (v) On the balance sheet, total assets increased by 11% to UGX 68.8 billion from UGX 62.2 billion in the year 2019.
- (vi) Cash generated for the period from operating activities was UGX 6.1 billion compared to UGX 6.3 billion over the same period in 2019 due to

a decline in sales as a result of the negative impact of Covid-19 on the business.

3.4.3 The main liability of the Company was the NSSF loan of 20.6 billion whose loan period would expire at the end of 2021. The Company would engage the NSSF to reschedule it.

### **3.5 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:

3.5.1 The financial statements presented fairly, in all material aspects, the financial position of Uganda Clays Limited as at 31<sup>st</sup> December 2020, 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.

3.5.2 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.

### **3.6 Directors' Report**

The Company Secretary presented the Directors' report on page 114 of the Annual Report as follows:

3.6.1 The principal activities of the Company were the production and sale of a wide range of baked clay building products.

3.6.2 The Company made a net profit of UGX 4,873,942,000 for the year compared to a loss of UGX 88,464,000 in the previous year 2019.

3.6.3 The authorised, issued and paid up share capital of the Company is UGX 900,000,000 divided into 900,000,000 ordinary shares of UGX 1 each.

3.6.4 The directors proposed a final dividend of UGX 1.35 per share for year.

3.6.5 The directors who held office during the year are listed on page one of these minutes.

3.6.6 The Company's auditors, PKF Uganda, had indicated willingness to continue in office.

### **3.7 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. Head of Finance responded that dividends have always been paid whenever declared. The members were advised to contact the Share Registrars Deloitte which the Company had contracted to remit the dividends to the members.

Query 2: Some members complained that they had not received the Annual Report.

Answer: The Company Secretary advised them to download it from the Company website or provide an email to which it would be sent. Hard copies could be collected from the Company's head office at Kajjansi or the Company Secretary at Communications House.

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

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

Query 4: A member noted with appreciation the expansion into foreign markets and urged the Company to target the market in DR Congo, Rwanda, Burundi and Somalia.

Answer: The Managing Director thanked the member for the appreciation and gave assurance to the meeting that the Company had a good strategy to expand into the markets of the neighbouring countries.

Query 5: A member raised concern about the Company being out-competed by other companies which were producing competing building products, especially clay roofing tiles, stone-coated tiles and iron sheets.

Answer: The Managing Director informed the meeting that the Company's market position was strong, it was producing quality products, and research and development of new products was ongoing. The Company would introduce roofing tiles in several colours and other new products.

Query 6: A member inquired as to who determines the remuneration of the Directors.

Answer: The Company Secretary explained that the remuneration of the Directors, which consists of monthly retainer, sitting allowance and fuel refund, are determined the shareholders in the annual general meeting. The remuneration of the Directors, which was last fixed in the AGM of 2017, was disclosed at page 102 of the Annual Report.

Query 7: A member inquired about what capital expenditure was planned for 2022, 2023 and 2024 to improve production efficiency at Kamonkoli and Kajjansi and acquisition of new Clay reserves.

Answer: The Managing Director informed the meeting that more capital expenditure was planned for 2022, 2023 and 2024 to improve production efficiency at Kamonkoli and Kajjansi and to acquire new clay reserves around the Kajjansi area.

### **3.8 Adoption of Financial Statement and Reports**

The meeting passed a resolution to adopt the financial statements for the year ended 31<sup>st</sup> December 2020 and all the reports in the Annual Report.

#### **MIN. 4/AGM/2021: TO ROTATE AND ELECT DIRECTORS AND DETERMINE THEIR REMUNERATION**

4.1 The Company Secretary informed the meeting that according to article 69 of the Company's Articles of Association, as amended:

- (i) One third of the Directors retire every year but are eligible for re-election.
- (ii) Those to retire are determined by a rotation rota.

Since there are nine Directors eligible for rotation, three directors retire and are rotated every year.

4.2 According to the rotation rota, the Directors to retire this year but are eligible for re-election are:

- (i) Mr Bayo Folayan
- (ii) Mrs Marion Adengo Muyobo, and
- (iii) Mrs. Peninnah Tukamwesiga.

Their profiles were contained on pages 78 - 79 of the Annual Report. They had all expressed willingness to continue in office and hereby offer 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) Mr Bayo Folayan was proposed for re-election and the meeting voted to re-elect him as a Director.
- (ii) Mrs Marion Adengo Muyobo was proposed for re-election and the meeting voted to re-elect him as a Director.
- (iii) Mrs. Peninnah Tukamwesiga was proposed for re-election and the meeting voted to re-elect him as a Director.

**MIN.5/AGM/2021: TO APPOINT M/S PKF UGANDA CERTIFIED PUBLIC ACCOUNTANTS AS AUDITORS FOR THE YEAR ENDING 31 DECEMBER 2021 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 2021.

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/2021: 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 ..... 2022 as a true record of the meeting.

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**CHAIRMAN**

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**SECRETARY**