

# UGANDA CLAYS LIMITED

## MINUTES OF THE ANNUAL GENERAL MEETING OF UGANDA CLAYS LIMITED HELD AT THE KAMPALA SHERATON HOTEL ON FRIDAY 7<sup>TH</sup> JULY 2017 AT 2:30 PM

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### DIRECTORS PRESENT

- |                                 |   |                   |
|---------------------------------|---|-------------------|
| 1. Dr. Martin Alier             | - | Chairman          |
| 2. Mr. Joseph Tukuratiire       | - | Director          |
| 3. Dr. Ijuka Kabumba            | - | Director          |
| 4. Mr. Bayo Folayan             | - | Director          |
| 5. Ms. Peninnah Tukamwesiga     | - | Director          |
| 6. Mrs. Marion Adengo Muyobo    | - | Director          |
| 7. Mrs Florence Namatta Mawejje | - | Director          |
| 8. Mr. George Inholo            | - | Managing Director |

### DIRECTOR ABSENT WITH APOLOGY

- |                          |   |          |
|--------------------------|---|----------|
| 1. Mr. Richard Byarugaba | - | Director |
| 2. Eng. Martin Kasekende | - | Director |

### 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. Philmon Dramani    | - | " " "                                       |
| 3. Ms. Gloria Erimu       | - | " " "                                       |
| 4. Mr. Julius Tumuhimbise | - | Jim Roberts & Associates, External Auditors |
| 5. Mr. James Onyoin       | - | " " "                                       |
| 6. Mr. Julius Okurut      | - | " " "                                       |
| 7. Ms. Grace Acam         | - | " " "                                       |
| 8. Ms. Alice Akech        | - | " " "                                       |

The meeting started at 2.30pm with a prayer.

## **MIN. 1/AGM/2017: ADOPTION OF AGENDA**

The following agenda was adopted:

1. Adoption of the Agenda.
2. To receive and confirm the minutes of the meeting held on 9<sup>th</sup> December 2016.
3. To receive and consider the Directors' report and audited financial statements for the year ended 31<sup>st</sup> December 2016 together with the report of the auditors.
4. To rotate and elect Directors in accordance with the Articles of Association of the Company and determine their remuneration.
5. To re-appoint M/S Jim Roberts & Associates as auditors for the year ending 31<sup>st</sup> December 2017 and authorise the Directors to fix their remuneration.
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/2017: MINUTES OF PREVIOUS ANNUAL GENERAL MEETING**

The meeting considered the minutes of the Annual General Meeting held on the 9<sup>th</sup> December 2016 and adopted them as a true record of the meeting, save for some corrections in the names and contact details of those who attended.

## **MIN. 3/AGM/2017: TO RECEIVE AND CONSIDER THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2016, 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 Despite 2016 being a challenging year for business generally, the Company performed well and returned a profit of UGX 2,373,375,000. Profitability of the Company improved from 32% in 2015 to 40% in 2016.
- 3.1.2 Owing to the improved performance of the Company for the year, the Board of Directors approved the payment of an interim dividend of UGX 1 per share which was paid in March 2017. The Board has recommended the approval of the interim dividend as a final dividend.
- 3.1.3 The Company and the National Social Security Fund have agreed in principle to convert the NSSF shareholder loan into equity and the details of the transaction will be presented the shareholders once agreed.
- 3.1.4 The Government of Uganda and Uganda National Roads Authority [UNRA] have compulsorily acquired some land at Kajjansi belonging to the Company for the construction of the Kampala-Entebbe Express Way/Munyonyo Spur. As a result of the expropriation of the land, the Company lost large amounts of clay. UNRA has paid partial compensation and the Company is still pursuing full compensation for the surface value of the land and the economic loss resulting from the loss of the clay.
- 3.1.5 To sustain growth the Company will need to make heavy capital investment to replace old machinery and improve drying facilities for green products at the Kajjansi factory, complete the Kamonkoli plant, and acquire more land with clay deposits at Kajjansi.

### 3.2 Managing Director's Statement

The Managing Director presented his statement on pages 28-35 of the Annual Report and the following were the key highlights:

- 3.2.1 The Company's revenue grew from UGX 24.1 billion in 2015 to UGX 26 billion in 2016, representing a growth rate of 8% which was mainly attributed to the cost efficiency initiatives put in place in the business.
- 3.2.2 The main products sold in 2016 that contributed to over 70% of the Company's revenue were roofing tiles and ridges, maxpans, bricks and quarry tiles.
- 3.2.3 The Company's customers comprised 68% individual buyers and 32% corporate.

- 3.2.4 To drive sales, the Company adopted a number of strategies including:
- (i) recruitment of new sales executives and designing new working methods to strengthen field presence and supervision;
  - (ii) opening more channels for distribution of the Company's products by establishing partnerships with hardware dealers and other agents;
  - (iii) organising seminars with key decision makers and participation in national and regional trade fairs, exhibitions and workshops;
  - (iv) extending the advertising of products and brand to social media such as Facebook, Twitter, YouTube and Instagram.
- 3.2.5 Product handling has been improved and drying losses have significantly reduced from 15% in the past to less than 5% currently.
- 3.2.6 Plans were underway to improve efficiency at both factories. In Kamonkoli, the heat duct from the kiln to the drying chambers was installed in 2016 and will be operational later in 2017. In Kajjansi, it is planned to modernise and expand the drying sheds and also set up artificial driers.
- 3.2.7 The high cost of production at Kamonkoli remains a problem and is mainly due to load shedding. Umeme has been contacted for an alternative power supply line.
- 3.2.8 Overall customer satisfaction was high as seen from the reduced complaints in the customer complaints logbook.

### 3.3 Directors' Report

The Company Secretary presented the Directors' report on pages 36-37 of the Annual Report. The Directors recommended the approval of the payment of a final dividend of UGX 1 per share for the year ended 31<sup>st</sup> December 2016 which had already been paid in March 2017 as an interim dividend.

### 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 Tumuhumbise. According to the report and opinion which was unqualified:

- 3.4.1 The Financial Statements gave a true and fair view of the financial position of the Company as at 31<sup>st</sup> December 2016, its financial performance and its cash flows for the year then ended 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 Head of Finance presented the audited financial statements of the Company for the year ended 31<sup>st</sup> December 2016, with the following highlights:

- 3.5.1 The total revenues for the year were UGX 26,037,358 in 2016 compared to UGX 24,111,965 in 2015.
- 3.5.2 The gross profit was UGX 10,457,191/=.
- 3.5.3 The net profit of the Company for the year 2016 was UGX 2,373,375/= compared to a loss of UGX 1,207,254/= in 2015.

### 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 wondered why the various reports being presented had not been sent out by e-mail before the AGM so that members read them in advance of the meeting.

Answer: In response to the above query, the Managing Director explained that the reports

reports had been posted on the Company's website and e-mailed to some members who had provided e-mail addresses. He urged members to update their e-mail addresses with the Company Registrars for easier communication.

Query 2: A member inquired as which shares were going to be converted in the proposed debt-equity transaction with the NSSF since all the shares had been fully subscribed to.

Answer: In response the Company Secretary explained that there was an ongoing process of converting wholly or partially the NSSF loan and interest into shares. Once all the necessary approvals have been obtained, the share capital of the Company will be increased to create more shares as will be necessary for the conversion.

Query 3: A member wondered why the Board paid out dividends before the approval of the members in the AGM.

Answer: In response the Company Secretary explained that the Memorandum and Articles of Association give the Board of Directors the discretion to declare an interim dividend and this discretion had been rightly exercised since the shareholders have not been paid any dividend for the last six years.

Query 4: A member observed that according to the Annual Report the Board had only had five sittings in the year 2016 and wondered whether there were any committee meetings.

Answer: The Company Secretary explained that the Articles of Association of the Company and corporate governance principles require that the Board meets at least once in every quarter, thus a total of four Board meetings in a year.

The five Board meetings in the Annual Report comprised of four ordinary meetings in each quarter and one special meeting. The Board has three Committees which also meet in every quarter but these had not been mentioned in the Report for purposes of brevity.

Query 4: A member asked for clarification on transfer of excess depreciation specifically on trade and other receivables as the figures were the same for the years 2015 and 2016.

Answer: The Head of Finance clarified that the reason the figures remained the same was due to the fact that there had been no revaluation. As regards trade receivables, none of them had been written off.

Query 5: A member expressed concern that the CEO had made a statement in the newspapers that plans were underway to have Kajjansi modified like Kamomkoli and he hoped that this modification would not create problems like at Kamonkoli.

Answer: The CEO explained that the Kajjansi factory was established in the 1960s and the technology used there was very old. The plan was to modernize the factory, but that was in the future and would require a lot of capital expenditure to achieve.

Query 6: A member asked to be updated on the issue of the land that was compulsorily acquired by the Government of Uganda for the Munyonyo road project.

Answer: The Company Secretary explained that the claim for compensation for the surface value of the land and economic loss was still pending in the High Court. However, partial compensation had been received for the surface value of the land.

Query 7: A member wondered whether Uganda Clays has any clay banks and alternative sources of clay in case their current ones run out and also urged the Company to diversify and consider concrete products.

Answer: In response, the Managing Director clarified that:

- (i) the Company had sufficient clay reserves which would sustain production activities at Kajjansi and Kamonkoli for twelve and eighty years respectively. The Company was planning to acquire more clay reserves around Kajjansi.

- (ii) the Company was considering diversification of its products to include different colours of tiles and glazed tiles. This would however depend on the availability of the requisite capital expenditure.

Query 8: Two members inquired about the soundness of the proposal to increase the remuneration of the Board of Directors yet the Company was still indebted to the NSSF.

Answer: In response to this, the Company Secretary explained that the remuneration of the Directors had last been increased in 2012 and comparative analysis had shown that the remuneration of the Directors was way below that of other public companies.

### 3.7 Adoption of Financial Statements and Reports

The meeting unanimously resolved:

- (i) To adopt the financial statements for the year ended 31<sup>st</sup> December 2016 and all the reports in the Annual Report.
- (ii) To approve the payment of a final dividend of UGX 1 per share for the year ended 31<sup>st</sup> December 2016 which had already been paid in March 20017 as an interim dividend.

## **MIN. 4/AGM/2017: ROTATION AND ELECTION OF DIRECTORS AND DETERMINATION OF THEIR REMUNERATION**

4.1 The Company Secretary informed the meeting that:

4.1.1 According to article 69 of the Company's Articles of Association, one half of the Directors [excluding the Managing Director] retires every year but are eligible for re-election. The Directors who retire every year are those that have been longest in office. There are currently ten Directors, which is the maximum number allowed under article 69.

4.1.2 According to the dates of appointment, the Directors due to retire but were eligible for re-election were: Dr. Martin Aliker, Dr. Ijuka Kabumba, Eng. Martin S Kasekende and Mr. Joseph Tukuratiire. The retiring Directors had all expressed willingness to continue in office.



4.1.3 The Board of Directors had recommended that the retiring Directors be re-elected because they are deeply engaged in the on-going negotiations for the debt-equity conversion with NSSF and are also involved in other on-going initiatives to turn the Company around.

4.2 The meeting resolved to re-elect each of the following persons as Directors of the Company:

- (i) Dr. Martin Alier
- (ii) Dr. Ijuka Kabumba
- (iii) Mr. Martin S Kasekende
- (iv) Mr. Joseph Tukuratiire.

4.3 The Company Secretary presented a proposal to increase the remuneration of the Directors. He informed the meeting that:

4.3.1 The current remuneration of the Directors of the Company consists of the following:

Chairperson:

- (i) Sitting allowance - UGX 375,000 gross per sitting
- (ii) Monthly retainer - UGX 500,000 gross per month
- (iii) 40 litres of fuel - UGX 144,000 gross per sitting.

Other Directors:

- (i) Sitting allowance - UGX 375,000 gross per sitting
- (ii) Monthly retainer - UGX 375,000 gross per month
- (iii) 40 litres of fuel - UGX 144,000 gross per sitting.

The above rates were fixed in 2012.

4.3.2 According to a survey carried out by management of the Company, the current remuneration of the Directors was quite low in comparison with similar commercial enterprises in Uganda.

4.3.3 It was proposed to increase the monthly retainer and sitting allowance of the Directors as follows:

Retainer per month:

- (i) From UGX 500,000 to UGX 1,000,000 for the Chairman
- (ii) From UGX 375,000 to UGX 750,000 for the other Directors.

Sitting allowance:

- (i) From UGX 375,000 to UGX 750,000 for the Chairman
- (ii) From UGX 330,000 to UGX 660,000 for the other Directors.
- (iii) And maintain UGX 144,000 for fuel.

4.3.4 The reasons for the proposed increment were that:

- (i) The Company had turned around from persistent loss-making to profitability and the Directors had played a critical role in this outcome.
- (ii) The increase in remuneration would compare reasonably with similar entities.
- (iii) The increase would to an extent mitigate the impact of depreciation on the value of the shilling over the years due to the cumulative impact of inflation.

4.4 The meeting considered the above proposals and unanimously resolved to approve the remuneration of the Directors of the Company as proposed. The revised remuneration will take effect from July 2017.

**MIN. 5/AGM/2016: TO RE-APPOINT M/S JIM ROBERTS & ASSOCIATES AS AUDITORS FOR THE YEAR ENDING 31 DECEMBER 2017 AND AUTHORISE 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 of the Company are Jim Roberts & Associates, Certified Public Accounts who were first appointed at the AGM of 17-10-2014 and were re-appointed in the last AGMs of 9-12-2015 and 9-12-2016. They have provided external audit services to the Company in respect of the financial years 2014, 2015 and 2016.

- 5.1.2 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.
- 5.1.3 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 as auditors for the financial year 2017 and to authorise the Board of Directors to fix their remuneration.
- 5.1.4 The meeting unanimously resolved to re-appoint Jim Roberts & Associates as the Company's external auditors for the year ending 31<sup>st</sup> December 2017.
- 5.1.5 The meeting further resolved to authorize the Directors of the Company to negotiate and fix remuneration of the external auditors.

**MIN. 6/AGM/2017: ANY OTHER BUSINESS**

There being no other business to discuss, the meeting ended at 5:00 pm.

CONFIRMED this ..... day of ..... 2018 as a true record of the meeting.

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**CHAIRMAN**

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**SECRETARY**