

# 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 2023 AT 2:30 PM

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### **DIRECTORS PHYSICALLY PRESENT**

1.	Eng. Martin Kasekende	Chairman
2.	Mrs. Florence N. Mawejje	Member
3.	Mrs. Marion Adengo Muyobo	Member
4.	Dr. Tom Mutyabule	Member
5.	Mr. Reuben B. Tumwebaze	Managing Director

### **DIRECTORS ATTENDING ELECTRONICALLY**

6.	Mr. Richard Byarugaba	Member
7.	Mr. Henry Ngabirano	Member
8.	Mr. Bayo Folayan	Member
9.	Mrs. Peninnah Tukamwesiga	Member
10.	Mr. Joseph Tukuratiire	Member

### **IN ATTENDANCE PHYSICALLY**

1.	Mr. Jones Muhumuza	Head of Finance
2.	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/2023: ADOPTION OF AGENDA**

The following agenda was adopted:

1. To receive and confirm the minutes of the meeting held on 29 June 2022.
2. To receive, consider and approve the Directors' report and audited financial statements for the year ended 31 December 2022, together with the report of the auditors.
3. To consider, approve and declare a final dividend of UGX 0.5 per share for the year ended 31 December 2022.
4. To rotate and elect Directors in accordance with the Articles of Association of the Company and determine their remuneration.
  - Mr Joseph Tukuratiire retires and, being eligible for re-election, has expressed willingness to continue in office.
5. To consider, and if deemed fit, appoint Ernst & Young, Certified Public Accountants as external auditors of the Company for the year ending 31 December 2023 and authorize 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/2023: MINUTES OF PREVIOUS ANNUAL GENERAL MEETING**

The meeting considered the minutes of the Annual General Meeting held on 29 June 2022 and adopted them as a true record of the meeting.

### **MIN.2/AGM/2023 TO RECEIVE AND CONSIDER THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 TOGETHER WITH THE REPORT OF THE AUDITORS.**

#### **2.1 Chairman's Statement**

The Chairman presented his statement on pages 7 to 10 of the Annual Report and highlighted the following:

- 2.1.1 The Company operated in a difficult business environment characterised by geo-political tensions and regional conflicts which disrupted supply chain and distribution channels, and escalated costs. Despite these challenges, the Company made a modest profit.

- 2.1.2 The positive performance was made possible by the unwavering dedication and tireless efforts of staff who remained agile and creatively navigated the uncertain times. The staff were guided and supported by the collective wisdom of the Board and its Committees.
- 2.1.3 Throughout the year, the Company continued to invest in the production process to increase the quantity and quality of its products, and to increase operational efficiency and sustainability. These investments are expected to deliver higher margins and profitability in the coming years.
- 2.1.4 Four years into a five-year strategy, the Company has laid a strong foundation across the key performance areas: staff engagement, operational excellence, customer satisfaction, and revenue growth.
- 2.1.5 The Company has remained a socially responsible corporate citizen, and is actively improving the environmental footprint of its operations.

## **2.2 Managing Director's Statement**

The Managing Director presented his statement on pages 11 to 13 of the Annual Report and the following were the key highlights:

- 2.2.1 Despite the challenging environment, the business was operated well by a committed staff and registered modest profitability.
- 2.2.2 The Company demonstrated remarkable resilience, registering UGX 36.6 billion in annual revenue compared to UGX.36.7 billion in 2021. On the stock exchange, the investors earned a net cash return of 43.85%.
- 2.2.3 Following Board and statutory approvals, the Company underwent a restructuring exercise to improve labour productivity and efficiency. The retrenchment was a necessary balancing act for the business to realize efficiency.
- 2.2.4 To improve the volumes and quality of products, the Company undertook several capex interventions, including the purchase and installation of 11PV and 13PV tile presses in Kamonkoli and Kajjansi respectively, and the extension of the Kamonkoli kiln.
- 2.2.5 Given the growing economy and demand for housing, the above investments will deliver significant value to the investors in the long term.

2.2.6 Distribution channels for the Company's products have been increased, to improve customer access to products.

2.2.7 The Company continued to improve its health and safety systems to ensure the safety of its staff, customers and visitors.

### 2.3 **Financial Statements**

The Head of Finance presented the audited financial statements of the Company for the year ended 31<sup>st</sup> December 2022 and highlighted the following:

2.3.1 Despite the challenging business environment mainly due to the impact of geo-political tensions in Europe and domestic inflationary tendencies, the Company was resilient and posted good performance numbers.

2.3.2 The performance highlights were as follows:

- (i) Revenue for the period decreased by 0.2% to UGX 36.6 billion compared to UGX 36.7 billion in the year 2021.
- (ii) Gross profit for the period decreased by 14% to UGX 14.8 billion from UGX 17.2 billion in 2021, driven by increased costs of production mainly attributable to high inflation that raised the costs of all inputs.
- (iii) Overhead costs increased by 12% to UGX 13.5 billion from UGX 12 billion due to costs associated with the production capacity enhancement project and an increase in the depreciation expense arising from asset additions.
- (iv) As a result, net profit after tax for the period decreased by 59% to UGX 2.44 billion from UGX 5.8 billion in 2021.
- (v) The balance sheet remained strong with closing total assets of UGX 76.9 billion which increased by 3%, mainly attributable to capital investments in the two factories that included the Kamonkoli kiln extension and installation of new tile presses at both our factories.
- (vi) Net cash from operating activities decreased to UGX 5.2 billion from UGX 9.2 billion in 2021, driven by increased costs of production as a result of inflation well as the revenue remained constant.

2.3.3 The Company had concluded a loan rescheduling agreement with the NSSF for the repayment of the loan of UGX 20.6 billion.

## **2.4 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:

- 2.4.1 The financial statements presented fairly, in all material aspects, the financial position of Uganda Clays Limited as at 31<sup>st</sup> December 2022, 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.
- 2.4.2 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.

## **2.5 Directors' Report**

The Company Secretary presented the Directors' report on pages 133 – 134 of the Annual Report as follows:

- 2.5.1 The principal activities of the Company were the production and sale of a wide range of baked clay building products.
- 2.5.2 The Company made a net profit of UGX 2,441,750,000 during the year under review compared to UGX 5,920,562,000 in 2021.
- 2.5.3 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.
- 2.5.4 The directors proposed a final dividend of UGX 0.5 per share (UGX 450 million) for year.
- 2.5.5 The directors who held office during the year are listed on page one of these minutes.

## **2.6 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 Head of Finance responded that dividends have always been paid whenever declared. The members were advised to contact the Share Registrars SCD to update their account details for ease of payment of dividends.

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 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.

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.

## 2.7 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 2022 and all the reports in the Annual Report.

**MIN. 3/AGM/2023: TO CONSIDER, APPROVE AND DECLARE A FINAL DIVIDEND OF UGX 0.5 PER SHARE FOR THE YEAR ENDED 31 DECEMBER 2022**

- 3.1 The Company Secretary informed the meeting that:
- 3.1.1 The Company had made a net profit of UGX 2,441,750,000 during the year under review.
  - 3.1.2 The Board of Directors recommended a dividend payment of UGX 0.5 per share for the year ended 31 December 2022. If approved, the total dividend payable will be UGX 450,000,000.
  - 3.1.3 In arriving at this recommendation, the Board took into consideration the dividend policy of the Company, and the need to retain substantial cash for capital expenditure to improve production capacity at both factory plants and to improve product quality.
- 3.2 The meeting considered and resolved to approve and declare a final dividend of UGX 0.5 per share for year ended 31 December 2022.

**MIN. 4/AGM/2023: 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 eligible for re-election were:
- (1) Mr Joseph Tukuratiire
  - (2) Mr. Richard Byarugaba
  - (3) Mrs. Florence Namatta Mawejje.
- 4.3 Director Tukuratiire, who holds one of the four slots for minority shareholders, had offered himself for re-election. His profile was on page 105 of the Annual

Report. Directors Richard Byarugaba and Florence Mawejje were nominees of the NSSF, but the Fund has not re-nominated them for re-election and had not yet submitted other nominees to replace them. The two slots on the Board for the NSSF nominees would therefore remain vacant until nominations are received from the Fund. The nominees will be appointed by the Board pursuant to provisions in the Articles of Association of the Company for filling casual vacancies. The directors so appointed will be subject to ratification at the next annual general meeting.

4.4 Mr Tukuratiire was duly nominated and re-elected as a Director.

**MIN.5/AGM/2023: TO APPOINT M/S ERNST & YOUNG CERTIFIED PUBLIC ACCOUNTANTS AS AUDITORS FOR THE YEAR ENDING 31 DECEMBER 2023 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 auditors of the Company, PKF Uganda, were first appointed in 2019 and had been in office for four consecutive years, which was the maximum permitted under the company's finance manual.

5.1.3 Following a procurement process, the Board of Directors had recommended Ernst & Young to be appointed external auditors for the financial year ending 31st December 2023.

5.2 The meeting resolved to appoint Ernst & Young as external auditors of the Company for the financial year ending 31st December 2023, and further resolved to authorize the Directors of the Company to negotiate and fix their remuneration.

**MIN.6/AGM/2023: 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 ..... 2024 as a true record of the meeting.

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**CHAIRMAN**

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**SECRETARY**