



**UGANDA
DEVELOPMENT
CORPORATION**
Driving Industrial Growth



**UGANDA
DEVELOPMENT
CORPORATION**
Annual Report
FY2022/23

TABLE OF CONTENTS

Abbreviations and Acronyms	2
Message from the Chairperson Board of Directors	3
Board of Directors	4
Message from the Executive Director	5
Management Team	6
Key Performance Indicators In Line With UDC Investment Principles	7
Who We Are	8
Operational Agro-Industries	11
Bukona Agro Processors Limited	13
Operational Infrastructure and Services Projects	17
Progress Non-Operational Investments and Projects	21
Critical Challenges Affecting UDC Investments	25
Capacity Building, Collaborations and Networks	26
Planned Ready-To-Invest Projects	27
Approved UDC Workplan for FY2023/2024	28
Consolidated Financial Statements for FY2022/23	31
UDC FY 2023/24 at a Glance	34

ABBREVIATIONS AND ACRONYMS

ATSGSL	Abubaker Technical Services and General Supplies Limited
BAPL	Bukona Agro Processors Limited
BUBU	Buy Uganda Build Uganda
DRC	Democratic Republic of Congo
EAMV	East African Medical Vitals
ESG	Environmental, Social and Governance
FONUS	Food and Nutrition Solutions Limited
FY	Financial Year
GoU	Government of Uganda
KIS	Kalangala Infrastructure Services
KHTL	Kigezi Highland Tea Ltd
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MCAL	Mutuma Commercial Agencies Limited
MoU	Memorandum of Understanding
M3	Cubic Meters
NAADS	National Agricultural Advisory Services
NMS	National Medical Stores
SOFTE	Soroti Fruits Limited
SPV	Special Purpose Vehicle
UDBL	Uganda Development Bank Limited
UDC	Uganda Development Corporation
UMA	Uganda Manufacturers Association
UTA	Uganda Tea Association

Message from the Chairperson Board Of Directors



Dear valued shareholders and stakeholders, I am pleased to present the Annual Report and Audited Financial Statements for the FY ended June 30, 2023, on behalf of Uganda Development Corporation. The FY 2022/2023 was a good one for UDC, with remarkable improvements towards achieving our vision and mission.

Our investment portfolio grew from eleven (11) in FY 2021/22 to Sixteen (16) by June 30, 2023. New investments were made in strategic areas such as tourism and hospitality, construction, infrastructure, and coffee value addition. These investments align with our 10-year Strategic Plan 2019/2020-2028/2029, which aims to drive Uganda's industrial development, promote social-economic transformation, and focus on critical sectors such as Agro-Manufacturing, Mineral Beneficiation, Services, and Infrastructure.

We have several other projects under appraisal, and once the investment decisions are made, we will further grow our investment portfolio to at least twenty (20) within the next four years.

I am pleased to report that the Board has supported Management in achieving critical strategic and operational business processes, including fostering collaborations

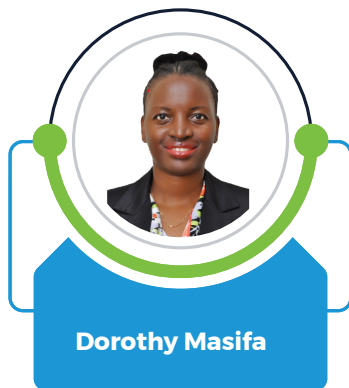
and partnerships, undertaking stakeholder engagements, and monitoring UDC interests.

In the coming FY 2023/2024, we will continue to build on the successes achieved so far, supporting management and their innovations, including the operationalisation of the Environmental, Social and Governance (ESG) framework to enhance long-term sustainability, diversify our development capital sources, and foster stakeholder management.

Lastly, I want to express my gratitude to our shareholders and stakeholders for their continued trust in the Board's leadership. I hope you find this Annual Report informative and exciting.

Godfrey R. Ruhurira
Chairperson
Board of Directors

BOARD OF DIRECTORS



Message from the Executive Director



I am delighted to present the FY 2022/2023 UDC Annual Report. Thanks to the unwavering support of the Board and Management, which enabled the Corporation to reach investment decisions and implement and monitor all investments quickly.

The Management and Staff worked tirelessly to increase our business investments to 16 from 11 the previous year. As of June 30, 2023, UDC investment portfolio included Soroti Fruits Limited (Teso), Kigezi Highland Tea Ltd, Kayonza Growers Tea Factory (Kigezi), Mabale Growers Tea Factory, Mpanga Growers Tea Factory (Toro), Mutuma Commercial Agencies (Busoga), Atiak Sugar Factory, and Bukona Agro Processors Ltd (Acholi). Further, we are proud to have invested in Budadiri Arabica Coffee Mills (Bugisu), the factory closed since 2014 and will soon resume commercial operations following its capitalisation by UDC.

Our investments in Central Uganda include Kalangala Infrastructure Services, Nile Hotel International, Commonwealth Resort Munyonyo, Abubaker Technical Services and General Supplies Ltd, Speke Resort Conference Centre, and East African Medical Vitals. These investments have created enormous direct employment opportunities for at least 3007 Ugandans.

We have plans to expand our investment portfolio with new investments. Execution of the planned investments will bring our portfolio to a total of 20 within the next few years. Among the new investments are Nilezilla Ltd, National Marketing Company and Alfasan Uganda Ltd.

During FY 2022/23, we completed 22 preliminary project reviews, nine (9) feasibility studies, and 13 Investment Appraisals as part of our investment development and appraisal process. These studies have effectively informed the Corporation on the most strategic and feasible investments and implementation modalities.

We successfully monitored all ongoing investments, identified critical and persistent challenges, and Management took corrective actions.

To improve operational efficiency in our investments, in the coming FY 2023/2024, we plan to scale up the business automation and digitisation, review and operationalise the Corporation structure, enhance risk management, and continue to monitor and evaluate all UDC investments regularly.

Lastly, the Corporation wishes to thank the Almighty God for overseeing each one of us and our Corporation as we strive to improve the social and economic well-being of all Ugandans. I am confident that you will find this Annual Report exciting and informative!

Patrick B. Birungi, PhD
Executive Director

MANAGEMENT TEAM



Patrick B. Birungi, PhD
Executive Director



Christine Zake
Director Finance & Administration



Andrew Mugerwa
Director Investments
Development & Appraisal



Hope A. Kisitu
Corporation Secretary



Teo Nanyange Bandha
Manager Finance



Yudaya Kadondi
Manager Investments Services



Pauline Among Ihumuza
Manager Legal Services



Mildred Barungi, PhD
Manager Research,
Monitoring & Evaluation



Ollen Wanda Kahurubuka
Manager Agro-Industry



Dan Atuhaire
Manager Procurement



Herbert Bitwire
Manager Human Resource & Administration

KEY PERFORMANCE INDICATORS IN LINE WITH UDC INVESTMENT PRINCIPLES

Strategic investments:

As at June 2023, UDC had a total of sixteen (16) investments namely, Soroti Fruits Limited, Mabale Growers Tea Factory, Mpanga Growers Tea Factory, Kayonza Growers Tea Factory, Kigezi Highland Tea Limited, Horyal Investment Holding Company (Atiak Sugar factory), Bukona Agro Processors Ltd, Mutuma Commercial Agencies Limited, Budadiri Arabica Coffee and Mills Ltd, Kalangala Infrastructure Services, Nile Hotel International Limited, Munyonyo Commonwealth Resort, Speke Resort Convention Centre, Abubaker Technical Services and General Supplies and East African Medical Vitals.

Creation of productive jobs:

Utilization of local raw materials:

UDC's agro-industries off took at least 18,006.7 tons of green tea leaf; 6,186 tons of maize, 278.54 tons of fruits (mangoes and oranges), 1,098 tons of sorghum, 246.73 tons of seed cotton and 14.27 tons of cassava.

Contribution to export earnings:

UDC's exporting firms contributed over USD 4.843 million to Uganda's export earnings.



Creation of productive jobs:

As at the June 30, 2023, at least 3,007 people were directly employed by UDC investee companies.

Contribution to household incomes:

At least UGX 19.69 Billion was paid to farmers for the agricultural produce supplied to the factories for processing.

WHO WE ARE

Uganda Development Corporation is a statutory corporation that was established by the UDC Act 2016 to promote and facilitate industrial and economic development of Uganda. The Corporation addresses this objective through: (i) establishment of subsidiary and associated companies; (ii) entering into public private partnerships with commercial, industrial or agricultural undertaking or enterprises; (iii) using public private partnerships, assisting in financing and management of undertakings promoting industrial or economic development; and (iv) promoting and facilitating research into industrial development.

UDC's intervention in strategic and sustainable investments is guided by five (5) key fundamental principles namely;

- a) Creation of both direct and indirect employment, with a focus on productive jobs.
- b) Utilisation of local raw materials/ resources to manufacture for domestic and international markets as stipulated by the BUBU policy.
- c) Improvement of the trade balance position as envisaged in the National Export Development Strategy, the National Industrial Development Policy, and the National Investment Policy, among others.
- d) Development of local entrepreneurship.
- e) Balanced regional development within the country.

The corporation uses three financing arrangements: equity financing, lease financing and shareholder loan financing. Through equity financing, the Corporation acquires a stake by taking either more than 50 percent of shareholding in a company (Subsidiary entity) or less than 50 percent shareholding in a company (associated entity). Under finance lease arrangement, UDC (the lessor) procures and leases equipment and machinery and hands it over to a private company (the lessee) that operates and manages it for purposes of fostering industrialisation; however, UDC remains the legal owner of the establishment (assets) for the duration of the lease.

UDC recovers the cost of the investment through receipt of rental payments made by the lessee until the last rental has been cleared. On the other hand, shareholder loans are debts UDC extends to investee companies where the Corporation owns some shares.

With funding from Government, UDC pursues its mandate through establishment of subsidiary and associated companies in areas that are strategic for social and economic transformation. During the financial year, UDC played a significant role in creating more jobs and stabilizing the Ugandan economy. The corporation's commitment to supporting national development plans through implementation of its Strategic Plan 2018/19-2028/29 is unwavering, and it will continue to contribute to the increased industrialization drive, ensuring Uganda's economy continues to thrive.



VISION

To become the leading driver of Industrial development for Uganda's social and economic transformation and Prosperity



MISSION

To establish sustainable investments in areas strategic to Uganda's social and economic transformation and prosperity of Uganda



MANDATE

To promote and facilitate industrial and economic development of Uganda



**KAYONZ
GTI**

CORE VALUES

SUSTAINABILITY

It is our commitment and responsibility for the future to invest in strategic and sustainable venture that strike a balance between benefit and social good

TEAM WORK

UDC espouses team spirit, togetherness and collective responsibility for all actions, and their intended and unintended outcomes

ADAPTABILITY

UDC is flexible to take on new ideas/innovative ways of doing work and is productive to emerging opportunities and challenges

INTEGRITY

As UDC, We subscribe to high ethical and moral standards, Staff are expected to conduct themselves professionally at work in their social and private lives

RELIABILITY

UDC strives to demonstrate its consistent behaviour through meeting and exceeding the expectations of our stakeholders

EXCELLENCE

UDC espouses team spirit, togetherness and collective responsibility for all actions, and their intended and unintended outcomes



OPERATIONAL AGRO-INDUSTRIES

Mabale Growers Tea Factory Limited



The investment

- Located in Kyenjojo, Tooro sub-region.
- Processes green tea leaf into black made tea with a capacity of 600 kg/hr, for local and export markets

Annual Achievements

- **Job creation:** Factory employs 447 people directly.
- **Offtake of local raw materials:** Purchased about 9,145 tons of green leaf from smallholder farmers.
- **Enhancement of household incomes:** Injected about UGX 4.5 billion into the local economy through payments for the green leaf.
- **Contribution to Uganda's export earnings:** Fetched about USD 1.7 million in export earnings.

Mpanga Growers Tea Factory Limited

The investment

- The factory is located in Kabarole, Toro sub region.
- It processes green leaf into black made tea with an installed capacity of 1,200 kg/hr.

Annual Achievements

- **Job creation:** Factory employs 346 people directly.
- **Offtake of local raw materials:** Purchased at least 8,863 tons of green leaf from smallholder farmers.
- **Enhancement of household incomes:** Injected over UGX 3.905 billion into the local economy through payments for the green leaf.
- **Contribution to Uganda's export earnings:** Fetched about USD 1.2 million in export earnings.

Bukona Agro Processors Limited



The investment

- The factory is situated in Nwoya, Acholi sub region; it commenced commercial operations in May 2021.
- It processes cassava and other crops into denatured ethanol for cooking under the brand "Green fuel"
- It has a capacity of processing 100MT of dry cassava chips per day into 40,000 liters of ethanol.

Annual Achievements

- **Job creation:** Factory employs 194 people directly.
- **Offtake of local raw materials:** Purchased about 8,605 tons of assorted raw materials (maize, sorghum, cassava, bagasse and molasses) from smallholder farmers.
- **Enhancement of household incomes:** Contributed over UGX 9.027 billion to households' incomes through payments for raw material supplies.
- **Contribution to Uganda's export earnings:** Exported denatured liquid ethanol to vivo energy in Kenya and earned USD 1,652,951.

Figure 1: Commodities purchased by Bukona Agro Processors; January to June 2023

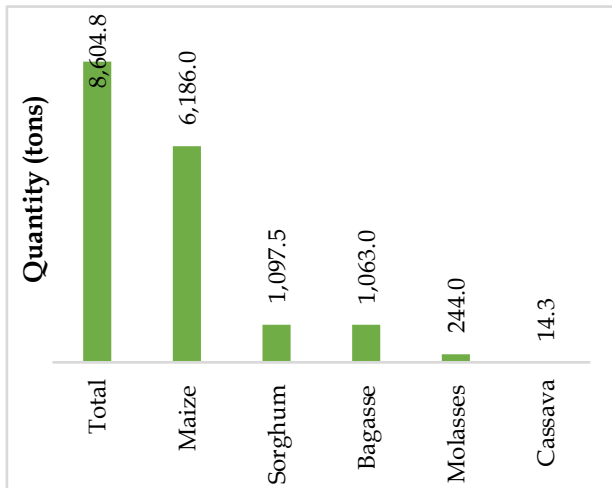
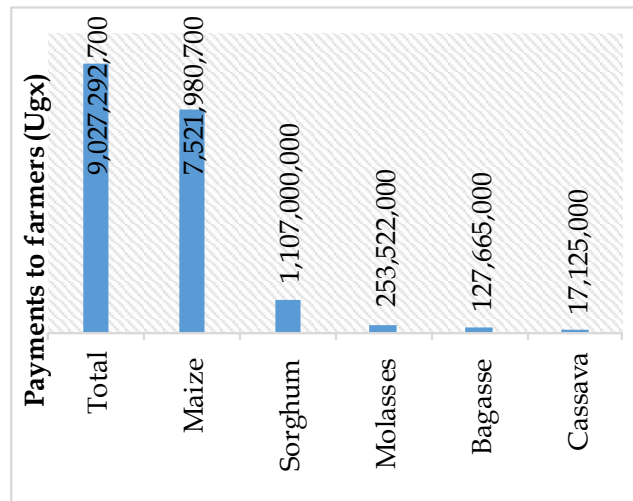


Figure 2: Contribution of Bukona Agro Processors to household incomes; January to June 2023



Soroti Fruits Limited



The investment

- The factory processes oranges and mangoes into concentrate and ready-to-drink juice under the 'Teju' brand.
- It has an installed capacity of 6MT/Hr for each of the orange and mango lines.
- It started commercial operations in October 2019.

Annual Achievements

- **Job creation:** Factory employs 84 people directly.
- **Offtake of local raw materials:** Purchased 588.54 tons of fruits (oranges and mangoes combined) from farmers.
- **Enhancement of household incomes:** Injected about UGX 260.6 million into the local economy through purchase of fruits.
- **Contribution to Uganda's export earnings:** Fetched USD 18,221 in export earnings.

Mutuma Commercial Agencies Limited

MCAL, an established company since 1999, is located in the heart of Busoga Sub-region. The company has made significant strides in providing reliable and high-quality products to its customers. By purchasing seed cotton from over 6,000 farmers and utilising an efficient ginning process, MCAL can produce both lint and cotton seeds. The lint is transformed into medical absorbent cotton wool, while the cotton seeds are further processed into vegetable oil and cotton seed cake. MCAL is the leading producer of high quality cotton wool for medical purposes in Uganda under the brand name 'Pearl Absorbent cotton'.

One of MCAL's most outstanding achievements in the fiscal year 2022/2023 was its commitment to employment; despite the past year's challenges, the company maintained its workforce, employing 132 individuals directly full-time. It off-took 246.73 tons of seed cotton, enhanced household incomes by over 2.29 billion and contributed at least USD 333,376 to the country's export earnings.





OPERATIONAL INFRASTRUCTURE AND SERVICES PROJECTS

Kalangala Infrastructure Services Limited



The investment

- Two (Roll-on-Roll-off) ferries which operate between Bukakata and Luuku. The ferries serve as a link between the island and the mainland, and government pays for the ferry services on behalf of the citizens.
- Rehabilitated and expanded 66km main island road from Luuku to Mulabana via Kalangala town council (class B marram).
- Solar-thermal hybrid power plant that generates, transmits and distributes electricity on Bugala island.
- Rehabilitated and expanded main KTC water treatment plant with a capacity of 480 m³/day, and 6 water systems serving Kalangala town council and seven (7) other settlement areas. Communities.
- A1.66MW solar-thermal hybrid generation plant with over 270 kilometers of power transmission/distribution network.

Annual Achievements

- **Job creation:** The company employs 69 staff directly.
- **Provision of ferry transport services:** The ferries made 5,395 trips transporting people and their goods.
- **Provision of water:** 79,733M³ of water was supplied to homes, institutions and business premises.
- **Provision of electricity:** 1,867,033 kWh of electricity were supplied for both domestic and commercial use.

Nile Hotel International Limited

Nile Hotel International Limited (NHIL) is a company limited by shares incorporated on 28th October 1994 and existing under the Companies Act. The company is wholly owned by the Government of Uganda through UDC. It is an asset-holding company with lease/concession fees as its principal income. NHIL leased its assets occupied by Serena Kampala Hotel to TPS (Uganda) Limited. In return, NHIL earns UDC dividends in the form of concession fees.

In FY 2022/23, NHIL upheld its commitment to managing the concession of the esteemed Serena Hotel Kampala. The Serena Hotel International concession provided employment opportunities to over 311 people.

Important to note, NHIL further grew by acquiring 49% shareholding in Igongo

Country Hotel and Cultural Centre (ICHCC). The former (NHIL) appointed three (3) Directors to the ICHCC Board to take care of its (and therefore UDC's) interest in ICHCC; the NHIL directors' expertise in the hotel and tourism services sector is expected to steer ICHCC towards realization of its vision.

Munyonyo Commonwealth Resort Hotel Limited

In preparation to host Common Wealth for Heads of Government Meeting (CHOGM) in 2007, Government of Uganda through the Ministry of Finance, Planning and Economic Development (MoFPED) and Meera Investments Ltd established a hospitality investment in Munyonyo. In the FY 2021/2022, MoFPED officially handed over government shareholding to UDC. During the reporting period, the facility continued to provide employment to over 330 people.

Abubaker Technical Services and General Supplies Limited



The construction company has its headquarters in Mukono. It has two concrete products plants, a stone quarry, a stone crushing plant, and an Asphalt Plant in Mayirikiti, Nakaseke District. In February 2023, UDC acquired a stake in ATSGS.

The company provides a range of services including: construction and maintenance of bridges; new road construction (paved and unpaved); road maintenance, both routine and periodic; drainage construction and maintenance; large waterway channel construction and maintenance; remodeling

and alterations for traffic schemes; concrete works, building construction and renovations; solar street lights and solar products; mast construction; metal fabrication and machining workshop; and geological investigations. Additionally, ATSGS produces several products including dense bitumen Macadam, concrete products (e.g. concrete paving blocks, concrete blocks, slabs, kerb stones, edge kerbs, etc), high-quality aggregates, stone base, rock and gabion rock, reinforced concrete culvert pipes and asphalt concrete.

As at the end of June 2023, the company had ten (10) on-going projects as listed here;

- 1) Construction Works for selected Infrastructure sub projects in cluster II Lira city (3.657km)
- 2) Construction Works for selected Infrastructure sub projects in cluster II Apac (1.6km)
- 3) Construction Works for selected Infrastructure sub projects in cluster II Moroto (0.8km)
- 4) Emergency Procurement of Civil Works for the Upgrading of Kafunta Buwampa Road (9.5KM) linking to MMP Industrial Park from Gravel to Paved (Bituminous) Standard in Buikwe District
- 5) Frame Work Contract for Routine Road Element Repairs-Reconstruction of Lubiri ring road in Lubaga Division (3.5Km)
- 6) Upgrading of 25km of Roads using Probase Technology (ATSGSL Portion)
- 7) Reconstruction/Rehabilitation of Priority Roads in Entebbe Municipality Under Pre-Financing Arrangement (10km)
- 8) Civil works for Rehabilitation of Busunju-Kiboga-Hoima Road (145km)
- 9) Civil works for Rehabilitation of Matugga-Semuto-kapeeka Road (41km)
- 10) Civil works for upgrading of Bubulo-Bududa Circular (28.0km) and Mbale-Nkokonjeru (21km) Roads to Bitumen Standards.

East African Medical Vitals (EAMV) Limited

EAMV is a company that produces medical consumables and is planning to expand its current capacity of 36 Million gloves per year to 72 million gloves per year. The company aims to meet the demand of 72 million pairs of gloves locally and regionally. By the end of the fiscal year, legal documentation was completed, paving way for the corporation to proceed with the investment.

Accordingly, UDC acquired shares in the company and the investment in EAMV is towards procurement and installation of a second glove manufacturing line and provision of working capital. The expansion of the factory is expected to increase the number of direct jobs from the current 245 to 400. With this investment, there is potential to save foreign exchange of USD 16,823,568 annually.



PROGRESS ON NON-OPERATIONAL INVESTMENTS AND PROJECTS

Budadiri Arabica Coffee Mills Limited



Budadiri Arabica Coffee Mills Limited, a coffee processing factory is located in Sironko, Bugisu sub-region. The factory has been closed since February 2014 following its seizure by Uganda Development Bank (UDB) over a loan. The factory when fully operational has an optimal capacity to process and grade up to 12,000 metric tons per year of Arabica coffee beans, with a potential of expanding to 24,000 metric tons.

UDC registered remarkable progress towards revival of the factory including: financial disbursement to UDB to clear the outstanding loan, an investment to be treated as a shareholder loan to the Special

Purpose Vehicle (SPV); acquisition of a stake in the coffee factory; completion of major factory repairs (including installation of civil and electrical equipment); and recruitment of critical technical staff (i.e. the Plant Manager, Procurement Officer, and Senior Technical Officer) needed to get the factory ready to resume the coffee processing business.

Horyal Investment Holding Company Limited (Atiak Sugar Factory)



Atiak sugar factory had begun commercial operations but largely due to persistent shortage of sugarcane, in April 2022, operations were halted. The factory was re-planned focusing on mechanized sugarcane production, which necessitated procuring assorted machinery and equipment including agriculture farm equipment, earthmoving equipment and truck.

During the fiscal year, UDC procured machinery and equipment including tractors, a boom sprayer, cane harvesters, bulldozers, dump trucks, and concrete mixers. By the end of June 2023, about 38 percent of the total expected units (206) of machinery and equipment had been delivered at the factory. The machinery will foster agriculture/sugarcane

mechanization to attain the desired cane output needed for the factory to fully utilize the installed capacity.

Nilezilla Limited

The factory is designed to process local mango into puree at an input capacity of 5MT of mangoes per hour and an output capacity of 2.5 MT of puree per hour. This investment is a tripartite partnership between FONUS, UDC and Aringa Fruit Farmers' Cooperative Society. On 14th December 2021, the three parties incorporated a Special Purpose Vehicle (SPV) registered in the names of Nilezilla Limited to operate and manage the factory.

During the financial year, construction of the factory was completed and the facility

was technically commissioned on June 23, 2023; and the Nilezilla Board was inaugurated. However, a few gaps in civil works and additional equipment remain but will be fixed soon to enable commencement of commercial operations. Once commercial operations commence, the factory will surely generate a lot of economic and social benefits to the people of Yumbe, West Nile sub-region as well as the country at large.

Speke Resort Convention Centre



In preparation to host the Non-Aligned Movement (NAM) summit in January 2024, UDC in partnership with MEERA Investments Limited (MIL) are constructing a State of the Art International Convention Centre at Munyonyo, Kampala. The project will cover a gross built-up area of 21,677 square meters with a total capacity of 5,520 pax with a conference hall that will host 3,800 delegates. In addition, the convention centre will have a multi-purpose hall, twelve

high end Conference/Meeting rooms and a floating restaurant which can accommodate 500 guests (Boardroom sitting style) with additional supporting spaces, the first in country with an extra ordinary view of the great Lake Victoria.

As of the end of FY 2022/23, the construction works continued with unwavering momentum, with the facility attaining a commendable 65% completion level.

CRITICAL CHALLENGES AFFECTING UDC INVESTMENTS

The corporation and its investee companies faced several challenges, most of which persisted throughout the year. These are;

(i) Inadequate capitalisation of UDC: Limited and projectised funding by Government to UDC has hampered the Corporation from investing in many of the its planned development projects for FY 2022/23. Whereas Cabinet during its meeting held on 31st October 2022, approved the increment of UDC's capital to UGX 5 trillion (Cabinet Action Extract Minute No 381 CT 2022) from the threshold of UGX 500 billion provided for in the UDC Act 2016 section 17, capitalization of the corporation is yet to be effected.

(ii) Price fluctuations: The prices of made tea at the Mombasa auction market have remained low and frequently fluctuate. As at end of June 2023, the average price for Black tea had reduced from USD 1.8 Per Kg to USD 0.85/kg at the Mombasa Auction Market. The low prices of made tea are in part affected by the low quality emanating from low green leaf quality. To this end, UDC and the investee companies propose to pursue the following strategies: (i) Establishment of revolving funds to facilitate procurement of agro-inputs (fertilisers) for smallholder farmers; (ii) Fast-tracking the passing of the national tea policy and its implementation—this is expected to ensure proper regulation of the tea industry; and aggressively search for new markets; and

making investments beyond CTC lines to enable production of premium diversified tea products.

(iii) Limited demand: Low demand for made tea in the auction market at Mombasa to the extent of no offers at all, at times. This was largely attributed to the economic recession in Pakistan, a major tea consumer. Similarly, Soroti Fruits Limited faces a challenge of insignificant market demand for fresh orange concentrate and ready-to-drink juice.

(iv) Depreciating machinery and operational inefficiency: Many firms, especially tea factories have old machinery which experience frequent wear and tear, hence increasing the cost of running the factories. In the coming years, UDC will prioritise investments in new machinery to ensure operational efficiency, profitability and sustainability of the investments.

(v) Seasonality in supply of raw materials: Some raw materials, especially fruits, are seasonal, implying during off season, the factories do not receive sufficient supplies for optimal operations. Specifically, in the case of fruit processing, UDC plans to expand the fruit processing capacity, and to invest in construction of warehouses to increase storage capacity for fruit concentrate.

CAPACITY BUILDING, COLLABORATIONS AND NETWORKS

- Cognizant of the fact that organizational capacity building is crucial for any organization's growth, resilience, and ability to achieve its goals, seven (7) staff were facilitated to undertake training in various fields including; Monitoring and evaluation, Office Administration, Distressed Investment and Advisory, Project Financial Analysis and advisory, Certification in Ethical Harker and Audit.

- Regarding collaborations, UDC together with NSSF Commenced processes to establish a national marketing company that will effectively aggregate produce from smallholder farmers at fair prices, for onward trading in the final (domestic and export) markets. The interim company management team was constituted and processes to register the company are on-going. The coming together of two government entities for a common cause is a big step in the direction of optimizing utilisation of available financial and non-financial resources.



- **Also, UDC collaborated with the Archdiocese of Gulu, which is a branch of the Roman Catholic Church, to garner** church

support for the government's initiative to establish a Starch Processing Factory in Pader district. This factory aims to add value to the plentiful cassava grown in Acholi sub-region.



- **Regarding collaborations with international institutions, one notable achievement is that in March 2023, UDC together with the Industrial Development Corporation (IDC) of South Africa signed a Memorandum of Understanding as a formal non-exclusive framework of cooperation between the two parties.**

- A partnership with Devki Steel Mills company in Kenya is being considered with intent to promote iron ore exports and value addition. The Kenya-based Devki Steel Mills produces assorted steel products from iron ore. The company plans to source iron ore from Uganda, for East African operations. The Ugandan government has signed an MoU with Devki Steel Mills Ltd to provide a framework for collaboration. The collaboration is expected to boost revenue and foster social and economic growth in both Uganda and Kenya.

PLANNED READY-TO-INVEST PROJECTS

Over the years, UDC has received and appraised several investment proposals, and has developed a pipeline of ready-to-invest projects. However, the current level of funding is not only inadequate but also remains project-specific, therefore constraining flexibility in investment decisions. Below is a summary of the ready-to-invest projects.

AGRO-MANUFACTURING

- Establishment of a Cassava starch and ethanol factory in Acholi sub region (Pader district)
- Establishment of a coffee grading and roasting factory in Greater Masaka. The main factory products will include soluble coffee, roasted beans, and roasted and ground coffee
- Establishment of an integrated sugarcane processing factory in Busoga sub-region (Luuka). Brown sugar will be the main factory product. Other products will include ethanol, electricity, juices, animal feeds, jaggery, paper, and briquettes, among others.
- Establishment of a shredder and sterilization facility in Uganda, to offtake animal and poultry wastes to produce high value protein feeds for both fish, animals and poultry.
- Establishment of a cocoa processing factory in Bundibugyo district. The factory will focus on primary and secondary processing in the first ten years to produce high quality fermented, dried and clean cocoa beans, cocoa liquor/mass, cocoa powder, and cocoa butter.
- Establishment of a tea factory in Zombo, West Nile sub-region. The main products will be made tea and branded made tea
- Establishment of a fruit processing plant in Luwero. The main factory products will be canned pineapple, dried pineapple and mango, and ready-to-drink pineapple juice.

MEDICAL MANUFACTURING

- Establishment of an intravenous fluids production plant in Kabarole district.
- Construct and equip a facility to manufacture medical diagnostics and vaccines in partnership with a private company - Microhaem Scientifics & Medical Supplies Ltd (MHS).

APPROVED UDC WORKPLAN FOR FY2023/2024

The core business of UDC is to invest in strategic and sustainable investments that are geared towards industrial and overall economic development. In the coming FY 2023/2024, UDC will invest in both already established businesses that require expansion or additional working capital; and startups (new undertakings). The approved planned investments/projects are;

- a) Establishment of an integrated sugarcane processing factory in Luuka.
- b) Expansion of Soroti Fruits Factory.
- c) Establishment of a cocoa processing factory in Bundibugyo.
- d) Establishment of a potato processing factory in Kabale.
- e) Establishment of a sponge iron manufacturing factory in Mbarara.
- f) Capitalization (through acquisition of shares) of Sanga Vet Chem (U) Ltd, an acaricides manufacturing plant in Kampala.
- g) Establishment of a plant for production of assorted wpackaging materials.



FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR FY2022/23

The consolidated audited financial statements are presented in the Appendix 1, and they were prepared in accordance with international Financial Reporting Standards (IFRS) under the historical cost convention.

Profit and loss statement

Total revenue generated by UDC and the investee companies grew by 18% from UGX 1,279,142,000 in June 2022 to UGX 1,500,038,000 in June 2023. Gross profit grew tremendously from UGX 6,889,000 in FY 2021/22 to UGX 343,344,000 in FY2022/23, signifying positive operational performance. The positive gross profit signifies that UDC and the investee companies have the potential to generate net profit. The potential to attain profitability notwithstanding, the magnitude of loss greatly increased from UGX 6,440,871,000 in June 2022 to UGX 24,891,035,000 in June 2023. UDC and the investee companies experienced losses, they were unable to yield returns from the investments made.

Statement of financial position

The current ratio increased by 10 points from 46.3 in June 2022 to 56.4 in 2023, signifying stronger and increasing ability to meet short-term obligations. The high and increasing current ratio means that UDC and the investee companies managed their working capital efficiently and maintained sufficient capital to support day-to-day operations without excessive investment in idle assets. Additionally, the debt to equity ratio remained low and further reduced to 0.02 in FY2022/23 from 0.05 in FY2021/22.

This means, UDC and her investee companies are at low financial risk—the creditors have a low stake in the companies. It also means that UDC and the investee companies are

less likely to fail to meet their debt obligations. Shareholders' equity grew tremendously from UGX 613,449,935,000 in FY2021/22 to UGX 992,175,950,000 in FY2022/23, indicating that UDC and the investee companies are in a stronger financial position.

Statement cash flows

The net cash flows from operating activities remained negative and the magnitude increased further from UGX 611,059,000 in FY2021/22 to UGX 73,453,548,000 in FY 2022/23. This means that UDC and the investee companies generated less cash than they are spent in their day-to-day operations. Similarly, the net cash flows from investing activities remained negative and the magnitude increased greatly from UGX 20,861,819,000 in FY2021/22 to UGX 398,360,977,000 in FY 2022/23.

This is explained by the fact UDC and some investee companies made large-scale investments that required significant upfront expenditure but are expected to deliver long-term benefits, an example in case is the procurement of machinery and equipment to mechanize sugarcane production to supply Atiak sugar factory.

The net cash flows from financing activities remained positive and the magnitude increased greatly from UGX 151,213,109,000 in FY2021/22 to UGX 397,991,912,000 in FY 2022/23 which means that UDC together with the investee companies were able to raise more capital to strengthen their financial position.

APPENDIX 1: CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

UGANDA DEVELOPMENT CORPORATION CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH JUNE 2023

	Note	June 2023 Ushs '000	June 2022 Ushs '000 Re-stated
Revenue	3	1,500,038	1,270,142
Cost of sales	4	(1,156,694)	(1,263,253)
Gross profit		343,344	6,889
Concession fees	5(a)	2,312,149	1,504,141
Government Subvention	6	9,102,853	12,009,798
Investment Income	7	6,192,598	5,822,771
Grant income	8	7,382,881	7,948,220
Other Income	9	75,852	17,891
		25,066,334	27,302,821
Operating costs	10	(1,426,568)	(1,527,604)
Sales and Distribution	11	(580,993)	(665,006)
Finance & Administration Costs	12	(15,113,412)	(10,201,825)
Research and Development costs	15	(3,176,695)	(1,151,308)
Tea planting expenses	27	(494,721)	(1,092,475)
Sugar cane transportation expenses	27	(336,244)	(4,827,739)
Share of profit (loss) from Associates	24(a) &(m)	36,109	311,323
Finance Costs	16	(7,626)	(44,060)
Foreign Exchange losses/gains	17	(2,077,115)	(3,212)
Impairment Loss /Expected Credit Losses	14	(23,938,927)	(11,585,446)
Depreciation and amortization	13	(3,074,019)	(2,900,047)
Profit (loss) from operations		(24,780,535)	(6,377,690)
Income tax	40(a)	(110,500)	(63,181)
Profit (loss) for the period		(24,891,035)	(6,440,871)
Other Comprehensive Income			
Good will gained on acquisition of Associate	24(m)	252,670	-
Other comprehensive income net of tax	5(b)	1,829	164,687
Total Other Comprehensive Income for the period		254,500	164,687
Total profit/loss and other comprehensive income		(24,636,535)	(6,276,184)
Total Profit (Loss) and other Comprehensive Income Attributable to:			
Owners of the Corporation		(24,801,509)	(5,176,856)
Non-controlling interests	39	164,974	(1,099,328)
		(24,636,535)	(6,276,184)

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

	Note	June 2023 Ushs '000	June 2022 Ushs '000 Re-Stated
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	18	42,280,796	42,947,931
Right of Use Asset (Office Space Lease)	19(a)	-	289,602
Intangible Assets	20	6,295	9,455
Investment Property	21	200,000,000	200,000,000
Development Investments & Projects	22	26,535,194	7,504,668
Exploration Expenditure	23	1,967,611	1,095,770
Investments in Associates	24	221,733,298	118,926,838
Finance Lease Receivables	26	333,593	871,196
Other Financial Assets	25	298,736,731	38,002,004
Income Tax Credit	40(b)	135,321	-
		791,728,840	409,647,464
Current Assets			
Finance Lease Receivables	26	3,686,576	3,224,150
Trade and Other Receivables	29	17,398,589	2,498,777
Interest Receivable	31	-	120,481
Amount due from TPS	32	1,342,861	470,476
Held to maturity investments	34	4,290,760	6,885,174
Amount receivable from URA – VAT Litigation	33	-	3,406,739
Inventory	35	2,218,286	2,448,143
Letters of Credit	30	49,114,384	-
Bank and Cash Balances	28	138,482,188	212,388,171
		216,533,643	231,442,111
TOTAL ASSETS		1,008,262,483	641,089,576
EQUITY & LIABILITIES			
Equity			
Capitalization Grants	36 (a)	858,864,859	462,243,365
Revaluation Reserves	36 (b)	180,689,291	180,689,291
Accumulated Reserves	37	(55,678,504)	(24,620,051)
Equity Attributable to Owners of the Corporation		983,875,647	618,312,606
Non-controlling interests	39	8,300,303	(4,862,671)
Total Equity		992,175,950	613,449,935
Long-term Liabilities			
Government Grants –non-current portion	27	12,244,053	22,643,837
Deferred Income Tax Liability	40(c)	1	1
		12,244,054	22,643,838
Current Liabilities			
Government Grants -current portion	27	914,514	3,268,179
Lease Liability (Office space)	19(b)	-	307,613
Trade payables & other payables	41	1,734,350	925,825
Employee Benefits	42	1,193,614	494,186
		3,842,479	4,995,803
TOTAL EQUITY & LIABILITIES		1,008,262,483	641,089,576

These financial statements were approved by the Board of Directors on June 2023 and were signed on its behalf by:

.....
Dr. Patrick B. Birungi
 Executive Director

.....
Mr. Godfrey R. Ruhurira
 Chairperson, BOD

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH JUNE 2023

	Note	June 2023 Ushs '000	June 2022 Ushs '000 Re-stated
OPERATING ACTIVITIES			
Net cash flows from operating activities	43	(73,453,548)	(611,059)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	(2,025,504)	(6,212,846)
Repayment of lease liabilities	19(b)	(315,239)	(420,318)
Acquisition of Intangible assets	20	(2,175)	(3,580)
Purchase of Shares in associates	24	(102,517,204)	(4,893,082)
Development Investments	22	(19,030,526)	(25,153)
Exploration Costs	23	(871,841)	(592,543)
Fixed Deposit Interest Income	7	2,369,084	554,237
Decrease/increase in finance lease receivables	26	293,400	(508,305)
Increase in other financial assets	25	(276,260,972)	(8,760,229)
Net cash flows from investing activities		(398,360,977)	(20,861,819)
FINANCING ACTIVITIES			
Capital contribution	36	396,621,494	150,351,937
Subvention for Capital items	6	1,445,435	861,173
Dividends paid		(75,017)	-
Net cash flows from Financing activities		397,991,912	151,213,109
Net increase (decrease) in cash and cash equivalents		(73,822,613)	129,740,232
Cash and cash equivalents at beginning of the year		212,451,710	82,711,478
Cash and cash equivalents at year end	28	138,629,097	212,451,710

UDC FY 2023/24 AT A GLANCE

Bukona Agro-Processors Demonstrating the use of Denatured Ethanol



Mechanizing the Atiak Sugar Factory



UDC team engaging with the Yumbe Fruit Factory Stakeholders



Kalangala Infrastructure Services (KIS) provides clean and safe water to the people living on Bugala Island, Kalangala District.



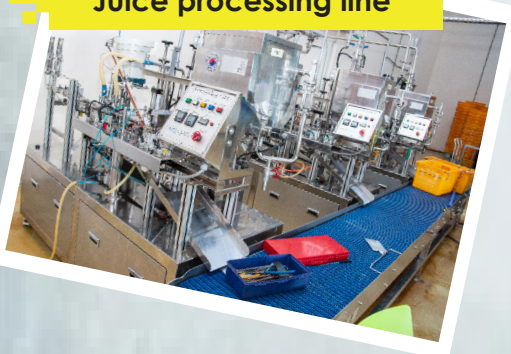
Green Leaf being processed to make tea.



Kalangala Infrastructure Services (Ferry and Solar Hybrid Plant)



Soroti Fruits Factory Juice processing line





**5th Floor Soliz House,
Plot 23, Lumumba Avenue
P.O.BOX 7042, Kampala (U)
+256 414 258 204
Info@udc.go.ug
www.udc.go.ug**