



## ANNUAL REPORT

2023 YIELD UGANDA INVESTMENT FUND

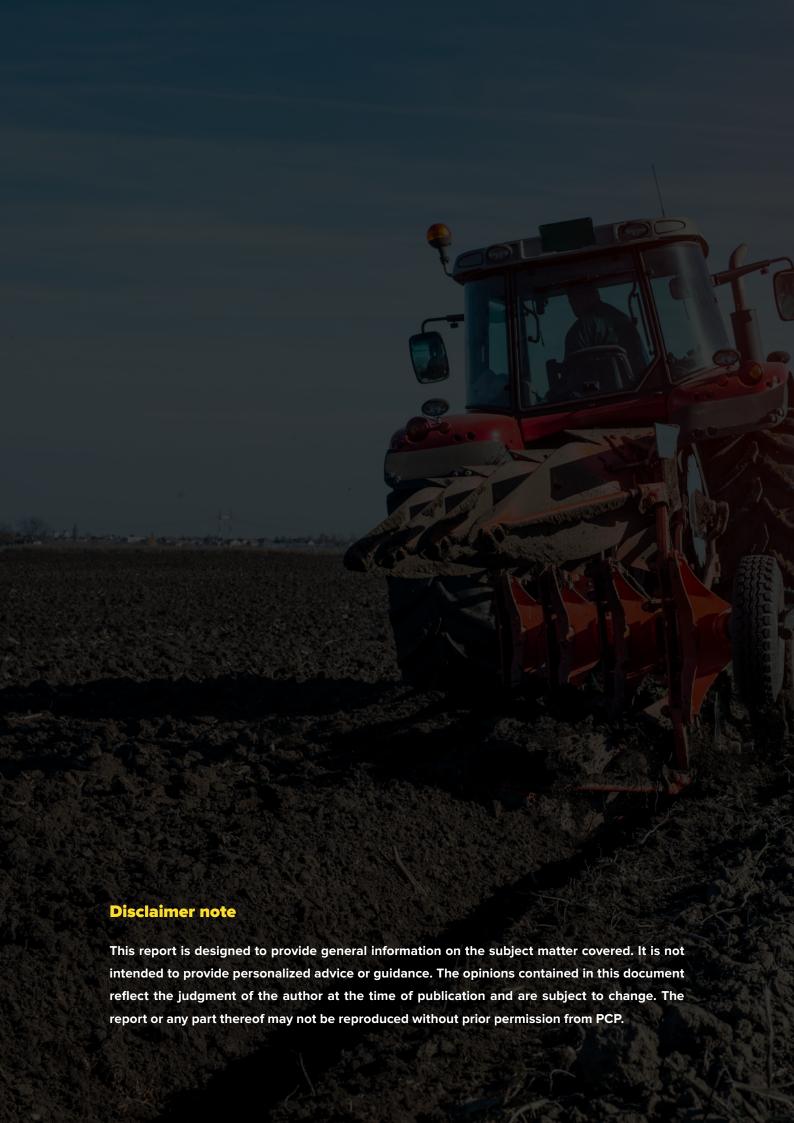








**OPEN SOCIETY** FOUNDATIONS



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### INTRODUCTION

#### **About Yield Fund**

The European Union (EU) through the International Fund for Agricultural Development (IFAD), National Social Security Fund (NSSF), FCA Investments Limited (FCAI) and the Soros Economic Development Fund of the Open Society Foundations (OSF) established a single country single sector impact investment fund, The Yield Uganda Investment Fund ("Yield Fund") for SME agribusiness development in Uganda.

The Yield Fund is now in its seventh year having been established by the above-mentioned investors together with the Fund Manager back in January 2017. The fund is now past halfway in its fund life of ten years.

During these seven years, Yield Fund has made considerable strides, firstly by establishing the governance and operational frameworks, adding on new investors in 2019 thereby achieving a final close at Euros 20.4 million and making SME investments in the risky agricultural sector which remains the primary contributor to the growth, employment, and development of Uganda.

A separate Business Development Facility (BDS) funded by EU/IFAD amounting EUR 3,000,000 has also been provided which gives Yield Fund investees access to specialized consultants to provide capacity development services in areas of governance, marketing, finance, out grower management, certifications, technology transfer and human resource management.

#### **Fund Objectives**

The Fund identified the following objectives in the fund set up process:

- Overall vision: to contribute to the development of Uganda's agricultural sector and to improve livelihoods, incomes and food security.
- Specific objective: to set up a fund that is financially successful, proving that this kind of intervention is a viable option for Uganda, hence attracting new investment opportunities.
- Expected results: to provide SMEs with long term capital and BDS through a dedicated matching grant facility that are tailored to individual SME needs.

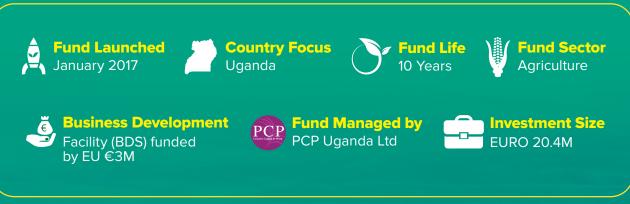
• **Expected benefits:** to strengthen the capacity of SMEs engaged in agribusiness, improve access to alternative funding options and to increase contribution to production and value addition.

#### **Fund Status**

During the investment phase which came to an end in January 2023, Yield Fund closed fifteen deals hence has fifteen Agri- SME investees under its portfolio. Going forward throughout the divestment phase, the manager will continue to pay close attention to the performance of the portfolio companies which are on their road to recovery after experiencing a tumultuous time due to the effects of the COVID-19 pandemic that caused turnaround situations in some of the investees.

The current Ukraine war has also had tremendous adverse effects on the investee operations with registered foreign exchange fluctuations as well as significant hikes in prices of equipment which caused project overruns within investee companies who were in project implementation phases and had to purchase equipment from oversees to ensure project completion.

Yield Fund continues to support its portfolio of Agri-SME businesses through a combination of measures such as restructuring investments, making follow-on investments, inviting co-investors and provision of more flexibility with the BDS/Technical Assistance facility to accommodate the strenuous operating environment and situations involving stressed business cash flows and team capacities as a result of the COVID-19 pandemic and the Ukraine war.



## FOREWORD



I'm proud to present the Yield Fund's Annual report for 2023. It has been a full year of impressive achievement and holding up following completion of the Yield Fund's investment period and full capital deployment as of December 2022 as reported in our last annual report.

We do acknowledge the deployment phase was not without significant headwinds resulting from the COVID-19 Pandemic, information opaqueness, soaring prices of goods and services due to the war in Ukraine threw lots of Agri-businesses into economic and financial constraints.



"The Yield Uganda
Investment Fund is a
unique testament of the
relevance of agriculture
to Uganda. This Fund
fully aligns previously
dispersed interests to one
goal, which is providing
access to flexible financing
for agriculture".

Despite these challenges, we developed many strengths; an ecosystem of employees, partnerships and technology that allowed us to identify, pursue and make investments seamlessly; this helped to finalize the fund's deployment phase successfully by the end of December 2022 bringing the total number of investments to 15 Investee companies across the various Agricultural value chains in Uganda.

#### **Divestment Phase**

As we embark on the remaining three years of the Fund's divestment phase, we pride ourselves in having the hands-on experience and knowledge to be able to provide all the necessary support to the 15 investee companies to achieve their operational and financial targets and at the same time the development impact thesis as embedded in their original business plans at time of our capital commitments.

With all our additional follow-on capital fully committed now to our portfolio over the year 2023, we are now looking forward, to starting our divestment phase with fund investment exits lined up to initiate and start from the second half of the year 2024.

Ordinarily we are looking to have these spread out along a target to exit at least 4 investments annually from the FY 2024/25.

#### **Fund Performance**

The Yield Fund is fairly performing per expectations with each Investee Company at different stages of their business plan implementation depending on the year in which they were invested in. This then means, some are at the early/mid stage of project implementation and others have fully implemented their business plans.

The Fiscal year 2023 continued to present some challenges experienced in the previous year, including the global supply chain disruptions, volatile export market, increase in prices, an uneven and uncertain global economic outlook, the extreme weather linked to climate crisis becoming far more common, and poor performance of the agricultural sector. All these led to the slowdown of activities in some of the investee companies.

I understand that all of us remain concerned about recent world events, from geopolitical upheaval to climate change. We expect that the next few years will continue with volatility, uncertainty, and change. Even as we remain confident in our capabilities, we are not immune, but I can assure you that we will work diligently to continue to deliver a well balanced portfolio through our active management and involvement approach/strategies.

To mitigate some of the challenges facing our investee companies, the Fund initiated a few timely follow-on investments into the portfolio.

The BDS/TA facility has also been instrumental in addressing the existing capacity gaps through onboarding Consultants, addressing ESG concerns, Climate resilience support initiatives, supporting investees acquire certifications and financial management systems.

#### A huge Thank you

The work we do would not be possible without the support and cooperation of the numerous stakeholders, both local and international. The PCP staff team and resilience cant go without mention.

I would like to thank our partners, the Investors (European Union, NSSF, IFAD, FCA Investments, SEDF and PCP), for their continued support and trust they placed in the PCP team. A special thank you goes to our employees who have delivered an excellent performance in a very challenging environment.

Without their dedication, we would not have been able to achieve such a strong operating performance inference to the completion of Yield Fund deployment in 2022 and now starting to see exiting coming our way soon. Please watch the space for more information as we share our learnings from each of the anticipated exits starting from the second half of the year 2024.

Wishing you a good read of this year 2023 Fund annual report!

Dr. Edward Isingoma Matsiko

Managing Partner.



#### **Yield Fund Board**

Current Yield Fund Board members and observers.



**Simon Rutega**Chairman and
Non-Executive
Director



**Kenneth Owera**NSSF
Representative



**Mohamed Ahmed Elghazaly**IFAD Representative



**Abubakar Lewano**SEDF
Representative



**Jukka-Pekka Kärkkäinen** FCAI Representative

#### **Yield Fund Investment Committee**

The principal role of the Investment Committee (IC) is to review, analyze and if appropriate, approve investment propositions put forward by PCP Uganda (Fund Manager).



**Felix Okoboi**Chairman (Independent Member)



Patricia Onyango Independent Member



**Edward Isingoma**Fund Manager
Representative



Jorma Ruotsi Investors IC Observer

#### **Yield Fund Overview as at December 2023**

#### **Yield Fund Portfolio Status**

The Yield Fund portfolio consists of 15 investments with total commitments of EUR 16,585,284, which includes the follow-on investments in Sausage King 3000 Ltd, Sekajja Agro farms Ltd and Pura Organic Agro Tech Ltd approved by the IC, during the reporting period. The purpose of these follow-on investments was to provide working capital and to support their ongoing operations and growth plans.

#### **Yield Fund Portfolio Summary Performance**

The following synopsis gives a high-level overview of Yield Fund's portfolio companies for the year to 31st December 2023.

Investee Company	Deal Size (EUR)	Disbursed (EUR)	Business Stage
Sesaco Ltd*	359,487	359,487	Growth
Pristine Foods Limited (Incl Follow on)	652,759	652,759	Start-Up
CECOFA Limited*	891,032	891,032	Growth/ Turnaround
Raintree Farms	420,463	420,463	Early Stage
Chemiphar	308,001	308,001	Early Stage
Clarke Farm* (Incl Follow on)	1,938,523	1,938,523	Early Stage
Naseco Limited (Incl Follow on)	1,615,057	1,391,185	Growth
Pura Organic (Incl Follow on )	2,334,956	2,061,856	Growth
Amfri Farms	825,000	825,000	Growth
SAF (Incl Follow ons)	2,325,042	2,095,621	Growth
Sausage King (Incl Follow on)	517,131	517,131	Growth
Enimiro	450,577	450,577	Growth
Kamp Feed	1,298,942	1,298,942	Growth
New Man	1,887,280	1,887,280	Growth
QMDL	761,035	761,035	Growth
Total	16,585,284	16,131,990	



#### i. Naseco Limited

NASECO is a Ugandan seed company that has grown steadily within Uganda for more than 20 years. It has established strong foundations built on two key strengths: high quality proprietary seed products underpinned by an established production base and a growing marketing and sales network. The company has been able to demonstrate sustainable growth in complex and non-traditional seed markets.

Yield Fund's investment in NASECO was driven by a blend of factors: the pivotal role that the seed sector plays in human and livestock food systems which has a knock-on effect on the impact thesis, the Promoter's track record in execution and financial track record of the business and the untapped market opportunity that remains in the Ugandan seed sector.

The company's performance has significantly improved, doubling last year's performance, which attributed to favorable weather conditions and strong grain prices.

Driven by the growing demand for hybrid maize, the company is actively expanding its processing capacity through various capital expenditure (Capex) projects. This includes the acquisition of new machinery, such as packing and sorting machines, as well as the purchase of trucks for transporting seeds from farms to the factory in Nalweyo.

To enhance efficiency, the company has made strategic hires in the finance and production departments, along with restructuring roles.







#### ii. Chemiphar

Chemiphar (U) Ltd is an independent, privately owned and internationally accredited analytical laboratory and inspection body. Chemiphar's core business is to provide testing, support, inspection and verification services to the food and beverages, environmental, pharmaceutical, water, agricultural and consumer products industries. The analytical methods used validate the safety, identity, purity, composition, authenticity and origin of products and biological substances. The company therefore acts as an enabler for businesses as they are qualified to meet international standards for export and local use.

The objective of the investment was mainly to enhance the company's capacity to meet the growing local demand for quality and efficient laboratory testing services and to have the ability to fulfil specific requirements of local and foreign markets, especially with the increasing growth of Uganda's exports and standards.

The proposed acquisition of the company from the previous promoters was completed for a considerable amount. The new shareholders also assumed all obligations of the company, including the Yield Fund loan.

The company's performance remains lacklustre, at par with last year. Some of the present challenges are because of a loss of business through the exported services, which are generally more expensive for clients going through Chemiphar than directly. There have also been longer turnaround times for services, due to thin staff, yet the laboratory scope has expanded. The envisaged growth from the commercial strategy consultancy has not panned out as expected and new senior management team initiating new leads. The new shareholders would need to inject capital to boost working capital demands on the company and further support business development, especially among non-traditional clients.















#### iii. Enimiro

Enimiro Uganda Ltd was incorporated in February 2019 by David Wright and has been a Single Member Company since then. The company is registered as Origin Products SMC and is located in Jinja District. The company is a vertical supply chain management business connecting the small holder farmers to the international buying community for mainly three organic products: vanilla, arabica coffee and dried pineapple, with vanilla as the anchor product. The business uses the latest product traceability systems in ensuring constant support to its wide out growers' network of farmers.

Yield Fund's investment is intended to enhance development, engagement, and growth of small holder farmers. This will be achieved through the company's increased production capacity and better-quality product because of the new vanilla and coffee processing facilities as well as a well-equipped laboratory. The company concluded its harvest on 1st August 2023 and procured less than the projected green vanilla beans from registered farmers, for the harvest season. This was entirely due to the changes in the mode of payment as the company changed from cash to bank payments in a bid to reduce any risks associated with cash payments.

The company completed various certification audits and has been awarded the HACCP, Organic and Fairtrade certifications. Enimiro has now embarked on farmer certification exercise since their plan is to procure only organic vanilla from the farmers starting next season, January 2024. This then means that farmer certification is very vital to the company. The company, during the previous quarter, recruited several staff within the extension department to assist with data collection and management/analysis to ensure continuous full traceability. Training of the farmers to ensure most farmers within the out-grower network receive the required certifications is well underway and has been initiated.

On the key recruitments, the company hired a financial consultant, whose work commenced in December 2023. This was a role that was supported under the Fund's BDS program.





#### v. Newman Foods Ltd.

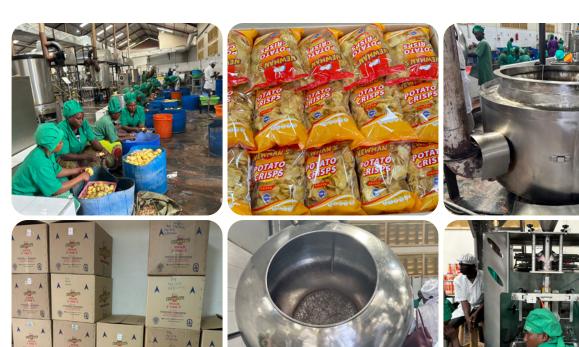
Newman Foods Ltd is a Kampala-based agro-processing company whose primary business is the production and marketing of branded consumer foods sold through retail stores in the local and the regional market, as well as aggregation and export of fresh fruits and vegetables (FFV) to the European market.

Yield Fund investment into NFL was positioned to support the scaling of the consumer foods segment which had a clear scaling opportunity, high margins, and income generation. The investment was meant to fund the construction of a new processing facility and the acquisition of a larger modern equipment to improve the production throughput, support the company to improve packaging, branding and increased marketing of Newman's products, as well as to augment its supply network for the consumer foods segment.

Newman Foods Ltd has achieved significant milestones in the construction of its processing factory, completing construction in July 2023 and successfully commissioning the facility in August 2023. The project adhered to a well-managed timeline and budget, with close monitoring by the project management team to ensure compliance with industry standards and health/safety regulations. The relocation to the new processing factory has seen the company's revenue increase significantly.

Recruitment of all the key positions has been concluded, only pending the recruitment of the Cost Accountant, whose timeline was set for December 2023.

With the help of the BDS facility, the company was also able to hire consultants in various domains (commercial, financial and out grower), whose duties commenced in May 2023.





#### v. Quality Milk Dairies Limited (QMDL)

Quality Milk Dairies Limited (QMDL) is a vertically integrated milk production, aggregation, processing, and distribution company, run and managed principally as a family business. The track record of operations of the company goes back almost 20 years in Masindi District, Western Uganda, during which time the company developed strong competencies in the collection and aggregation of raw milk from smallholders for onward distribution to existing processors. It was only, in November 2019, that it commissioned a milk processing factory in Nalukolongo Industrial Area, Kampala, as an entrance point into the higher value-added milk products market, thus addressing the need for vertical business integration.

The company following fulfilling the conditions required for investment from both Yield Fund and Global Social Impact Fund (GSIF) accessed all capital from Yield Fund and most from GSIF. From a governance and management perspective, the promoters that have previously relied on family to run the business now have a more accountable operation.

The company accessed the BDS facility to, 1) hire a finance manager (on a consulting basis); 2) develop a commercial strategy, to align with future growth expectations and 3) provide extension services to small holder farmers. These initiatives were very much needed and appreciated by all stakeholders.

Performance in raw milk collections and sales is robust. Most of the recent activity has been around boosting the brand, Royal Milk, and opening distribution points to the target market. The Yield Fund nonetheless believes that the long-term viability of the company is in producing more categories of processed milk, including the long-life categories that can be exported, overall, in value addition.







#### vi. Kamp Group Ltd.

Kamp Group Limited, incorporated in 2013, is an animal feed processing, marketing, and distribution company with a feed mill in Northern Uganda, Anaka Town Council- Nwoya District, and a distribution center in Kisaasi-Kampala District. The Company trades as Kamp Feed and specializes in the production, marketing, and distribution of pelleted animal feeds.

The Yield Fund investment was aimed to enable the company to acquire adequate and appropriate storage for raw material and finished products; automate and expand production capacity; certify production process and products and expand distribution channels.

The factory is currently operational and equipped with a fully automated feed production line. The production team has been trained and are seemingly familiar with various operations. Efforts to ensure better quality of the feed are being addressed by the intervention of the quality assurance manager, incorporating comprehensive laboratory testing and pursuit of the UNBS certification with the support of the BDS facility.

In addition, the out-growers program has been effectively launched, and qualified agronomists have been recruited, who are profiling and training farmers. By the end of November 2023, a total of 750 farmers had benefited from the crop financing in the out-grower program which is targeting 7,000 farmers essential support to the program's implementation. A consultant has been hired to finalize the NEMA certification process as part of ongoing ESG improvement programs.











#### vii. Clarke Farm Ltd.

Clarke Farm is an agribusiness company established in 2015 with the principal aim of producing high quality washed Robusta coffee. The Farm sits on 600ha of land which was acquired as a freehold property in 2015 and has since seen ongoing development into a model farm.

Yield Fund's investment into Clarke Farm was structured to provide long term patient capital which would facilitate the expansion of the nucleus coffee estate, development of a modern nursery to propagate and supply quality planting materials and trigger further investment in a full wet processing line, with a sourcing strategy both from the nucleus coffee estate and the out-grower network.

The FY 2022/23 coffee crop harvesting extended into August due to shifted picking trends caused by erratic rainfall patterns and off-season flowering. Blocks with 2019 plantings underperformed. In response to the underperformance, management is investigating potential causes, such as the choice of planting variety and soil quality. The company has also decided to intensify monitoring of these blocks, and if there is no improvement in production, they will be forced to replant. Robusta and Arabica coffee harvesting for FY 2023/24 commenced in November and September, respectively.

Pest control efforts continue. Incidences of twig borer, coffee wilt and stem borer were detected. Continuous control and monitoring measures are being implemented. During the last board meeting, concerns were raised about potential crop loss due to the inflation of weights by field staff; some suggestions were made including installing a weigh bridge and CCTV cameras at the wet mill.

From July 2023 onwards, the company encountered a shortage of casual laborers, as many individuals from the village (a primary labour source) were occupied with maize production. To tackle this issue, the company has been actively seeking workers from other areas. Presently, a total of 1,145 Arabica farmers have been registered from both districts. In the financial year ending June 2023, Clarke Farm received produce from 570 farmers, purchasing c. 130 MT of coffee from them.









#### viii. Sausage King

Sausage King 3000 Uganda Ltd was incorporated in February 2019, when it was acquired by Jakob Zenz and Patrick Bruni. The company was originally founded in 1992 by Dr. Karl Wipfler, a Ugandan resident and investor who then sold it to the current shareholders. The company is located in Matugga, along Bombo - Gulu Highway.

The Sausage King Investment has been in receivership since March 2023 and has been undergoing a transformative journey with a strong focus on restructuring and turnaround. Led by a dedicated receiver manager and management team comprising the CEO and CFO, the company is determined to revitalize its operations and unlock its full potential.

The management team has worked tirelessly to introduce crucial restructuring measures. Key performance indicators (KPIs) have been established to support business transformation. The management team is focusing on reducing overheads, enhancing production throughput, and optimizing line utilization. Management's turnaround strategy involves scaling down reliance on the Kings choice SKU, increasing the HORECA trade to over 30%, expanding the Roaster market, and targeting key accounts and schools. These efforts will contribute to overall profitability and support the turnaround strategy. These shifts aim to diversify revenue sources and tap into growth opportunities.

To further support the turnaround, an additional \$100,000 in funding from Yield Fund was given to the company in August 2023. Preliminary analysis indicated that this funding would be instrumental in increasing production volumes beyond BEP levels. The management team successfully reengaged critical stakeholders, including suppliers who were previously on strike. Through negotiation and structured payment modalities, these suppliers were brought back on board, signifying a significant win for the business.

Sausage King's turnovers, gross profit margin, and EBITDA have shown a consistent upward trend post receivership. This growth can be attributed to higher premium sales volume and a better product mix. The company experienced a decline in revenues in September and October mainly driven by the breakdown of production machinery and scarcity of raw material. November saw the revenues plateau indicating the need for the company to improve on its sales/marketing.









#### ix. Sekajja Agro Farms Ltd (SAF)

Sekajja Agro Farms Limited is a Kampala based company whose primary business is the rearing of day-old chicks (DOC) until maturity and the distribution of live birds and dressed chicken.

Yield Fund invested in SAF because of the fast pace developing poultry market in Uganda over recent years, partly due to changing consumer behaviour and the emergence of fast-food chains. Eggs and meat consumption have been increasing at annual rates of 12.6% and 7% respectively; attributed to the increasing demand of poultry products especially in urban areas and institutions such as hotels.

Throughout the course of the last financial year 2022/23, SAF has encountered various challenges that have exerted negative impact on its financial performance such as rapid business expansion, low capital efficiency, an increase in the cost of chicken feed leading to operating losses, refinancing existing debt on stringent terms, inadequate cash flow management, weak internal controls/systems and low market demand. These challenges have posed obstacles in attaining the company's business targets, as evidenced by SAF's material underperformance and continuing may day liquidity challenges. The third quarter witnessed a significant decline in revenues attributed to a reduced number of birds raised and sold, resulting in decreased sales for all categories of dressed and live birds.

Towards the quarter's end, a decline in maize prices from UGX 1,300 per KG to UGX 1,000, coupled with a slight increase in chicken prices from UGX 12,500 to UGX 14,500 around August and early September 2023, played a role in this improvement. Additionally, the strategic decision to place the limited number of birds without growers and sell live birds for liquidity contributed to the enhanced performance. This is the basis on which the company would like to operate to get out of the various liquidity difficult situations while continuing to engage potential investors for efficient growth capitalization initiatives.















#### x. PURA Organic Agro Tech Ltd.

Pura Organic Agro Tech Ltd (Pura) is an agro processing company, incorporated in 2011 as a cassava value chain processing company. Pura owns a 485- ha leasehold property located in Nakasongola district.

Yield Fund's investment in Pura was mainly because the crop can grow in dryland areas and the approach to grow it for industrial use in Uganda and developing it as a small holder crop is the first of a kind in Uganda.

In August 2023, the Investment Committee approved a follow-on investment of UGX 1.11 billion into Pura. Presently, Pura is in the process of seeking a UGX 5 billion investment from Uganda Development Bank, subject to board approval. The fundraising was aimed at obtaining funds to support Pura in addressing the cashflow constraints, expanding the nucleus farm for raw material supply (Pader land development), and cutting production costs.

The company has experienced a three-month delay in commencing the development of the Pader land, which has been caused by a setback in acquiring the land title due to delays in the land valuation process. The company is looking to start clearing in December and planting in February 2024, anticipating the first cassava harvest from Pader in mid-2025. The delay necessitates engaging additional farmers to bridge the supply gap of c. 3,000 MT, which was expected from the farm in 2024.

Pura has mobilized and trained approximately 500 farmers. Due to high cassava availability between August and October, the company was able to procure cassava roots at a reduced price of UGX 300 from UGX 500 per kg. They anticipate further price decreases during the 2024 harvest seasons, with plans to acquire 250 MT of cassava from farmers monthly. Between August and October, Pura sourced approximately 528 MT of cassava roots from farmers and an additional c. 240 MT from the Nakasongola farm. To fortify procurement, Pura has also engaged local cassava traders.







#### xi. Pristine Foods Ltd.

Pristine Foods Limited (PFL) is a pioneer liquid egg processing company producing extended shelf-life egg products with the core line of business being the manufacturing and sale of liquid, frozen and powdered egg products. The major revenue driver is the liquid whole egg. The company primarily targets the industrial market, which includes bakeries, hotels, the beauty industry, and caterers.

The Yield Fund investment was aimed at supporting the establishment of the business processing facility and route to the market at its start-up stage. The business model is innovative and pioneering with high growth potential in the region's high value and protein-based food processing sectors.

PFL is actively growing its consumer base by bringing on three additional bakeries each month. This strategic strategy not only enhances connections with key customers, but it also diversifies PFL's revenue streams, reducing the risks associated with relying on a small number of buyers.

PFL's product line is being expanded to include powdered eggs and mayonnaise, which not only matches the changing consumer demands but also decreases reliance on imports. This strategic shift opens new opportunities for revenue diversification and market expansion.

The closing of the UNICEF transaction is a pivotal milestone for PFL. Beyond the significant social impact of providing egg powder sachets to malnourished children, this partnership will serve as a major revenue driver. UNICEF's large offtake of powdered eggs will ensure a consistent and substantial revenue stream, further enhancing PFL's financial performance and market position.

The company experienced an impressive increase in total revenue in the FY July 2022- June 2023. This growth was driven by aggressive marketing efforts, leading to increased product adoption, new customer acquisition, and strategic pricing. However, the company fell short of the business plan projected revenues by 33%, attributed to lower-than-expected customer product uptake and nationwide inflation.









#### xii. Raintree Farm

Raintree Farms Ltd (RTF) is an agri-ceutical company specializing in value-added growing and processing of Moringa Oleifera ("moringa"). Being the only organic certified moringa grower and commercial farmer in Uganda, RTF has been able to supply the local and export market with high-quality moringa seed oil and leaf powder. RTF sources for leaves for production of powder from SIP and non-SIP farmers in the surrounding area (20-mile radius). The company sources for seed for oil production from Northern Ugandan as seed that is harvested from its own farm and SIP farmers is used to on-board new farmers.

Yield Fund investment aimed to support the company's integrated growth through the provision of both capital expenditure and working capital, support expansion of the processing and storage facility as well as providing automation, logistical and monitoring systems/controls. This put Raintree in a position to rely on the growing demand for organic superfoods globally as it streamlines its commercial strategy and engagements.

Raintree continues to underperform against the original business plan and is still experiencing a weak liquidity position. Therefore, cash constraints remain a key concern. The factory remains non-operational since end of 2019 due to the lack of a wholesale off-taker for the anchor product and low product quality which slowed down market development.

Kuli Kuli came back on board and is committed to purchasing all the moringa produced by the company. However, with the current state in which the factory is in, the company is unable to quickly produce and meet the demand of Kuli Kuli. In addition, it wouldn't make business sense to ship a half-filled container to Kuli Kuli and incur the same transportation charges. For this reason, the board of Directors approved a change in strategy to focus more on the retail local market diversifications which has also gained some traction to ensure a bit of operational cashflows/revenues for the company while raising growth capital.

The other smaller customers like Dr Choice and KPI are also purchasing small volumes of moringa powder from the company. All the stock that the company had piled up during the period when they had stopped operations has now fully been sold off.

Raintree Farms received and is onboarding the USAID / KICODA partnership grant operations worth USD 250,000 which is aimed at reviving the modified SIP program with 250 smallholder farmers. The Company signed the grant contract that shall support them over a 2-year period with raising the required supply chain and product raw material supplies as a key expected outcome. Upon commencement of the project in May 2023, the farmers are being trained, certified, and re-onboarded. The first harvest happened in August/September 2023 and thereafter the expected average monthly production is about 5 tons per month expected to increase to about 8 tons monthly by June 2024.



#### xiii. SESACO

Sesaco Limited is an agro-processing company whose principal activity is processing and manufacturing of soy-based products and food stuffs. The company has a range of soy products with flagship products constituting of soya cup, soya millet, soya maize and recently defatted soy flour. Bakeries, supermarkets, and international relief organizations such as Living Goods and Brac Foundation form Sesaco's major customers. The main raw materials include soya beans, millet, maize, groundnuts, wheat, and sesame which are sourced from smallholder farmers from Western, Eastern and Northern Uganda.

The Yield Fund investment was aimed at improving the company's production facilities while stabilizing and preparing the business for a larger expansion and growth in the future. Sesaco has over the years built a recognizable health food brand through product innovation which is in a prime position to actualize its market growth potential.

Sesaco is still in distress, with management now trying their last attempt at fundraising before an eventual and inevitable total collapse of the business if this is unsuccessful. As such the Manager is exploring all reasonable exit mechanisms for Yield Fund.

The promoter is currently fundraising as the potential investment from 1Stock LLC fell through at due diligence. In the meantime, considering the company's weak cash position, Sesaco requested for a BDS variation of up to USD 24,000 to support the company implement a commercial strategy and remain operational during this fundraising phase. The interventions include product relaunch and repackaging into more attractive and environmentally friendly pouches as well as market activations in the upscale Kampala.









# xiv. AMFRI Farms Ltd.

AMFRI Farms Limited (AMFRI), (trading as African Organic) is a Kampala based business whose primary business is the production, processing and export of fresh, dry, and frozen certified organic fruits, vegetables, herbs, spices, cereals, seeds, and nuts mainly to the EU, USA, and Middle East. The main value proposition for the company is the ability to supply products to a niche market independently assessed as meeting the standard of certified organic. This niche market has been growing globally and especially in developed markets with a premium price offering.

Yield Fund invested in AMFRI Farms because of the business developmental impact case, growth potential, realism of investment expectations, return expectation, structure laid out, the risks and planned mitigants and overall alignment to Yield Fund objectives. The situation at AMFRI is best described as a crisis, suggesting the need for a turnaround before the business completely collapses. In an analysis that was inspired by FCAI (co-investor), it has been established that the company is not on course to meet the investment objectives as envisaged and approved in August 2021. The reasons for this can be summarized as;

- A lack of project execution competence, as the people hired to deliver the construction, equipment purchases, and installation were generally not qualified.
- Collusion and opportunity for fraud, that compromised the procurement process, especially for the IQF, which has since not been installed and to date has some missing parts.
- Defective business model, which has caused the continuance in losses at the company's own farms where significant investment is made from AMFRI's resources without reciprocation in the supply of raw material.
- The staff culture, organogram and general HR condition is not driven by a performance culture.
   Most of the people are not competent in their roles and there are no functional units in place
   as per business requirements. It is unfortunate that now the MD and CEO are not aligned on
   the future of the company, and yet have been key persons in the definition of direction for
   AMFRI.
- Therefore, FCAI together with the manager, agreed that AMFRI would require an urgent turnaround plan. So far, some key actions have been taken, including;
- Restructuring the entire company at HR level, which has seen some key resources recruited, including an agronomy manager, Fritz Plattner, who was a founding shareholder (former) of AMFRI Farms.
- Verification and audit of small holder farmers with further training provided, to ensure compliance with certifications and various project intervention initiatives like the PSFU requirements.
- Make available investment capital from FCAI of Euro 330,000 which is being used for capex primarily to commission the factory as earlier envisaged and minimal turnaround working capital.
- Provided USD 75,000 from BDS as 50%-part fee for hiring the turn around manager for 1.5 years.
- Obtain alignment with DTB, Yield Fund and FCAI on moratorium for 2 years on repayments.



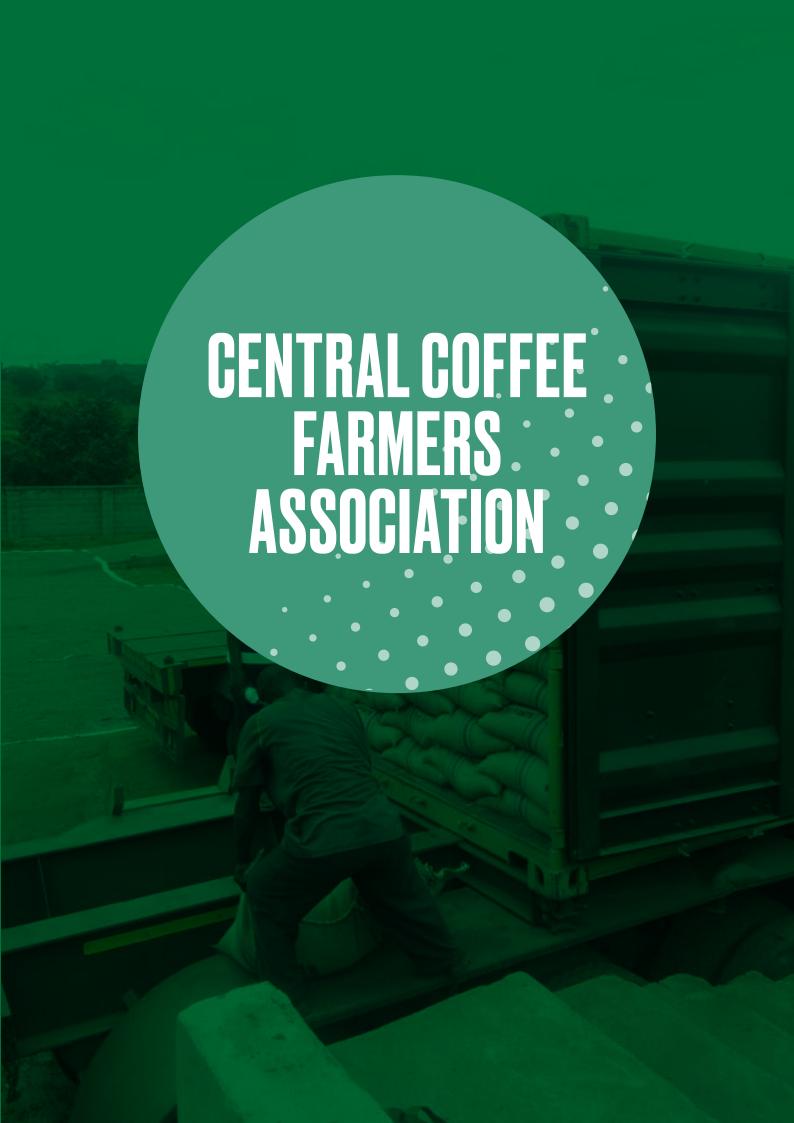












# xv. Central Coffee Farmers Association (CECOFA)

CECOFA is a primary processor of coffee. The company receives dried coffee beans (Kiboko cherries) from its farmer network of approximately 3,664 small holder farmers, which it primarily processes (de – husks) into Fair to Average Quality (FAQ) coffee, at a fee. The company provides market access for farmer members for their FAQ coffee by purchasing, aggregating, and collectively finding a market through secondary processors and their affiliate international coffee traders or coffee merchants.

The Yield Fund investment aimed at improving the company's capacity to source and export larger volumes of certified Robusta coffee from a member-based network of smallholder farmers as well as increase the number of Fairtrade and 4C certified smallholder farmers. The global consumer shift towards sustainably produced and traceable agro products made CECOFA an attractive investment opportunity for Yield Fund. Since the company lacks working capital to carry out processing at the facility, it has partnered and hired out its processing facility in the meantime, to some coffee traders/dealers who buy coffee directly from Cecofa's farmers and process it at their facility. This has kept the facility busy and has also strengthened the relationship between the farmers and the company given access to market provision. The grading facility has been very helpful in providing some working capital for the company, from the grading fees that are charged to the coffee dealers who use the facility to grade their coffee. This has also enabled them to pay basic admin staff salaries while continuing to engage potential working capital investors.

On the business side, the company signed a new contract and is now in the process of negotiations with a big buyer from the USA, Ram Champions Inc., with a new business arrangement to buy a minimum of 20 containers of fair-trade screen 18 and 15 per week from the company, for a period of five years. The contract was anticipated to start running in September 2023 but was extended to commence in January 2024, after the Christmas/holiday season. The Promoter is seeking to have more contracts signed and have these as a basis for raising much needed trade finance from providers. Separately, the company is in the process of receiving a settlement from UNRA for the Maya/Nakawuka/Bulwanyi road which is being tarmacked. All the proceeds from the land settlement will be paid directly to Yield Fund as part payment of the outstanding loan obligations. As business slowly progresses, the Company is certain that, in due time, it will be able to pay back all its debt obligation to Yield Fund. The company is still waiting for feedback from UNRA, regards the payment timelines.





# YIELD FUND IMPACT AS AT DECEMBER 2023

# **Summary Data**

To monitor the development of each impact case for the investee company, both IFAD and the Fund Manager designed a tool to evaluate the progress in each investee company against that which was forecasted in the investment memorandum.

Please note that this tool was generated by Fundwave, an Information Management System procured by the support of the SEDF Technical Assistance Facility.

The tool has been specifically designed to monitor for each company its performance, profitability, value of exports and employee numbers and then for the out-grower farmer; the farmer numbers, income realized for the farmers and volumes supplied to the investee company.

# Identified Impact 1. SESACO LIMITED

# Smallholder farmers

The company did not procure any grain from out-growers during the reporting period compared to 140 farmers (54 male and 86 female) in 2022. The contract with SNV to support farmers grow cereals for production was finalized and the business currently only sources grain from traders.

# **Employment**

The company had 19 permanent employees during the period ending December 2023, disaggregated into 13 male and 6 female workers. This was an increase from the 15 employees (9 male and 6 females) reported in 2022. There is a need for further training to enhance the knowledge and skills of the new employees.





# 2. PRISTINE FOODS LIMITED

# Smallholder farmers

The number of farmers was 40 subdivided into 9 male and 31 female, which was double the number from a similar period last year (8 male and 11 female). Pristine has developed a comprehensive farmers' training manual, utilized to educate farmers on industry best practices.

# 40 registered farmers

Total Current Employees



# **Employment**

The company had 38 employees of which 28 were young permanent workers, an improvement from 26 employees in December 2022.

# 3. CECOFA

# Smallholder farmers

The company did not outsource any coffee during the period due to limited working capital. However, farm inputs like fertilizers and tarpaulins were provided to farmers while training on agronomic practices was increased.

# **Employment**

The number of workers remains low due to the minimal operations being undertaken. Most of the employees work in shifts as the company cannot maintain them all at once.

No coffee outsourced due to limited working capital



# 4. RAINTREE FARMS LTD

# **Smallholder farmers**

Raintree has registered 189 farmers with the target being 250 by the end of June 2024. The monthly SIP payments facilitated by the USAID grant contributed to improved livelihoods in the areas around Budongo.

# **Employment**

The company recorded 21 permanent employees for the half year ending December 2023 versus 7 for a similar period last year. The company embarked on implementing the SIP program following the signing of the relevant agreement with USAID. As a result, the company had to onboard additional staff (Field Inspectors, Accounts Assistant, M&E) to support the implementation of the USAID SIP program.



189 registered farmers

Total Current Employees



# 5. CHEMIPHAR (U) LIMITED

# Smallholder farmers

- Chemiphar's impact case differs from that which is found in other investee companies. Chemiphar's work ensures the safety of their client's products and services, with its business model aligned to the Government's approach to supporting agricultural industrialization.
- Whilst not being a typical agri-business engaged in direct farming activities, Chemiphar is considered a strong enabler to the sector to certify their processes and products. It is also a solution provider in enhancement and attainment of these standards.



- The LIMS was fully rolled out on 1st November 2023 and the staff have mastered it well. Most financial reporting parameters such as customers, invoices, local purchase orders and testing were already fed in the system. The LIMS has greatly improved the turnaround time from 2-3 weeks to an average of 7 days for Chemistry analysis.
- As such, management proposed consideration for approving the reallocation of BDS funds totaling \$ 2,170.89 for an additional finance accounting and inventory module and staff training on the same. The request was approved in January 2024.
- Total migration to the Enterprise Resource Planning system shall take effect by 31st March 2024. This package will also be integrated with the URA EFRIS system with the URA consultant's support.







Total migration Enterprise Resource Planning system

# **6. CLARKE FARM LIMITED**

# Smallholder farmers

- The harvesting season for Robusta coffee began in November during which some farmers paid for seedlings collected earlier through either cash or cherry at 1,000Ugx per kilo.
- By end of December 2023, the company had procured 549Kgs of cherry (549,000Ugx) and collected cash amounting to 1,040,600Ugx. The outstanding balance after these payments is 5,356,800Ugx which the farmers are still settling.
- During the period under review, the company bought 59.896 tons of cherry from Arabica farmers.

 The number of farmers registered under the Arabica outgrower scheme is 1,298 with the target being 2,000 to ensure sufficient supply of coffee in the next season.



# **Employment**

- In September, one of the permanent guards left work after being involved in a maize theft syndicate from the field, dropping the number of employees to 46 plus 2 coffee lodge staffs.
- There was sufficient walk-in labor throughout the harvesting season i.e. from September to the close of the year.
   However, the majority of people took their annual leaves thus reducing the pending leave backlogs down to only 2023.



**1,298** farmers registered under Arabica out grower scheme

Total Current Employees

2 coffee lodge staffs

# 7. NASECO LIMITED

# Smallholder farmers

- NASECO enrolled 118 more farmers during the period and the landowners availed more land acreage for renting. The company's production target increased with the spike in demand for maize in the market.
- Fertilizer prices increased due to macroeconomic factors such as the Russia-Ukraine war while chemical prices remained standard.

# 118 farmers enrolled





# **Employment**

 The company onboarded 2 new staff members in the Human Resources department, 1 in Production development, and 1 in Finance. One employee was also terminated during the period under review.

# **8. SEKAJJA AGRO FARMS LIMITED**

# Smallholder farmers

 The company received supplies from 40 out-growers as of December compared to 6 the previous year. Additionally, the grant support from PSFU and Abi supported the farmers' quality improvement of produce and productivity through training.



- Grant beneficiaries were supported with DOCs in addition to training in poultry management, GAPs, mindset change and financial literacy.
- With the aBi Project, a total of 563 poultry farmers (359 women and 204 men) have been on-boarded who originally had poultry houses and 176 of the farmers already had birds.



**204** Male **359** Female





# **Employment**

- The number of permanent employees during the reporting period was 19 disaggregated into 9 male and 10 female while 8 were youth. The company also engaged 52 casual workers.
- Contract staff have medical insurance that provides access to life medical cover. SAF is in the process of signing an MOU with Centenary bank for contract staff to access unsecured salary loans. The company also offers meals to staff at the workplace.

# 9. PURA ORGANIC AGRO TECH LIMITED

# Smallholder farmers

 The company has already set up an out grower scheme with the assistance of the BDS facility. The 120 farmers supplied PURA with 1,061 tons of cassava in the period ending December 2023. The company also provides training on cassava growing and best practices to maximize yields to farmers.



120 farmers supplied 1,061 tons of cassava



Total Current Employees



**124** Male **18** Female

# **Employment**

 The workforce for Pura declined significantly to 53 permanent employees consisting of 49 male and 4 female from 142 (124 male and 18 female) in December 2022.

# 10. AMFRI FARMS

# **Smallholder farmers**

 The company recorded 2,037 farmers in 2022 compared to 2,325 in the HFY 2023. 274 farmers are still awaiting certification. All this is geared due to expansion in lines of dry fruit and IQF



2,325 registered farmers

# **Employment**

• The company's workforce declined significantly from 162 permanent employees in December 2022 to 52 in 2023.

Total Current Employees

# 11. ENIMIRO

# **Smallholder farmers**

- The farmer database increased by 404 to 1,477 through the agronomist outreach with a continued focus to have farmers attain Organic & Fare trade certification in Rubirizi, Ibanda and Kagadi. Enimiro has been giving free equipment such as wheelbarrows and gumboots to farmers.
- The company also gave out free vanilla vines through the CRS partnership projects. Other crop seedlings such as jackfruit, coffee, mangoes and Kai apple were also provided to diversify and expand farmers' incomes.

# 1,477 farmers in database



# **Employment**

- The company onboarded consultants in different fields such as food and safety, agronomy, and agroforestry to enhance staff capacity building. Two staff members were sent to Madagascar for training in vanilla quality and good manufacturing practices, while two more were facilitated to receive training on dehydrated Jackfruit processing in Nairobi.
- Through the internship programme, Enimiro employs fresh graduates allowing them an opportunity to gain hands on experience in agro processing, extension work, and general administrative work.

Staff trained in vanilla quality and good manufacturing practices in Madagascar

Staff received training on dehydrated jackfruit processing in Nairobi

# 12. KAMP GROUP

# Smallholder farmers

• Kamp Feed currently engages 596 farmers in supplying grain to its factory below the targeted 3,427.

596 farmers currently engaged

31

Total Current Employees



# **Employment**

 Although the company's staff is below the target of 31 permanent employees, there is steady growth with a total of 19 permanent employees as of December 2023.

# **13. NEWMAN FOODS LIMITED**

# Smallholder farmers

- The company sources its raw materials, mainly Irish potatoes, from over 5,000 smallholder farmers based in Kisoro. In line with the company's growth plans, the number of farmers is expected to increase to 7,000 in the next three years.
- To support these smallholder farmers, NFL provides extension services through its competent network of agronomist managers. These services include training on best farm practices to improve the productivity and quality of the crops, and provision of foundation seeds.







**33%** Male **67%** Female

# **Employment**

 The company employed a total of 327 staff by the end of December 2023 which 67% are female and are 33% male.

# 14. QUALITY MILK DIARIES LIMITED

# Smallholder farmers

 The company anticipates conducting smallholder farmer training and support to build wealth around their farming activities and develop and secure the supply chain.



# 15. SAUSAGE KING

# Smallholder farmers

 In an effort to ensure consistency of supply, the company has secured 21 active suppliers spread across the Central, North and Western parts of the country.

# **Employment**

- SK currently has 38 staff members with 19 permanent staff and 19 casuals of which 66% are male and 34% are female members. The team was comprised of 47% young staff members and 53% old members.
- The onboarding of 4 additional staff in sales and dispatch was successful. Sausage King aligned all staff to shared values, deliverables and targets with emphasis on involvement (at all levels), innovation and teamwork, achieving an employee engagement score of 3 out of 4.



40 registered farmers

Total
Current
Employees



66% Male 34% Female

# YIELD FUND BUSINESS DEVELOPMENT SUPPORT BDS

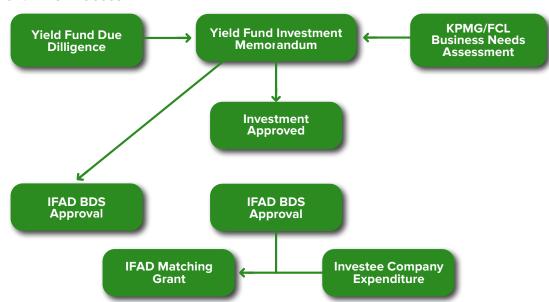
From the commencement of the Fund, KPMG was contracted as the Business Development Management Company (BDSMC) until first quarter of FY 2022/23 when management was transferred to Friends Consult Ltd (FCL), under the terms of the arrangement FCL identifies and coordinates the provision of business development support aimed at supporting the investee company to become more effective, growth orientated and profitable.

Initially, KPMG would conduct a business development needs assessment which forms part of the Yield Fund's investment appraisal and subsequently documented in the Final Investment Paper. In the event of a successful investment decision, a BDS support plan and proposal is submitted to IFAD, which if approved then enjoys a matching grant agreement between the investee company and IFAD.

With BDS management now transferred to FCL towards the end of the Fund's investment period, FCL's major responsibility is to manage utilization of the facility.

The described flow process is set out below:

Figure 1: BDS Process



Following the onset of the COVID-19 pandemic in early March 2020, IFAD made some changes to the BDS manual to cushion the investee companies from the expected shocks. These include:

- Revision of the re-imbursement subsidy from 50% to 85% this will offer the much-needed liquidity support to the companies who were already facing working capital constraints pre-COVID.
- BDS support was also extended to post investment phase to ensure investments made in the final months of the investment phase are also cushioned from the pandemic's aftershock.
- Pre-investment BDS allocation of 15% of the total BDS plan was also introduced to reduce the lead time between Investment Committee approval and signing of the BDS reimbursement agreement.

# **BDS Activities**

The BDS component remains an integral part of de-risking the investment portfolio by improving business processes, human resource development, addressing compliance with product quality and safety standards as well as environmental and social governance aspects. In addition, the BDS is supporting the companies to develop and build a strong network of small-scale farmers within its supply chain. The BDS matching grant funds of EUR 2.4 million (equivalent to approximately US\$2.7 million) subsidises the overall US\$ 3.2 million business development budget of the investment portfolio companies. As at end of June 2023, commitment of the BDS grant funds stood at 53.91% and actual utilization at 33%. Over the next 20-month period leading to the end of the BDS implementation period, the funds are expected to fully utilized.

The below table summarizes the BDS investees budget and the matching grant contribution for the year ended 31st December 2023.

# ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

# **Environment, Social and Governance (ESG)**

Table 5: ESG Traffic Light System



Positive without conditions: a green traffic light means that there are minor or no attention points.

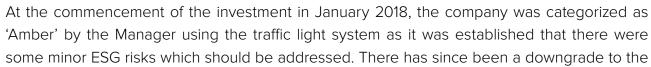


**Positive with conditions**: an amber traffic light means that there are attention points, but that these can probably be resolved together with the Fund, either prior to investment or by having conditions included in the investment contract. Depending on the nature of the attention point, capacity building may or may not be advised. During the Clearance in Principle specifically, an orange traffic light could also mean that not all information has been received.



**Negative:** a red traffic light means that there are attention points, which are unlikely to be resolved and that the ESG expert team would advise against investing in the potential investee.

# 1. SESACO Limited



'Red' traffic light due to key pending ESG interventions.

The below are updates on ESG:

Occupational Health and Safety – The hired consultant for Quality Assurance was not able
to draft a Health and safety manual, as his scope of work did not include this specific task
and by the time the company realized, his contract was coming to an end.

- SESACO received an approval for the development of a Health and Safety Manual under the BDS facility, micro procurement procedures are currently underway with the assistance of Friends Consult. The Health and Safety manual is expected to be in place by June 2024.
- ESG Related Permits refurbishment of warehouse: The contract expired when some of the activities were not complete. Management suggested and agreed to discontinue the program as they shall soon be leaving the premises, vacating to their own factory hence phase 3 was not touched. A new consultant is being procured under BDS to complete the works, factory works are expected to commence in March 2024.
- Incidents and Accidents No incidents or near-misses occurred during the reported period.
- Litigation The company has 3 ongoing legal cases from the former Board Chairman, the former
- Production Manager, and the Marketing Manager who is currently serving a suspension.
  - » The ex-Board Chairman's case was heard, and a judgment was passed against Sesaco. Sesaco is planning on appealing against the judgment.
  - » The Production Manager's case is still before the court, awaiting the courts to fix a hearing date.
  - » For the Marketing Manager's case, Sesaco agreed not to proceed to court but rather have a mutual understanding with the former Marketing Manager on how to settle the case.

## 2. Pristine Foods Limited

At the commencement of the investment in June 2018, the company was categorized as 'Amber' by the Manager using the traffic light system as it was established that there were some minor ESG risks which should be addressed. There was a change in the traffic light to 'Green' following prioritization and implementation of ESG interventions, however the traffic light has since reverted to 'Amber' as the company is yet to implement the proposed interventions, this was brought about by the change in the company's product offering.

The following are the updates on ESG:

- Quality Certifications The Liquid Egg White and Egg Yolk products are not selling as expected. As a result, the company is shifting its focus to Mayonnaise and is following up on certifications for this product. They are looking at securing the Egg Yolk certification by June 2024 as this is needed for the mayonnaise production.
- Occupational Health and Safety The comprehensive risk assessments have been completed and high-risk procedures were updated accordingly in the Safety, Health, Environment, and Quality (SHEQ) manual.
- The Occupational Safety Consultant engaged by the company completed the staff training in March 2023 on the updated procedures. However, this will be maintained as an area that requires continuous intervention.
- Solid Waste The company also processes eggshells (only solid waste) into eggshell powder and sells it to poultry farmers for calcium supplement.

- EIA Report and NEMA Certificate The company completed and commissioned the Effluent Treatment Plant (ETP) and still awaits an operational permit from NEMA, there have been delays from NEMA and no clear timeline has been communicated.
- Supply Chain Risks (Egg Procurement) –
  The development of the company's outgrower network is slowly progressing
  with the company focusing their efforts on
  geo mapping of the out-growers to better
  understand the profile of their farmers.
- Incidents and Accidents No incidents and accidents occurred during the reported period.

## 3. CECOFA -

At the commencement of the investment in June 2018, the company was categorized as 'Amber' by the Manager using the traffic light system as it was established that there were some minor ESG risks which should be addressed. There has since been a downgrade to the 'Red' traffic light due to key pending ESG interventions brought about by the challenges around the going concern of the company.

The below are updates on ESG as the company remains in a recovery management situation:

- Maintenance of Certifications CECOFA successfully renewed the 4C Certification which was expected to unlock more coffee markets as part of the company's growth strategy going forward.
- The Fairtrade Certification license is still valid and will run for another five years ending 2025.
- NEMA certification The company obtained the NEMA certification.

- Fire Safety CECOFA acquired and installed fire extinguishers within the facility as part of the fire protection and safety strategy.
- Occupational Health and Safety The Internal control system manual, health and safety manual and incident log are regularly updated.
- Incidents and Accidents No incidents and accidents occurred during the reported period.

# 4. Raintree Farms Ltd —



At the commencement of the investment in November 2018, Raintree Farms was categorized as 'Green' by the Manager using the traffic light system given the company was considered to have minor ESG risks. At some point, the category changed to 'Red' traffic light due to the non-operational nature of the business in Masindi and the Company's working capital constraints, as most ESG considerations were suspended but with a plan to restart. Since the restart, there has been a change in the traffic light to 'Amber' following the company's efforts towards the prioritization and implementation of ESG interventions.

The following are updates on ESG:

- Quality Certifications The company continues to prioritize obtaining UNBS quality certifications for the retail products.
   Organic Route Limited was contracted to support the company in this process.
- The company has also earmarked additional products that were to be certified by December 2023 under phase 4 of the certifications contract which will cover the beauty products. This was not done, the new timeline is April 2024.

- Environmental and Social Impact
   Assessment An environmental consultant
   was contracted in 2023, he finalized his
   assessment and submitted the report to
   NEMA in May 2023. The company still
   awaits a certificate from NEMA.
- Recent Third Party ESG Assessments CERES Organic certification renewal was completed in Dec 2023. The certification covered 89 new farmers recruited under the USAID grant.
- Occupational Health and safety- The company is still working on having a health and safety manual in place, they expect to have this in place by December 2024. The company has not completed a Health and Safety manual or implementation due to cash constraints. An internal control system manual is in place as a requirement of the CERES certification. The company carries out periodic employee training which includes an element of safety training when using equipment.
- Incidents and Accidents An incident log is in operation. No incidents or accidents occurred during the reported period.

# 5. Chemiphar (U) Ltd —

In December 2018 when Chemiphar gained IC approval for investment by Yield Fund, the company was categorized as 'Amber' using the traffic light system. However, the traffic light rating now is 'Green' owing to the progress made in implementing the ESG interventions with the support of the BDS facility and there being minor attention points to focus on.

The following are updates on ESG:

- EIA Report and NEMA Certificate The delay in obtaining the EIA Report and NEMA Certificate is occasioned by the procedural challenges faced in dealing with the concerned regulatory bodies. The company had not received any update from KCCA following the site review as of December 2023.
- BELAC Certification The BELAC audit reports were issued, the certificates of accreditation renewed, and all the requested validated extension parameters were accepted/ granted.
- New BELAC accreditation scopes (extended with the 18 chemistry testing parameters and meat sampling for the inspection standard) were released and will be uploaded on the company website; not later than March 2024.
- The UNBS Recognition certificate expired on 15th November 2023, the UNBS Recognition cycle is expected by January 2024.
- Waste Disposal and Management SOP 6.3/4 "Waste management and disposal" is still operational. According to the Quality management system policy it is scheduled to undergo review by August 2024.
- Incidents and Accidents: No incidents and accidents occurred during the reported period as staff were more vigilant about occupational health and safety measures in the laboratory.

## 6. Clarke Farm Ltd ———

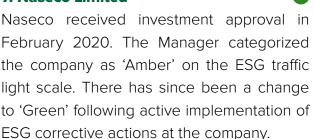
Clarke Farm received investment approval in June 2019. The Manager categorized the company as 'Amber' on the ESG traffic light scale. This has since changed to 'Green' due to the substantial efforts made in implementing ESG corrective actions.

The following are general ESG status updates:

- Environmental Impact Assessment (EIA) –
  The consultant appointed Geotaxon with
  the support of the BDS facility to obtain
  EIA certificates for both the farm and the
  wet mill as well as the hydrological report.
  The certificate for the farm was obtained in
  March 2022, while that of the wet mill was
  received later in July 2022. Geotoxan also
  supported the company to obtain water
  abstraction permits for the wet mill, poultry
  unit and the irrigation system.
- Integrated Pest Management Plan –
   Manpower in the pest control team was
   increased to counter the increased attack
   of twig borer caused by a significant drop
   in rainfall received.
- Incidents and Accidents One incident/ accident occurred during the reported period. The injured employee was given first aid and taken to hospital for further treatment. Management continues to emphasize to the workers – the need to observe the safety procedures and caution while operating/repairing machinery.
- UTZ / Rainforest Alliance (UTZ / RA)
   Certification The company was issued
   with the certificate in February 2023, the
   certificate expired in November 2023. The
   coffee buyers/off-takers in Dubai did not
   require RA certification thus the company
   opted not to renew the certification which
   targeted Clarke Farm Robusta coffee.

 Fairtrade Certification – The company is not keen to pursue this certification. Instead, they opted for Organic Certification aligned to the Arabica Outgrower Scheme.

# 7. Naseco Limited -



The following are general ESG status updates:

- Environmental and Social Safety
   Procedures With support from the
   BDS facility, NASECO engaged an
   Environmental and Social Consultant
   to perform a review of the company's
   operations and to assess their impact on
   the environment. Geotaxon consultants are
   done with developing these procedures,
   and they were approved.
- Hygiene and sanitation New toilet construction is ongoing at the factory and is expected to be completed by March 2024.
- Waste disposal and management The company continues to recycle maize cobs which are used as an alternative heat source in driers and in organic fertilizer production. As a result, the company has benefitted from savings in energy and fertilizer production.
- Occupational Health and Safety The company received the approved health and safety manual, and the 3 months training process of implementation was done.

- Fire safety Fire extinguishers were serviced, and 3 were newly purchased.
   The staff were trained as of last season and are currently scheduled to conduct training in mid-February 2024 for the current season.
- Food Safety Management System –The policy was developed in the current new HR manual.
- Incidents and Accidents Incidents and accidents occurred, and patients underwent medical treatment.
- ESG Discussions at Board Level ESG matters were discussed at the last Board meeting which was held in November 2023.

# 8. Pura Organic Agro Tech Limited —

Pura received investment approval in May 2021. The Manager categorized the company as 'Amber' on the ESG traffic light scale. There has not been a change in the traffic light rating.

The following are general ESG status updates:

- Supply Chain Risks (Cassava Procurement)

   The out-grower consultancy, supported
   by BDS, came to an end in March 2023.

   Pura Outgrower department has taken charge of this assignment, the company has a competent out-grower development and management team, who have continued to develop and manage the out-grower cassava suppliers.
- Occupational Health and Safety Pura has an internal control system manual for the safety management and protection of employees in place. The Health and Safety manual is in place.
- Waste Disposal and Management The construction of the biodigester for biogas and digestate production was

- completed by February 2024. The trial run conducted at the factory was successful, the biodigester is expected to run 60% of the factory machine at full capacity.
- ESG Discussions at Board level ESG was discussed during the November 2023 board meeting, where the recorded incidences were discussed.
- Incidents and Accidents 20 minor incidents occurred during the full calendar year.
- The company quickly responded by administering first aid treatment to the victims, where necessary. Pura has assigned one of its employees the responsibility of ensuring the safety procedures are adhered to by all factory employees as part of their job description.
- Grievance and complaints procedure –
   In addition to the Yield Fund grievance policy, Pura has developed a grievance and complaints policy to serve as another avenue for addressing grievances at the workplace.

# 9. AMFRI Farms Ltd -

AMFRI received investment approval in May 2021. The Manager categorized the company as 'Green' on the ESG traffic light scale. There has since been no change to the traffic light rating.

The following are the general ESG updates:

- Third Party ESG Assessments Organic, Fair For Life, and Demeter Inspections were completed, and the certificates were updated and issued in December 2022, the certificates are valid till March 2024.
- EIA Status The company has scheduled another EIA for the project expansion in line with the NEMA recommendations from the first EIA conducted prior to the

- commencement of the expansion. This is expected to be carried out in 2024.
- Food Safety Management System BRC, ISO 22000 renewal is on hold, Certification process can only be completed once IQF machine is fully installed, foreseen to be completed in Q2 2024.
- Occupational Health and Safety (OHS)
   Policies and Procedures AMFRI implements the Fair for Life manual as a requirement by the certifying body through which it monitors employee safety, hygiene and compliance with global health and safety standards. The company passed the OHS audit in 2022.
- Fire safety Fire drills are always conducted once a year. Completion of installation of the fire system was done by Q4 2023. Insurance against fire will also be provided for the entire facility.
- Waste Disposal and Management Biodegradable wastes are usually taken back to Kyampisi farm for compost making while the non-biodegradable wastes are collected by the municipal council.
- Legal— The company had not been involved in any litigation in the previous 5 years before investment.

# 10. Sekajja Agro Farms Ltd (SAF) —

SAF received investment approval in July 2021. The Manager categorized the company as 'Amber' on the ESG traffic light scale. There has since been a downgrade to the 'Red' traffic light due to key pending ESG interventions and the questionable going concern of the business.

The following are the general ESG updates:

EIA Status – SAF submitted the final EIA

- reports for all the production farms and the two processing units feed mill and abattoir to NEMA. The company now awaits approval for the reports and the certificates which were expected by December 2023, however, there has been a delay in issuing the certificates from the NEMA, the certificates are now expected by June 2024.
- Occupational Health and Safety The company is keen to strengthen the use of appropriate Personal Protective Equipment (PPE) by procuring additional gear items such as earplugs and coldspecific PPEs as it transitions into the new abattoir and expanded facility.
- Waste Disposal and Management

   Wastewater is managed through lagoons under a facultative aerobic treatment process before disposal to the environment.
- Quality Certifications The company has both UNBS and Halaal certifications
- ESG Discussions at Board level ESG matters are discussed at every board meeting. This was discussed during the last board meeting held on the 8th of January 2024.
- Incidents and Accidents No incidents and accidents occurred during the reported period.

# 11. Enimiro Products (U) Ltd ——

Enimiro received investment approval in February 2022. The Manager categorized the company as 'Amber' on the ESG traffic light scale. The company has since then adapted and put in place recommended ESG interventions. The company is now considered 'Green' in the traffic light rating.

The following are the general ESG updates:

- Third Party ESG Assessments Enimiro has recently passed a number of audit certifications i.e..
- The Organic annual certification audit

   Was completed in June 2023 for both
   Vanilla and Pineapple. The most recent audit was the Western 3 project that covered Rubirizi, Ibanda & Kagadi , the audit was done October 2023.
- Fair trade Certification is done by FLOCERT, and the company has so far successfully passed two audits, done in November 2022 and recently November 2023.
- Other certifications obtained include-Sedex, HACCP, and FSSC 22000. - mainly for farmers or producers, in this case the Enimiro Farmers and the processing facility. Enimiro went through the surveillance audit in August 2023 which was successfully concluded. Enimiro also has a NEMA certificate in place.
- Occupational Health and Safety The company developed a Health and Safety Manual which is currently being implemented.
- Supply Chain Risks (Produce Procurement)

   In-house lead extension workers train farmers in the best agronomic practices, which is a continuous and ongoing process. The recruitment process for an Organic and Fair-Trade consultant is underway with the expectation that the successful candidate will be onboarded sometime in April 2024.
- Grievance and Complaints Procedure –
  The Company has installed a suggestion
  box, established a grievances committee,
  and put in place procedures for handling
  grievances.

 Waste management – Biodegradable waste is collected at the facility waste pit for further fermentation under the BSF projects. The non-biodegradable waste is usually collected and disposed of by the Municipal Council.

# 12. Kamp Group Ltd —

Kamp Group received investment approval in April 2022. The Manager categorized the company as 'Amber' on the ESG traffic light scale. As a result of the diligent execution of ESG corrective actions within the organization, the company has now achieved a 'Green' status.

The following are the general ESG updates:

- EIA Status The consultant has been recruited and the process is expected to conclude in May 2024.
- Recent Third-Party ESG Assessments A consultant has been recruited to undertake an environmental impact assessment and secure NEMA certification, this is expected to be completed by May 2024.
- Product Quality Certifications Efforts to ensure better quality of the feeds are being addressed by the intervention of the quality assurance manager are ongoing. Comprehensive laboratory testing was done, and product samples were submitted to UNBS, the company is awaiting response.
- Occupational Health and Safety The company has recruited a quality assurance consultant to support in developing a Health and Safety manual as the factory is fully operational.
- Incidents and Accidents The company is actively monitoring incidents. No incidents and accidents occurred during the reported period.

- Grievance and Complaints Procedure –
   The company has put in place a grievance mechanism to address any grievances arising in the company. So far, no complaints have been received.
- ESG Discussions at Board Level The Kamp management team and board were reminded about their mandate to hold ESG discussions at the board level. The discussions were conducted at the board meetings.
- Waste Management Kamp has built water collection lines for the company's rainwater and is depositing it on the land where the company will plant trees. The consultant will provide guidance on the appropriate disposal methods for remaining factory waste

# 13. Newman Food Ltd -

Newman received investment approval in September 2022. The Manager categorized the company as 'Amber' on the ESG traffic light scale. There has not been a change in the traffic light rating.

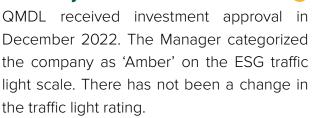
The following are the general ESG updates:

- ESG-Related Permits— NEMA certificate is almost completed and is awaiting signing from the NEMA Director.
- Supply Chain Risks (Produce Procurement)

   With support from the BDS facility, the company has appointed in-house lead extension workers to train farmers in the best agronomic practices. The training for organic farmers is a continuous process to ensure that farmers are fully appraised of the certification standards.
- Waste Management Solid waste is collected by a garbage collection company (HomeKlin). The company uses Cleanland Sanitation for the implementation of

- sanitary conditions including weekly emptying of the latrines. Regarding wastewater management, the facility has a septic tank and two soak pits for the treatment of raw wastewater.
- Food Safety Management System The company has yet to develop a food and safety manual. This is expected to be developed with the help of consultants who will be hired under BDS.
- Fire safety The company has fire extinguishers which are assessed and serviced, with the staff having been trained in fire safety. Emergency exit points are also identified and labeled.
- Grievance and Complaints Procedure –
   A grievance mechanism and incidence
   log have been implemented with the
   introduction of the Office of Human
   Resource Management.

# 14. Quality Milk Diaries Ltd —



The following are the general ESG updates:

• Permits and licenses (including ESG related permits) – The company obtained UNBS certification for the pasteurized milk. The company was awarded a 1-year permit instead of the 3 months permit due to good quality procedures in the company. Efforts are underway to obtain certifications such as ISO 22000, HACCP, ISO 9001, ISO 14001, and ISO 45001. Given that milk is a sensitive product and the focus on exports in the near future, QMDL requires both local and international certification including ISO 22000 (Food

- Safety Management)/ HACCP, ISO 9001 (Quality Management Systems, ISO 14001 (Environmental Management Systems), and ISO 450001 (Occupational health and safety management systems). The company is actively engaged with different authorities to secure all necessary permits and certifications, including NEMA.
- Food safety and Product quality Clear Standard Operating Procedures (SOPs) are being developed and interim measures have been implemented to address quality control and food safety across all company facilities including outlets. The company has existing quality checks at collection centers to monitor raw milk quality.
- Occupational Health and Safety The company has a work health and safety policy which provides for management and employees' responsibility in the workplace. The policy has undergone review and updates to ensure that it is in line with the requirements of the Occupational Health and Safety (OHS) Act 2006 as well as the National Environmental Act and other quality considerations.
- Waste management (storage and disposal)

   Waste generated at the factory includes milk waste, factory washings, package waste, and office waste. Solid waste including package waste and office waste is taken by Nabugabo Updeal; a licensed company whereas the milk waste and all the liquid waste is directed to the septic tank on site where it is stored until it's taken by KCCA. However, the waste treatment is not completed, yet the technical report recommended a water effluent and treatment plant.

- Comprehensive Environmental Impact Assessment (EIA) Report: - An Environmental Impact Assessment (EIA) report has been conducted, to ensure compliance with regulatory requirements and responsible environmental stewardship.
- Grievance mechanism Suggestion boxes purchased waiting to be installed and the company grievance and complaints policy is in place.

# 15. Sausage King -



The following are the general ESG updates:

- Food/Product Safety Hazards: -The standards were acquired (22000 - Food safety Mgt Sys, 9001 - Quality Mgt Sys, 45001 - Occupational Health & Safety Mgt Sys).
- Production & Quality consultant was onboarded in November 2023 & the engagement was completed by January 2024. Production redesigning & and quality improvement is still in progress based on the recommendations provided.

- Occupational Health and Safety hazards:

   Development of OHS policy is ongoing and is expected to be completed in March
   '24. An OHS officer was recruited in August
   2023 and training is ongoing.
- Fire Safety Hazards: Fire extinguishers were installed. 90% of repairs have been done to faulty sockets and open connections on the facility.
- ESG-related Permits: Process Audit was completed, awaiting sample testing, Environmental Audit was completed, awaiting Certificate.
- Waste Management certification pending, audit has been completed. The establishment of a Standard Operating Procedure manual for waste management is pending, this is expected to be in place by March 2024.

# YIELD FUND FINANCE AND ANNUAL AUDIT

The Fund auditor, BDO East Africa was appointed on 31st July 2018 are still eligible and expressed their willingness to continue in office for the fiscal year 2023/24.

# Table extracts of the statement of profit or loss and other comprehensive income.

	2023 (EUR)	2023 (EUR)	
Income			
Interest income	1,188,994	858,810	
Other income	208,170	785,214	
Fair value gains on investment at fair value through profit	211,328	13,093	
Decrease/(increase) in impairement provision for expected	(2,673,365)	(874,622)	
Total Income	(1,064,873)	782,495	
Expenses	(573,733)	(696,903)	
Total Equity and Liabilities	(1,638,606)	85,592	

# Table Extracts of statement of financial position

	2023 (EUR)	2023 (EUR)	
Assets			
Cash and Cash equivalents	609,498	923,703	
Other receivables and prepayments	936,818	1,549,997	
Loans and Advances	7,507,370	7,795,205	
Investment at fair value through profit or loss	5,595,781	2,538,824	
Total Assets	14,649,467	12,807,729	
Equity			
Ordinary and share capital	5	5	
Accumulated Losses	(4,288,850)	(2,650,244)	
Redeemable preference share capital	18,679,647	15,433,118	
Total Equity	14,390,802	12,782,879	
Current Liabilities			
Other payables	258,665	24,850	
Total Liabilities	258,665	24,850	
Total Equity and Liabilities	14,649,467	12,807,729	



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