QUALITY CHEMICAL INDUSTRIES LIMITED

(FORMERLY CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2024

TABLE OF CONTENTS

COMPANY INFORMATION

PRINCIPAL PLACE OF BUSINESS

Quality Chemical Industries Limited
Plot 1 - 7, 1st Ring Road
Luzira Industrial Park
P. O. Box 34871
Kampala, Uganda

BANKERS

Absa Bank Uganda Limited
Plot 2, Hannington Road
P. O. Box 7101
Kampala, Uganda

Standard Chartered Bank (U) Limited
Plot 5, Speke Road
P. O. Box 7111
Kampala, Uganda

SOLICITORS

K&K Advocates
SRK House
Plot 67, Lugogo Bypass
P. O. Box 606
Kampala, Uganda

MMAKS Advocates
3rd Floor, DTB Centre
Plot 17/19, Kampala Road
P. O. Box 7166
Kampala, Uganda

BROKER

Dyer and Blair Investment Bank
1 Lumumba Avenue
Ground Floor, Rwenzori House,
Kampala, Uganda

INDEPENDENT AUDITOR

Grant Thornton Certified Public Accountants
3rd Floor, Lugogo One
Plot 23, Lugogo Bypass
P. O. Box 7158
Kampala, Uganda

DIRECTORS' REPORT

The Directors have the pleasure in submitting their report on the financial statements of Quality Chemical Industries Limited ("the Company") for the year ended March 31, 2024, which disclose the state of affairs of the Company.

A. INCORPORATION AND PRINCIPAL ACTIVITY

The Company was incorporated on June 10, 2005 as a joint venture between Quality Chemicals Limited ("QCL"), a private limited company incorporated in the Republic of Uganda, and Cipla Limited ("Cipla"). Cipla subsequently acquired a controlling interest in the Company, holding 51.05% and 11.25% of the Company's shares through Meditab Holdings Limited and Cipla (EU) Limited, respectively, until September 2018.

The Company converted to a public company on October 7, 2016, and on September 17, 2018, the Company listed on the Uganda Securities Exchange, offering 18.00% of the shareholding to individual and institutional investors in an Initial Public Offering ("IPO"). During the IPO, Cipla (EU) Limited reduced its shareholding from 11.25% to 0.13% and therefore, Cipla's interest in the Company reduced to 51.18%.

On November 14, 2023, Africa Capitalworks acquired 51.18% of the issued ordinary shares of the Company from Cipla and on February 14, 2024, the Company reverted to its original name, Quality Chemical Industries Limited.

The Company's principal activity is manufacturing and selling of pharmaceutical drugs with emphasis on antiretroviral ("ARVs") and Artemisinin-based Combination Therapy ("ACTs" or anti-malarial drugs).

B. RESULTS FOR THE YEAR

Full details of the financial position, results of operations and cash flows of the Company are set out in the accompanying financial statements.

C. DIVIDENDS

The Board of Directors have recommended the declaration of a dividend of UShs 5.7 per share for the year ended March 31, 2024 (2023: final dividend of UShs 2.5 per share). Dividend payment is subject to withholding tax.

D. DIRECTORS AND OFFICERS

The Directors who held office during the year and to the date of this report were:

Name (Nationality)	Designation
Emmanuel Katongole (Ugandan)	Co-Founder and Director (Chairman)
Ajay Kumar Pal (Indian)	Executive Director (Managing)
Dr. Peter Mugyenyi (Ugandan)	Independent Non-Executive Director (Appointed June 20, 2019)
Joseph Baliddawa (Ugandan)	Independent Non-Executive Director (Appointed August 17, 2018)
George Baguma (Ugandan)	Co-Founder and Director (Appointed June 10, 2005)
Frederick Mutebi Kitaka (Uganda)	Co-Founder and Director (Appointed November 14, 2023)
Beth Lisa Mandel (South African)	Non-Executive Director (Appointed November 14, 2023)
Vusi Raseroka (South Africa)	Non-Executive Director (Appointed November 14, 2023)
Stevens Mwanje (Ugandan)	Non-Executive Director (Appointed July 22, 2019)
Zain Latif (British)	Alternate to George Baguma
Paul Miller (South African)	Non-Executive Director (Resigned November 14, 2023)
Dr. Ranjana Pathak (American)	Non-Executive Director (Resigned November 14, 2023)
Mark Warwick Daly (South African)	Non-Executive Director (Resigned November 14, 2023)
Geena Malhotra (Indian)	Non-Executive Director (Resigned November 14, 2023)

DIRECTORS' REPORT (continued)

E. DIRECTORS' INTEREST IN SHARES

During the year, no contracts were entered into which Directors or officers of the Company had an interest and which significantly affected the business of the Company.

As at March 31, 2024, the following Directors held a direct interest in the Company's share capital as reflected in the table below:

Directors	Number of shares	% Holdings
Emmanuel Katongole	101,933,042	2.7912
George Baguma	101,933,042	2.7912
Frederick Mutebi Kitaka	101,933,042	2.7912
Stevens Mwanje	19,400	0.0005
	305,818,526	**8.3741**

As part of Africa Capitalworks' majority acquisition on 14 November 2023, Emmanuel Katongole, George Baguma and Frederick Mutebi Kitaka indirectly acquired additional shareholding in the Company of 1.5% each.

F. INDEPENDENT AUDITOR

The auditor, Grant Thornton Certified Public Accountants, has expressed its willingness to continue in office in accordance with section 167 (2) of the Companies Act, 2012.

G. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any matter or circumstance which is material to the financial affairs of the Company, which has occurred between March 31, 2024 and the date of approval of the financial statements, that has not been otherwise dealt with in the financial statements.

By Order of the Board,

Secretary

May, 8th, **2024**

Kampala, Uganda

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2012 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of the financial affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are ultimately responsible for the system of internal control established by the Company. The Directors delegate responsibility for internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of the Company's assets. These systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The Directors accept responsibility for the financial statements for the year ended March 31, 2024, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2012. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next 12 months from the date of this statement.

The financial statements on pages 10 to 50, which have been prepared on the going concern basis, were approved by the Board of Directors on 8th/5/2024 and signed on its behalf by:

Emmanuel Katongole
Director

Date: May, 8th 2024

Kampala, Uganda

Ajay Kumar Pal
Director

Date: May, 8th 2024

Kampala, Uganda

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUALITY CHEMICAL INDUSTRIES LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Quality Chemical Industries Limited ("the Company") set out on pages 10 to 50, which comprise the statement of financial position as at March 31, 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2012.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of financial Statements in Uganda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Uganda. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How the matter was addressed in our audit
Expected credit losses on trade receivables The Company recognises Expected Credit Loss ("ECL") on its financial assets measured at amortised cost mainly trade receivables which are stated at UShs 31,848,677 thousand as at March 31, 2024 (2023: UShs 60,561,966 thousand). The expected credit loss as at that date is UShs 12,367,841 thousand against the trade receivables (2023: UShs 11,825,673 thousand). We noted that the ECL model requires significant judgment and assumptions in deriving the impairment allowance and hence we have considered this to be a key audit matter. The Company uses a simplified approach in accounting for expected credit losses on trade receivables basing on historical experience, external indicators, and forward-looking information.	Our audit procedures included understanding and testing of the design, implementation and operating effectiveness of the relevant controls around; - approving, recording and monitoring of sales and customer credit; - identifying impaired trade receivables; and - the governance process of continuous re-assessment of the appropriateness of assumptions and estimates used in determining the loss allowance. Our testing of the design, implementation and operating effectiveness of the controls provided a basis for us to continue with the planned nature, timing and extent of our substantive audit procedures. Our substantive audit procedures included the following: - for selected balances, we substantiated the recorded amounts by counterparty confirmation or by performing alternative procedures; - we performed a sensitivity analysis to determine which assumptions are significant (i.e., those that have a greater effect on the outcome of the ECL); - evaluated whether management's simplified modelling approach is appropriate. This included understanding whether the model methodology and logic meet all relevant requirements of IFRS 9 – Financial Instruments; - considered whether the individual inputs and assumptions appear reasonable. This included validation of individual

Key audit matter	How the matter was addressed in our audit
	assumptions to relevant supporting information and performing a retrospective review of the assumptions; - considered whether the assumptions appropriately reflect current market information; - tested historical loss data to validate the completeness and accuracy of key parameters; - assessed whether the matrix is applied to appropriate groupings of assets which share credit risk characteristics; - evaluated the completeness and accuracy of asset level data; - reviewed the judgments and decisions made by management in estimating the ECL to identify whether indicators of possible management bias exist; and - obtained relevant representations from the Directors about whether the Directors believe that significant assumptions used in estimating the ECL are reasonable. Based on our review, we did not identify any exceptions that would result in material misstatement to the financial statements.
Valuation of inventories and related provisions Inventories, stated at UShs 86,319,714 thousand (2023: UShs 66,335,779 thousand) as at March 31, 2024, represent the substantial proportion of assets on the statements of financial position of the Company. There are significant estimates involved in valuation of the inventories related to the assessment of direct costs and allocation of the manufacturing and production overheads. In addition, the valuation of the inventories is done at the lower of costs or net realisable value as per the Company's accounting policy. Thus, management's assessment of the percentage of write down for inventories is based on historical experience and judgment.	Our audit procedures included understanding and testing of the design, implementation and operating effectiveness of the relevant controls around; - issue of materials for production; - physical inventories; - valuation of the inventories; and - valuation of the provision for the obsolete, expired or slow-moving inventories. Our testing of the design, implementation and operating effectiveness of the controls provided a basis for us to continue with the planned nature, timing and extent of our substantive audit procedures. Our substantive audit procedures included the following: - reviewed periodic reconciliations of perpetual physical counts; - assessed the appropriateness and reasonableness of the inventory provision through evaluating; ➢ historical inventory and sales data; ➢ management's latest forecasts and trading plans; and ➢ selling prices achieved subsequent to the year-end. - we recalculated the inventory provision using the verified data to test the calculations within management's workings; - reviewed reconciliations of inventories to the cost of goods sold; - evaluated the methods of measurement and assumptions used in the systematic allocation of fixed and variable production overheads; and - on a sample basis tested the valuation of work-in-progress, raw materials, consumables, and finished goods for compliance with IAS 2 – Inventories. Based on our review, we did not identify any exceptions that would result in material misstatement to the financial statements.
Revenue recognition The Company's revenue for the year ended March 31, 2024 was UShs 265,339,800 thousand (2023: UShs 221,466,376 thousand). Given the significance of revenue as a key performance indicator, there is an increased risk of misstatement to meet performance	Our audit procedures included understanding and testing of the design, implementation, and operating effectiveness of the relevant controls around the sales process. We obtained and reviewed sales contracts held with major partners by the Company to understand and identify the performance obligations, transaction price and inspect the key terms and conditions of contracts and assess if there were any terms and conditions that may have affected the accounting treatment. We performed sales cut-off testing immediately before and after the year

Key audit matter	How the matter was addressed in our audit
targets. In this regard, revenue has been considered a key audit matter. Also, there is a risk that revenue may not be recognised in accordance with IFRS 15: Revenue from contracts with customers, and that the cut-off point at which customers obtain control of goods may not be correctly reflected in the financial statements.	end by testing sales invoices to evidence of delivery to ensure that revenue had been recognised in the correct accounting period, additionally we have performed similar detailed testing on credit notes to confirm that the credit notes have been recognised in the appropriate accounting period; and Performed analytical procedures around revenue and gross profit margins. Checked reasonableness of revenues recognised by reconciling inventory movements for finished goods to the sales recorded. In addition, we tested significant manual journal entries posted to revenue, to identify and understand unusual or irregular items and obtained evidence to support their recognition. As a result of the procedures performed, we have been able to conclude that revenue has been recognised in accordance with the Company's revenue recognition policy and IFRS 15 – Revenue from Contracts with Customers.

Other information

The Directors are responsible for the other information on pages 2 to 5.

Our opinion on the financial statements does not cover the other information, and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the requirements of the Companies Act 2012, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

Auditor's responsibilities for the audit of the financial statements (continued)

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extreme rare circumstances, we determine that a matter may not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Companies Act, 2012 we report to you, based on our audit, that:

i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit;

ii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Nilesh Patel - P0374.

Nilesh Patel
P0374

Grant Thornton

Grant Thornton
Certified Public Accountants

May 09, **2024**
Kampala, Uganda

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2024 UShs '000	2023 UShs '000
Revenue	4	**265,339,800**	221,466,376
Cost of sales	5	**(162,417,501)**	(154,457,788)
Gross profit		**102,922,299**	67,008,588
Other income	6	**72,864**	333,096
General and administrative expenses	7	**(59,293,734)**	(53,995,292)
(Impairment)/Reversal of impairment allowance	18	**(542,168)**	15,661,237
Operating profit		**43,159,261**	29,007,629
Finance income	10	**5,119,076**	3,843,980
Finance costs	10	**(432,848)**	(1,068,230)
Profit before tax	12	**47,845,489**	31,783,379
Taxation	13	**(16,085,164)**	(12,796,661)
Profit for the year		**31,760,325**	18,986,718
Other comprehensive income		**-**	-
Total comprehensive income for the year		**31,760,325**	18,986,718
Basic and diluted earnings per share (UShs)	20(d)	**8.70**	5.20

The notes on pages 14 to 50 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2024 UShs '000	2023 UShs '000
ASSETS			
Non-current assets			
Property, plant, equipment and right-of-use assets	14	**61,317,371**	67,339,505
Capital work-in-progress	15	**3,059,294**	3,022,079
Intangible assets	16	**451,018**	901,412
		64,827,683	71,262,996
Current assets			
Inventories	17	**86,319,714**	66,335,779
Trade and other receivables	18	**27,098,634**	62,951,599
Current tax recoverable	13(c)	**287,392**	2,104,114
Cash in hand and at bank	19	**53,451,182**	10,812,571
		167,156,922	142,204,063
TOTAL ASSETS		**231,984,605**	213,467,059
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	**45,648,865**	45,648,865
Reserve	21	**2,275,000**	2,275,000
Proposed dividend	22	**14,972,828**	9,129,773
Retained earnings		**125,303,269**	114,358,827
		188,199,962	171,412,465
LIABILITIES			
Non-current liabilities			
Deferred tax liability	13(b)	**155,083**	1,074,232
Lease liabilities	24	**168,398**	67,462
		323,481	1,141,694
Current liabilities			
Term loan	23	-	5,400,750
Lease liabilities	24	**109,328**	49,816
Trade and other payables	25	**43,351,834**	35,462,334
		43,461,162	40,912,900
TOTAL LIABILITIES		**43,784,643**	42,054,594
TOTAL EQUITY AND LIABILITIES		**231,984,605**	213,467,059

The financial statements on pages 10 to 50 were approved by the Board of Directors on May, 8th 2024 and signed on its behalf by:

Emmanuel Katongole
Director

Ajay Kumar Pal
Director

The notes on pages 14 to 50 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve	Proposed dividend	Retained earnings	Total equity
	UShs '000	**UShs '000**	**UShs '000**	**UShs '000**	**UShs '000**
Balance as at April 1, 2022	45,648,865	2,275,000	7,303,818	104,501,882	159,729,565
Profit for the year	-	-	-	18,986,718	18,986,718
Other comprehensive income	-	-	-	-	-
	45,648,865	**2,275,000**	**7,303,818**	**123,488,600**	**178,716,283**
Proposed dividend	-	-	9,129,773	(9,129,773)	-
Dividend paid	-	-	(7,303,818)	-	(7,303,818)
Transaction with owners of the Company	**-**	**-**	**1,825,955**	**(9,129,773)**	**(7,303,818)**
Balance as at March 31, 2023	**45,648,865**	**2,275,000**	**9,129,773**	**114,358,827**	**171,412,465**
Balance as at April 1, 2023	**45,648,865**	**2,275,000**	**9,129,773**	**114,358,827**	**171,412,465**
Profit for the year	**-**	**-**	-	**31,760,325**	**31,760,325**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
	45,648,865	**2,275,000**	**9,129,773**	**146,119,152**	**203,172,790**
Proposed dividend	**-**	**-**	**20,815,883**	**(20,815,883)**	**-**
Dividend paid	**-**	**-**	**(14,972,828)**	**-**	**(14,972,828)**
Transaction with owners of the Company	**-**	**-**	**5,843,055**	**(20,815,883)**	**(14,972,828)**
Balance as at March 31, 2024	**45,648,865**	**2,275,000**	**14,972,828**	**125,303,269**	**188,199,962**

The notes on pages 14 to 50 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2024 UShs '000	2023 UShs '000
Operating activities			
Profit before tax		**47,845,489**	31,783,379
Adjustment for:			
- Impairment/(Reversal of impairment) allowance		**542,168**	(15,661,237)
- Depreciation	14	**10,113,645**	9,268,639
- Amortisation	16	**477,086**	474,448
- Provision/(Reversal of provision) for obsolete stock		**926,405**	(1,209,486)
- Gain on sale of property, plant, equipment and right-of-use assets	6	**-**	(265,812)
- Interest expense		**432,848**	1,068,230
		60,337,641	25,458,161
Changes in working capital:			
- Inventories		**(20,910,340)**	15,265,323
- Trade and other receivables		**35,310,797**	34,503,378
- Trade and other payables		**8,138,412**	(23,690,439)
Cash generated from operating activities		**82,876,510**	51,536,423
Interest paid on bank overdraft	23	**(272,139)**	(293,227)
Interest paid on term loan	23	**(131,841)**	(744,359)
Payment of interest on lease liabilities	24(c)	**(28,868)**	(30,644)
Tax paid		**(15,373,933)**	(8,628,854)
Net cash generated from operating activities		**67,069,729**	41,839,339
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and right-of-use assets		**-**	303,434
Purchase of property, plant, equipment and right-of-use assets	14	**(1,395,309)**	(7,884,021)
Additions to capital work-in-progress	15	**(2,462,337)**	(3,012,808)
Purchase of intangible assets	16	**(26,692)**	(43,293)
Net cash used in investing activities		**(3,884,338)**	(10,636,688)
Cash flows from financing activities			
Dividends paid		**(14,972,828)**	(7,303,818)
Repayment of term loan	23	**(5,400,750)**	(21,424,375)
Repayment of lease liability	24(b)	**(173,302)**	(148,090)
Net cash used in financing activities		**(20,546,780)**	(28,876,283)
Net change in cash in hand and at bank		**42,638,611**	2,326,368
Cash in hand and at bank at start of year		**10,812,571**	8,486,203
Cash in hand and at bank at end of year	19	**53,451,182**	10,812,571

The notes on pages 14 to 50 are an integral part of these financial statements.

1 COMPANY INFORMATION

Quality Chemical Industries Limited was incorporated on June 10, 2005 as a joint venture between QCL, an entity incorporated in the Republic of Uganda, and Cipla, for the manufacture and sale of pharmaceutical drugs with emphasis on ARVs and ACTs. The Company owns a pharmaceutical plant at Luzira Industrial Park.

Cipla subsequently acquired a controlling interest in the Company, holding 51.05% and 11.25% of the Company's shares through Meditab Holdings Limited and Cipla (EU) Limited, respectively. The Company's name was subsequently changed from Quality Chemical Industries Limited to Cipla Quality Chemical Industries Limited.

The Company converted to a public company on October 7, 2016, and on September 17, 2018, the Company listed on the Uganda Securities Exchange, offering 18.00% of the shareholding to individual and institutional investors in an IPO. During the IPO, Cipla (EU) Limited reduced its shareholding from 11.25% to 0.13% and therefore, Cipla's interest in the Company reduced to 51.18%.

On November 14, 2023, Africa Capitalworks acquired 51.18% of the issued ordinary shares of the Company from Cipla and on February 14, 2024, the Company reverted to its original name, Quality Chemical Industries Limited.

2 MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and presented in Uganda Shillings ("UShs") which is the Company's functional currency.

All financial amounts presented in UShs have been rounded to the nearest thousand except when otherwise indicated. Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency), except where otherwise indicated.

b) Statement of compliance

The financial statements have been prepared in accordance with IFRS and in compliance with the requirements of the Companies Act, 2012.

These accounting policies have been applied consistently in all periods presented.

For purposes of reporting under the Companies Act, 2012, the balance sheet in these financial statements is represented by the statement of financial position, and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) New standards, interpretations and amendments to standards

New standards, interpretations and amendments to standards adopted during the year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and relevant to its operations:

Standard/amendment	**Effective date - Year beginning on or after**	**Key requirements**	**Impact**
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023	The key amendments to IAS 1 include: a) requiring companies to disclose their material accounting policies rather than their significant accounting policies; b) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and c) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.	The impact of the amendment is not material.
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	The impact of the amendment is not material.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023	The amendments require an entity to recognise deferred tax on certain transactions (e.g. leases and decommissioning liabilities) that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. It also clarifies that the initial recognition exemption set out in IAS 12 'Income Taxes' does not apply, and entities are required to recognise deferred tax on these transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.	The impact of the amendment is not material.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) New standards, interpretations and amendments to standards (continued)

New standards, interpretations and amendments to standards adopted during the year (continued)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024	The IASB issued additional guidance in IFRS 16 on accounting for sale and leaseback transactions. Previously IFRS 16 only included guidance on how to account for sale and leaseback transactions at the date of the transaction itself. However, the Standard did not specify any subsequent accounting when reporting on the sale and lease back transaction after that date. As a result, without further requirements, when the payments include variable lease payments, there is a risk that a modification or change in the leaseback term could result in the seller-lessee recognising a gain on the right of use they retained even though no transaction or event would have occurred to give rise to that gain. Consequently, the IASB decided to include subsequent measurement requirements for sale and leaseback transactions to IFRS 16.	The impact of the amendment will not be material.
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024	The amendments elaborate on guidance set out in IAS 1 by: • clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. • stating that management's expectations around whether they will defer settlement or not does not impact the classification of the liability. • adding guidance about lending conditions and how these can impact classification. • including requirements for liabilities that can be settled using an entity's own instruments.	The impact of the amendment is not material.
Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024	The amendment states that at the reporting date, the entity does not consider covenants that will need to be complied with in the future, when considering the classification of the debt as current or non-current. Instead, the entity should disclose information about these covenants in the notes to the financial statements. The amendments are to enable investors to understand the risk that such debt could become repayable early and therefore improving the information being provided on the long-term debt.	The impact of the amendment is not material.

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) New standards, interpretations and amendments to standards (continued)

New standards, interpretations and amendments to standards adopted during the year (continued)

Standard/amendment	Effective date - Year beginning on or after	Key requirements	Impact
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024	The amendments require additional disclosures that complement the existing disclosures in these IAS 7 and IFRS 7. They require entities to disclose: • the terms and conditions of the arrangement. • the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are included on the statement of financial position. • ranges of payment due dates. • liquidity risk information. These additional disclosure requirements address investors wanting more visibility around supplier finance arrangements, which in some jurisdictions around the world are better known as reverse factoring arrangements.	The impact of the amendment is not material.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) New standards, interpretations and amendments to standards (continued)

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2024 or later periods:

Standard/amendment	Effective date - Year beginning on or after	Key requirements	Impact
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	January 1, 2024	It establishes general requirements with the objective of requiring an entity to disclose information about its sustainability-related risks and opportunities and how an entity should prepare and present its sustainability-related financial information. It sets out general requirements for the content and presentation of these disclosures so that the information disclosed is useful to primary users of financial reporting in making decisions about the provision of resources to the entity.	Unlikely there will be a material impact.
IFRS S2 Climate-related disclosures	January 1, 2024	It sets out requirements for identifying, assessing and disclosing information about climate-related risks and opportunities that is useful to the primary users of general purpose financial reporting.	Unlikely there will be a material impact.
Lack of exchangeability (Amendments to IAS 21) IFRS 16)	January 1, 2025	The amendments include both updates to guidance to assist preparers in correctly accounting for foreign currency items and increases the level of disclosure required to help users understand the impact of a lack of exchangeability on the financial statements. The amendments: • introduce a definition of whether a currency is exchangeable, and the process by which an entity should assess this exchangeability. • provide guidance on how an entity should estimate a spot exchange rate in cases where a currency is not exchangeable. • require additional disclosures in cases where an entity has estimated a spot exchange rate due to a lack of exchangeability, including the nature and financial impact of the lack of exchangeability, and details of the spot exchange rate used and the estimation process. The additional disclosure requirements provide useful information about the additional level of estimation uncertainty, and risks arising for the entity due to difficulty in exchangeability.	Unlikely there will be a material impact.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) Use of significant judgment and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimations and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.

The key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

Fair value estimation

Several assets and liabilities of the Company are either measured at fair value or disclosure is made of their fair values. Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

Allowance for slow moving, damaged and obsolete inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether a provision for obsolescence should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for obsolescence is made where the net realisable value is less than cost based on best estimates by the management, ageing of inventories and historical movement of the inventory.

Useful lives of property, plant, equipment and right-of-use assets

Management assesses the appropriateness of the useful lives and residual values of property, plant and equipment at the end of each reporting period. When the estimated useful life or residual value of an asset differs from the previous estimates, the change is applied prospectively in determination of the depreciation charge.

Deferred tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax

Judgment is required in determining the provision for income taxes due to the complexity of the legislation.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) Significant accounting judgments and estimates (continued)

Current tax (continued)

There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of additional taxes due. In certain cases, the final tax outcome is different from the current tax position that was initially recorded. Such differences will impact the income tax and the deferred tax provision in the period in which the differences are determined.

Leases

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Company is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates in the respective economic environments.

Impairment allowance for expected credit losses on trade receivables

The Company uses a provision matrix to calculate expected credit losses ("ECL") for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns. The matrix is initially based on historical observed default rates. The matrix is adjusted with forward looking information. The assessment of the correlation between historical default rates and forecast economic conditions and ECLs is a significant estimate.

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgments, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used. The Company has made a number of assumptions in calculating ECL for its various financial assets; the Company has elected to apply a 12-month credit loss to derive ECL on its financial assets. Assumptions are to be reviewed on an annual basis.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Management makes estimates for the provisions, based on the historical data available and reassesses them at the end of every reporting period.

Impairment of non-financial assets

The Company reviews its non-financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, management makes judgments as to whether there are any conditions that indicate potential impairment of such assets.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price when the fair value of financial instruments at initial recognition differs from the transaction price.

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Company classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through profit or loss ("FVTPL")

The Company classifies and measured its trading portfolio at FVTPL and also may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and are derivative instruments or the fair value designation is applied.

Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are enough trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the reporting date.

Level 2 financial instruments - Those where the inputs that are used for valuation are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads.

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

Level 3 financial instruments - Those that include one or more unobservable inputs that are significant to the measurement as a whole.

The Company periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Company's financial instruments such as credit risk, own credit and/or funding costs. Therefore, the Company applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments. The Company estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself. The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

Receivables and financial investments

The Company measures receivables and other financial assets at amortised cost only if both of the following conditions are met:

i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective: Considerations are made based on the following criteria:

i) The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
ii) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
iii) The expected frequency, value and timing of sales are also important aspects of the Company' assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

Receivables and financial investments (continued)

The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Company cannot sell or pledge the original asset other than as security to the eventual recipient; and
- The Company must remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

Derecognition of financial assets and liabilities (continued)

A transfer only qualifies for derecognition if either:
- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Company considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise ECL. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI. The Company considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime ECL. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators, and forward-looking information to calculate the ECL using a provision matrix. For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Write off

The gross carrying amount of financial assets is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Company's procedure for recovery of amounts due.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains and losses recognised in profit or loss (other than derivative financial instruments that are designated as effective hedging instruments).

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

f) Property, plant, equipment and right-of-use assets

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour; any other costs directly attributable to bringing assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located; and, capitalized borrowing costs. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit and loss.

Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write down the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Company. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised. Refer item (q) below on leases for detailed policies for right of use assets.

Depreciation is calculated on a straight-line basis (prorated over the useful life) at annual rates estimated to write off the carrying values of assets over their expected useful lives. The annual depreciation rates or life in use are:

Item	Depreciation method	Depreciation rates/Useful life
Buildings	Straight line	Lower of 4% and lease period of land the building stands on
Motor vehicles	Straight line	25.00%
Tools and equipment	Straight line	25.00%
Computers	Straight line	33.30%
Furniture and fittings	Straight line	25.00%
Plant and machinery	Straight line	10.00%
Right-of-use assets	Straight line	3–5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

g) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets comprise:

- Computer software, which is amortised over its economic useful life of three years.

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets and inventory, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets/CGU.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications thatthe loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

i) Inventories

Inventories comprise mainly raw materials, work-in-progress, finished goods, spares and supplies. They are stated at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a weighted average basis including transport costs, handling costs, duties and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Any write down to net realisable value is recognised in profit or loss in the period it is determined.

j) Employee benefits

Short term employee benefits

A majority of the Company`s employees are eligible for annual leave. The Company also contributes on its employees' behalf to the National Social Security Fund ("NSSF"). Provisions for annual leave, long service rewards and contributions to NSSF are charged to profit or loss as incurred. Any differences between the charge to profit or loss and the NSSF contributions payable is recorded in the statement of financial position under other payables, while separate provisions are made for leave pay and long service awards.

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is categorized as an expense accrual.

Defined contribution plans

The Company operates a defined contribution scheme for Directors. The contribution scheme is funded through contributions made by the Company. The Company's contributions are charged to the profit or loss statement in the year which they relate.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

j) Employee benefits (continued)

Defined contribution plans (continued)

The Company and all its employees contribute to the NSSF, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays a fixed contribution to a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the scheme are held in a separate trustee administered fund which is funded by contributions from both the Company and employees.

The Company's contributions to the defined contribution scheme are charged to the statement of profit or loss and other comprehensive income in the year which they fall due.

k) Tax

Current income tax

Taxation is provided in the statement of comprehensive income on the basis of the results included therein adjusted in accordance with the provisions of the Income Tax Act (Cap. 340). Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date. Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised in other comprehensive income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (“VAT”)

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of goods and services is not recoverable from Uganda Revenue Authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense for the item as applicable; and
- Receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

l) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

m) Capital grant

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the Company receives non-monetary grants, the asset and that grant are recognised at fair value and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

n) Revenue from contracts with customers

Revenue arises mainly from the sale of ARVs, ACTs and other pharmaceutical products. To determine whether to recognise revenue, the Company follows a five-step process:

- Identifying a contract with the customer;
- Identifying performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognising revenue when/as performance obligation(s) are satisfied.

The Company often enters into transactions involving a range of the Company's products and services. In all cases, the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price excludes any amounts collected on behalf of third parties.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale of goods

Revenue from the sale of goods is recognised when or as the Company transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt of goods or services by the customer.

When such items are either customized or sold together with a significant element of service, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Company has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognised over time as the service is rendered based on estimation of work done. Revenue from the sale of goods is recognised upon the passage of title to the customer, which generally coincides with their delivery and acceptance. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due and associated costs or the possible return of goods.

o) Dividend

The Company recognises a liability to make cash distributions to shareholders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per Company policy, a final distribution is authorised when it is approved by the shareholders. An interim dividend may be declared at the discretion of the Directors. The dividend is recognised directly in equity and recorded as a liability until paid.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

p) Fair value measurement

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured atfair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Property, plant, equipment and right-of-use assets under the cost model
- Financial instruments (including those carried at amortized cost)

q) Leases

The Company as a lessee

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of thelease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

q) Leases (continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in- substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been disclosed separately.

r) Share capital and dividend

Dividends on the ordinary shares are charged to equity in the year in which they are declared and when payment becomes a legal obligation. Proposed dividends are disclosed in the notes.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Senior management is responsible for developing and monitoring the Company's risk management policies and report regularly to the Board of Directors on their activities.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management practices in others. The risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board Audit and Risk Committee ("ARC") oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The ARC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of the Company's risk management controls and procedures, the results of which are reported to ARC. The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables and lease liabilities.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

The main risks arising from the Company's financial instruments are liquidity risk, market risk and credit risk. The Company has policies for managing financial risks as summarized below:

a) Market risk

i) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises from purchases by the Company in currencies other than its functional currency (UShs). When the need arises for foreign currency, the Company purchases its requirements in the open market, and any exchange gains or losses are immediately posted to profit or loss. Some of the Company's sales are in USD. The proceeds from US Dollar sales are used to pay for liabilities denominated in US Dollars as much as is practicable. Otherwise, the Company does not engage in currency derivatives or other measures of managing foreign currency risk.

	USD	UShs '000
At March 31, 2024		
Financial assets		
Cash at bank	**3,370,572**	**13,111,525**
Trade and other receivables	**8,664,247**	**33,703,921**
	12,034,819	**46,815,446**
Financial liabilities		
Trade and other payables	**2,406,999**	**9,363,225**
Lease liabilities	**73,279**	**285,054**
	2,480,277	**9,648,279**
Net currency exposure - Assets	**9,554,542**	**37,167,167**
At March 31, 2023		
Financial assets		
Cash at bank	1,178,413	4,466,185
Trade and other receivables	14,790,627	56,056,477
	15,969,040	60,522,662
Financial liabilities		
Trade and other payables	2,782,912	10,547,237
Due to related parties	3,071,898	11,642,492
Lease liabilities	30,944	117,278
	5,885,754	22,307,007
Net currency exposure - Assets	10,083,287	38,215,655

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

a) Market risk (continued)

i) Foreign currency risk (continued)

The analysis below summarises the post-tax effect on profit/(loss) and components of equity, if the currency had weakened/strengthened by 1% against the USD, mainly as a result of foreign exchange gains or losses on translation of USD denominated assets and liabilities with all other variables held constant.

	2024	2023
	UShs '000	UShs '000
+1%	(229,704)	(267,510)
-1%	229,704	267,510

ii) Interest rate risk

The Company's interest-bearing financial instruments include a bank loan and bank overdraft. These are at variable rates and are therefore exposed to cash flow interest rate risk. The Company regularly monitors financing options available to ensure optimal interest rates are obtained.

The analysis below summarises the post-tax effect on profit/(loss) and components of equity, if interest rates on UShs denominated borrowings had been 1% higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings with all other variables held constant.

	2024	2023
	UShs '000	UShs '000
+1%	**-**	(152,773)
-1%	**-**	152,773

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, other receivables and balances with banks.

The Company manages its credit risk by only trading with creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to minimize the Company's exposure to bad debts.

Credit risk on deposits with banking institutions is managed by dealing with institutions with good credit ratings. The maximum exposure to credit risk is equivalent to the bank balances and trade and other receivables balance as at the end of the year as indicated below:

	2024	2023
	UShs '000	UShs '000
Trade receivables (note 18)	**19,741,174**	48,738,010
Cash at bank (note 19)	**53,449,967**	10,810,923
	73,191,141	59,548,933

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

a) Market risk (continued)

The Company's major customers are National Medical Stores (Government of Uganda), sovereign customers, Global Fund to Fight AIDS, Tuberculosis and Malaria and other private customers. The concentration of credit risk of the Company's major customers is as follows:

	2024	2023
	UShs '000	UShs '000
National Medical Stores (Government of Uganda)	**17,849,869**	29,010,264
Other sovereign customers	**8,941,924**	17,633,676
Multilateral agencies	**221,574**	7,201,534
Private market customers	**4,835,309**	6,716,492
	31,848,676	60,561,966

b) Credit risk (continued)

Expected Credit Loss (ECL) for trade receivables are determined for each reporting period using a single loss rate approach. Under the loss rate approach, the Company develops loss-rate statistics based on the amounts collected over the life of the financial assets rather than using separate probability of default and loss given default statistics. The Company then adjusts these historical credit loss trends for current conditions and expectations about the future. The loss rates are based on the respective customer categories. The calculation reflects a simple average of all loss rates per period, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Company does not hold collateral as security.

The ECL for the other financial assets are generally determined using expected credit loss rates derived from the prevailing credit ratings of the counter parties. The determination of ECL reflects the probability-weighted outcome, time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and expected future economic conditions. No other financial assets were in default (2023: None).

Set out below is the credit risk exposure arising from the Company's trade and other receivables using a single loss rate approach:

	2024			
	Gross carrying amount UShs '000	**Weighted average loss rates %**	**Expected credit loss UShs '000**	**Net carrying amount UShs '000**
Trade receivables				
Sovereign customers	**26,791,793**	**33.70%**	**9,028,711**	**17,763,082**
Multilateral agencies	**221,574**	**0.0%**	**-**	**221,574**
Private market customers	**4,835,309**	**69.06%**	**3,339,130**	**1,496,179**
	31,848,677	**38.83%**	**12,367,841**	**19,480,836**
Other financial assets				
Advance payments to suppliers	**6,823,445**	**37.69%**	**2,571,935**	**4,251,510**
VAT recoverable	**2,415,294**	**0.0%**	**-**	**2,415,294**
Staff advances	**2,703**	**0.0%**	**-**	**2,703**
Other receivables	**260,338**	**0.0%**	**-**	**260,338**
Cash at bank	**53,449,967**	**0.0%**	**-**	**53,449,967**
	62,951,747	**4.09%**	**2,571,935**	**60,379,812**
Total financial assets	**94,800,424**	**15.76%**	**14,939,776**	**79,860,648**

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

b) Credit risk (continued)

	2023			
	Gross carrying amount UShs '000	**Weighted average loss rates %**	**Expected Credit Loss UShs '000**	**Net carrying amount UShs '000**
Trade receivables				
Sovereign customers	42,508,556	20.69%	8,796,610	33,711,946
Intercompany customers	4,135,384	0.00%	-	4,135,384
Multilateral agencies	7,201,534	0.00%	-	7,201,534
Private market customers	6,716,492	45.10%	3,029,063	3,687,429
	60,579,327	**19.53%**	**11,825,673**	**48,736,293**
Other financial assets				
Advance payments to suppliers	10,203,908	23.57%	2,405,181	7,798,727
VAT recoverable	4,859,212	0.00%	-	4,859,212
Staff advances	46,629	0.00%	-	46,629
Other receivables	1,717	0.00%	-	1,717
Cash at bank	10,810,923	0.00%	-	10,810,923
	25,922,389	**9.28%**	**2,405,181**	**23,517,208**
Total financial assets	**86,484,355**	**16.45%**	**14,230,854**	**72,253,501**

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. In addition, an unsecured $20 million overdraft facility is maintained.

The following tables detail the Company's remaining contractual obligations for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company could be required to pay.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

c) Liquidity risk (continued)

	Up to 3 months UShs '000	3 to 12 months UShs '000	Above 12 months UShs '000	Total UShs '000
As at March 31, 2024				
Lease liabilities	**61,141**	**48,187**	**168,398**	**277,726**
Trade and other payables	**42,958,110**	**-**	**-**	**42,958,110**
	43,019,251	**48,187**	**168,398**	**43,235,836**
As at March 31, 2023				
Lease liabilities	14,532	35,284	67,462	117,278
Trade and other payables	35,462,334	-	-	35,462,334
Term loan	1,800,250	3,600,500	-	5,400,750
	37,277,116	3,635,784	67,462	40,980,362

d) Capital management

Capital includes equity attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended March 31, 2023 and March 31, 2024.

e) Fair value measurement

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instruments.

f) Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

f) Valuation models (continued)

The Company's current valuation techniques include comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes.

As at March 31, 2024, the Company did not hold any financial assets, or financial liabilities, at fair value. The carrying amounts of the financial assets and liabilities, held at amortised cost on the Statement of Financial Position, approximate their fair values as at that date.

NOTES TO THE FINANCIAL STATEMENTS

	2024	2023
	UShs '000	UShs '000

4 Revenue

Local sales	**169,815,780**	171,873,381
Exports	**95,524,020**	49,592,995
	265,339,800	221,466,376

Revenues mainly relate to the sale of ARVs and ACTs as shown in the table below:

ARVs	**158,841,994**	160,450,821
ACTs	**100,906,479**	56,617,591
Other	**5,591,327**	4,397,964
	265,339,800	221,466,376

5 Cost of sales

Materials consumed	**130,739,655**	121,363,523
Other production overheads	**11,236,114**	10,816,199
Staff expenses (note 8)	**8,495,112**	8,519,190
Depreciation (note 9)	**8,587,253**	8,031,980
Royalties	**3,578,026**	6,255,191
Stock write-off/(write-back)	**6,251,463**	(1,454,700)
(Reversal)/Provision for obsolete stock	**(6,470,122)**	926,405
	162,417,501	154,457,788

6 Other income

Sale of scrap	**72,864**	67,285
Gain on disposal of equipment	**-**	265,811
	72,864	333,096

7 General and administrative expenses

Staff expenses (note 8)	**27,376,682**	25,371,248
Advertising and promotions	**14,699,277**	11,187,915
Other administration expenses	**11,019,896**	11,499,693
Office expenses	**3,186,409**	3,093,106
Depreciation (note 9)	**1,526,392**	1,236,659
Amortisation (note 16)	**477,086**	474,448
Bank charges	**571,745**	272,691
Professional fees	**322,709**	739,918
Auditor's remuneration	**113,538**	119,614
	59,293,734	53,995,292

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2024 UShs '000	2023 UShs '000
8 Staff expenses		
Salaries and wages	**21,890,675**	20,693,887
Medical	**2,139,539**	2,046,377
NSSF contribution	**2,405,699**	2,128,225
Staff welfare	**1,484,514**	1,285,448
Catering	**1,917,226**	1,633,668
Provision of staff bonus	**1,906,981**	1,731,267
Provident fund	**3,915,655**	3,858,236
Leave provision charge	**183,277**	157,703
Training costs	**13,399**	339,356
Staff recruitment costs	**14,829**	16,271
	35,871,794	33,890,438
Staff costs are allocated as follows:		
Cost of sales (note 5)	**8,495,112**	8,519,190
General and administrative expenses (note 7)	**27,376,682**	25,371,248
	35,871,794	33,890,438
9 Depreciation		
Depreciation is allocated as follows:		
Cost of sales (note 5)	**8,587,253**	8,031,980
General and administrative expenses (note 7)	**1,526,392**	1,236,659
	10,113,645	9,268,639
10 Finance income		
Interest income from bank deposits	**2,596,882**	625,317
Net foreign exchange gain	**…2,522,194**	3,218,663
	5,119,076	3,843,980
11 Finance costs		
Interest expense on term loans	**131,841**	744,359
Interest expense on bank overdraft	**272,139**	293,227
Interest expense on lease liabilities	**28,868**	30,644
	432,848	**1,068,230**
12 Profit before tax		
Profit before tax is stated after charging:		
Depreciation	**10,113,645**	9,268,639
Net foreign exchange gains	**(2,522,194)**	(3,218,663)
Amortisation	**477,086**	474,448
Auditor’s remuneration	**113,538**	119,614
Gain on disposal of property, plant, equipment and right-of-use assets	**-**	265,811

	2024	2023
	USh s '000	USh s '000

13 Taxation

a) Amounts recognised in statement of profit or loss

	2024 **UShs '000**	2023 UShs '000
Current tax	**17,004,313**	6,583,335
Deferred tax	**(919,149)**	6,213,326
	16,085,164	12,796,661

Reconciliation of tax expense

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2024 **UShs '000**	2023 UShs '000
Profit before tax	**47,845,489**	31,783,379
Tax calculated at the statutory income tax rate of 30%	**14,353,647**	9,535,014
Non-deductible expenses	**1,734,347**	2,823,290
Prior period (over)/under provision	**(2,830)**	438,357
	16,085,164	**12,796,661**

b) Deferred tax liability	**(155,083)**	(1,074,232)

Deferred income tax is calculated on all temporary differences using the liability method at the applicable rate of 30%. The movement on the deferred tax account is as follows:

Reconciliation of deferred tax

	2024 **UShs '000**	2023 UShs '000
At the beginning of year	**(1,074,232)**	5,139,094
Temporary differences on property, plant, equipment and right-of-use assets	**157,531**	(575,922)
Temporary difference on lease liabilities	**(11,757)**	3,511
Temporary difference on provisions	**389,445**	(880,398)
Temporary difference on forex	**218,450**	163,211
Temporary differences on ECL	**162,650**	(4,485,371)
Prior period error	**2,830**	(438,357)
	(155,083)	(1,074,232)

c) Current tax recoverable

Income tax receivable	**287,392**	2,104,114

At March 31, 2024, UShs 287,392 thousand (2023: UShs 2,104,114 thousand) was recoverable from Uganda Revenue Authority resulting from excess provisional income tax payments made during the year over the final assessed tax liabilities at the end of reporting period. The amount will be offset against future income tax obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Property, plant, equipment and right-of-use assets

	Right-of-use asset USh '000	Buildings UShs '000	Plant & machinery UShs '000	Furniture & fittings UShs '000	Motor vehicles UShs '000	Computers UShs '000	Tools & equipment UShs '000	Total UShs '000
COST								
Balance at April 1, 2022	3,585,171	33,605,181	82,573,633	1,754,861	3,315,945	3,631,766	6,135,213	134,601,770
Additions	-	-	4,642,212	41,718	1,989,387	667,572	543,132	7,884,021
Transfer from CWIP (Note 15)	-	219,255	2,531,265	-	-	11,638	944,535	3,706,693
On disposals	-	-	(600,472)	-	(1,805,687)	(3,001)	-	(2,409,160)
Balance at March 31, 2023	3,585,171	33,824,436	89,146,638	1,796,579	3,499,645	4,307,975	7,622,880	143,783,324
Balance at April 1, 2023	**3,585,171**	**33,824,436**	**89,146,638**	**1,796,579**	**3,499,645**	**4,307,975**	**7,622,880**	**143,783,324**
Additions	**271,080**	**141,563**	**410,816**	**22,837**	**-**	**88,816**	**731,277**	**1,666,389**
Transfer from CWIP (Note 15)	**-**	**58,027**	**2,249,023**	**3,963**	**-**	**763**	**113,346**	**2,425,122**
On disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at March 31, 2024	**3,856,251**	**34,024,026**	**91,806,477**	**1,823,379**	**3,499,645**	**4,397,554**	**8,467,503**	**147,874,835**
ACCUMULATED DEPRECIATION								
Balance at April 1, 2022	550,081	10,780,551	47,848,921	1,385,854	2,224,643	2,994,294	3,762,374	69,546,718
Depreciation charge for the year	173,478	1,351,319	5,330,876	161,534	460,115	435,367	1,355,950	9,268,639
On disposals	-	-	(562,850)	-	(1,805,687)	(3,001)	-	(2,371,538)
Balance at March 31, 2023	723,559	12,131,870	52,616,947	1,547,388	879,071	3,426,660	5,118,324	76,443,819
Balance at April 1, 2023	**723,559**	**12,131,870**	**52,616,947**	**1,547,388**	**879,071**	**3,426,660**	**5,118,324**	**76,443,819**
Depreciation charge for the year	**117,863**	**1,354,495**	**5,894,361**	**144,283**	**820,672**	**443,255**	**1,338,716**	**10,113,645**
On disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at March 31, 2024	**841,422**	**13,486,365**	**58,511,308**	**1,691,671**	**1,699,743**	**3,869,915**	**6,457,040**	**86,557,464**
NET CARRYING VALUE								
Balance at March 31, 2024	**3,014,829**	**20,537,661**	**33,295,169**	**131,708**	**1,799,902**	**527,639**	**2,010,463**	**61,317,371**
Balance at March 31, 2023	2,861,612	21,692,566	36,529,691	249,191	2,620,574	881,315	2,504,556	67,339,505

*The capital work-in-progress (“CWIP”) mainly comprises the cost of machinery under installation and ongoing construction work at the Luzira factory. The analysis of CWIP has been summarised in note 15.

15 Capital work-in-progress

	Buildings	Plant & machinery	Furniture and fittings	Computers	Tools & equipment	Software	Total
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Balance at April 1, 2022	229,054	2,610,543	-	11,233	865,134	-	3,715,964
Additions	540,726	2,289,702	3,963	1,170	177,247		3,012,808
Transfer to property, plant and equipment	(219,255)	(2,531,265)	-	(11,638)	(944,535)		(3,706,693)
Balance at March 31, 2023	550,525	2,368,980	3,963	765	97,846		3,022,079
Balance at April 1, 2023	550,525	2,368,980	3,963	765	97,846	-	3,022,079
Additions	397,213	903,117	2,733	131,603	169,009	858,662	2,462,337
Transfer to property, plant and equipment	(58,027)	(2,249,023)	(3,963)	(763)	(113,346)	-	(2,425,122)
Balance at March 31, 2024	**889,711**	**1,023,074**	**2,773**	**131,605**	**153,509**	**858,662**	**3,059,294**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Intangible assets

	2024 UShs '000	2023 UShs '000
Cost		
At start of year	**3,837,256**	3,793,963
Additions	**26,692**	43,293
At end of year	**3,863,948**	3,837,256
Accumulated amortisation		
At start of year	**2,935,844**	2,461,396
Amortisation for the year	**477,086**	474,448
At end of year	**3,412,930**	2,935,844
Net carrying value	**451,018**	901,412

Intangible assets mainly relate to SAP software used by the Company for its financial accounting.

17 Inventories

	2024 UShs '000	2023 UShs '000
Raw materials	**21,806,083**	19,147,916
Finished goods	**26,623,171**	20,339,370
Work-in-progress	**12,008,154**	14,788,111
Packing materials	**7,269,158**	8,019,137
Stocks in transit	**23,959,216**	8,549,869
Spares and consumables	**1,124,054**	1,035,093
	92,789,836	71,879,496
Less: provision for obsolete inventories	**(6,470,122)**	(5,543,717)
	86,319,714	66,335,779

18 Trade and other receivables

	2024 UShs '000	2023 UShs '000
Financial instruments		
Trade receivables	**31,848,677**	60,561,966
Less: ECL	**(12,367,841)**	(11,825,673)
	19,480,836	48,736,293
Other receivables	**260,338**	1,717
Non-financial instruments		
Advance payments to suppliers	**4,251,510**	7,798,727
VAT recoverable	**2,415,294**	4,859,212
Prepayments	**687,953**	1,509,021
Staff advances	**2,703**	64,027
	27,098,634	62,951,599
Movement in ECL		
Opening balance	**11,825,673**	46,984,011
Impairment/(Reversal of impairment) allowance	**542,168**	(15,661,237)
Closing balance	**12,367,841**	11,825,673

Included in the reversal of the impairment allowance for year ending March 31, 2023 was an amount of UShs 14.7 billion that was recorded on collection of overdue amounts from the Government of Zambia. This receivable had been fully impaired in earlier years.

	2024 UShs '000	2023 UShs '000

18 Trade and other receivables (continued)

The analysis below shows the credit quality and the maximum exposure to credit risk based on the Company's credit rating system. These amounts have not been staged since the Company has used the simplified approach to assess impairment. The gross trade receivables are graded as follows:

	2024	2023
Grading of receivables		
High grade (0–90 days)	**19,503,660**	47,168,860
Standard grade (91–365 days)	**62,172**	1,482,971
Impaired over 365 days	**3,254,134**	3,346,122
Individually impaired and over 365 days	**9,028,711**	8,564,013
Total	**31,848,677**	60,561,966

The movement in gross trade receivables (including amounts due from related parties) is as follows:

	2024	2023
Movement in trade receivables		
Opening balance	**60,561,966**	100,335,106
Sales during the year	**265,339,800**	221,466,376
Receipts	**(294,053,089)**	(261,239,516)
Closing balance	**31,848,677**	60,561,966

Expected credit loss assessment for customers

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

As at March 31, 2024	**Weighted average loss rate**	**Gross carrying amount UShs '000**	**Loss allowance UShs '000**	**Credit impaired**
Current (not past due)	0.10%	19,038,230	19,155	No
1-30 days past due	3.18%	207,561	6,597	No
31-60 days past due	1.35%	249,469	3,376	No
61-90 days past due	50.94%	8,400	4,279	No
90 -180 days past due	66.60%	29,766	19,824	No
180 -365 days past due	98.02%	32,406	31,765	Yes
More than 365 days past due	100.00%	12,282,845	12,282,845	Yes
		31,848,677	**12,367,841**	
As at March 31, 2023				
Current (not past due)	0.07%	45,861,478	34,032	No
1-30 days past due	6.15%	648,396	39,884	No
31-60 days past due	9.18%	555,295	50,999	No
61-90 days past due	34.57%	103,691	35,846	No
90 -180 days past due	3.89%	1,482,971	57,714	Yes
More than 365 days past due	97.46%	11,910,135	11,607,198	Yes
		60,561,966	**11,825,673**	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2024	2023
	USh's '000	USh's '000
19 Cash in hand and at bank		
Cash in hand	**1,215**	1,648
Cash at bank	**53,449,967**	10,810,923
	53,451,182	10,812,571

The bank balances are held at Absa Bank Uganda Limited ("Absa") and Standard Chartered Bank (U) Limited ("Standard Chartered") and, to the extent that the Directors are able to measure any credit risk of these assets, it is deemed to be limited. Accordingly, the Company has not recognised an impairment allowance as at March 31, 2024 (2023: Nil).

The overdraft facility was obtained from Absa for cash management purposes and has a limit of USD 10 million (2023: USD 10 million). The interest rate is 4% p.a above three months Secured Overnight Financing Rate (SOFR). The Standard Chartered facility was closed during the 2024 year.

The carrying amounts of the Company's cash at the bank are denominated in the following currencies:

	2024	2023
	USh's '000	USh's '000
US dollar	**13,111,525**	4,466,185
UShs	**40,338,442**	6,344,738
	53,449,967	10,810,923

20 Share capital

a) Ordinary shares - authorised, issued and fully paid-up

Number of shares	**3,651,909,200**	3,651,909,200
Nominal value per share (UShs)	**12.5**	12.5
Authorised, issued and fully paid up capital (UShs '000)	**45,648,865**	45,648,865

On October 5, 2016, the shareholders pursuant to Section 71 and Article 45(b) of Table A of the Companies Act, 2012 and Article 20(b) of the Company's Articles of Association, resolved that the par value of each share in the Company be adjusted by way of a share split from UShs 5,000 to UShs 12.5 per share and the number of shares was increased accordingly from 9,129,773 to 3,651,909,200 ordinary shares.

All ordinary shares rank equally with regard to the Company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the Company's general meetings.

b) Shareholding

The top ten direct shareholders in the Company are shown in the table below. As part of Africa Capitalworks' majority acquisition on 14 November 2023, Emmanuel Katongole, George Baguma and Frederick Mutebi Kitaka indirectly acquired additional shareholding in the Company of 1.5% each.

	2024		2023	
	Shares	**Percentage**	Shares	Percentage
Africa Capitalworks SSA 3	**1,869,170,684**	**51.18%**	-	0.00%
Meditab Holdings Limited	**-**	**0.00%**	1,864,299,646	51.05%
Amistad Limited	**420,402,713**	**11.51%**	420,402,713	11.51%
Capitalworks SSA 1	**407,152,191**	**11.15%**	407,152,191	11.15%
Government Employees Pension Fund	**312,000,000**	**8.54%**	312,000,000	8.54%
NSSF	**269,361,386**	**7.38%**	269,361,386	7.38%
Emmanuel Katongole	**101,933,042**	**2.79%**	101,933,042	2.79%
Frederick Mutebi Kitaka	**101,933,042**	**2.79%**	101,933,042	2.79%
George Baguma	**101,933,042**	**2.79%**	101,933,042	2.79%
Cipla (EU) Limited	**-**	**0.00%**	4,871,038	0.13%
Joseph Yiga	**4,000,000**	**0.11%**	4,000,000	0.11%
Others	**64,023,100**	**1.76%**	64,023,100	1.75%
	3,651,909,200	**100.00%**	3,651,909,200	100.00%

20 Share capital

b) Spread of shares

Holding at March 31, 2024	No. of investors	No. of shares held	Percentage holding
Between 0 and 1,000 Shares	**451**	**391,316**	**0.01%**
Between 1,001 and 5,000 Shares	**957**	**2,668,238**	**0.07%**
Between 5,001 and 10,000 Shares	**402**	**3,424,533**	**0.09%**
Between 10,001 and 1,000,000 Shares	**738**	**46,418,013**	**1.27%**
Above 1,000,001 Shares	**17**	**3,599,007,100**	**98.55%**
	2,565	**3,651,909,200**	**100.00%**
Holding at March 31, 2023			
Between 0 and 1,000 Shares	457	398,126	0.01%
Between 1,001 and 5,000 Shares	960	2,673,679	0.07%
Between 5,001 and 10,000 Shares	402	3,424,200	0.09%
Between 10,001 and 1,000,000 Shares	747	49,406,095	1.36%
Above 1,000,001 Shares	15	3,596,198,200	98.47%
	2,581	3,651,909,200	100.00%

c) Earnings per share

	2024 UShs '000	2023 UShs '000
Profit attributable to ordinary equity holders of the Company (UShs ’000)	**31,760,325**	18,986,718
Weighted average number of ordinary shares in issue during the year	**3,651,909,200**	3,651,909,200
	8.70	5.20

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

21 Reserve

On December 21, 2005, the Company leased land at Luzira Industrial Park from Uganda Investment Authority for an initial period of five years. The lease was subsequently extended to 99 years after notification by the Company to the lessor of its intention to renew the lease. The leasehold land was valued at an initial sum of UShs 2.275 billion.

The cost of the lease was waived by the Government of Uganda and the valuation of the land was therefore recognised as a capital grant in line with the Company’s accounting policy.

The Directors elected to measure the lease as a separate reserve under equity.

22 Dividends

The Board of Directors has recommended the declaration of a final dividend of UShs 5.7 per share for the year ended March 31, 2024 (2023: final dividend of UShs 2.5 per share). The first interim dividend in the Company’s history was paid in March 2024 of UShs 1.6 per share.

	2024	2023
	UShs '000	UShs '000

23 Term loan

Standard Chartered Bank	**-**	5,400,750

The Company obtained a term loan from Standard Chartered Bank (U) Limited of $ 9,500,000 at a weighted average interest rate of 5.87% p.a in November 2020 to refinance capital expenditure originally financed using short term funds. The loan was unsecured and was repaid during the year.

The movement in bank borrowings is as follows:

Year ended March 31, 2024	**Term loan UShs '000**	**Bank overdraft UShs '000**	**Total UShs '000**
At start of year	**5,400,750**	**-**	**5,400,750**
Interest charged to profit or loss	**131,841**	**272,139**	**403,980**
Foreign exchange gain	**(90,250)**	**-**	**(90,250)**
Cash flows:			
Interest paid	**(131,841)**	**(272,139)**	**(403,980)**
Repayment of bank borrowings	**(5,310,500)**	**-**	**(5,310,500)**
At end of year	**-**	**-**	**-**

Year ended March 31, 2023	Term loan UShs '000	Bank overdraft UShs '000	Total UShs '000
At start of year	25,756,875	-	25,756,875
Interest charged to profit or loss	744,359	293,227	1,037,586
Foreign exchange loss	1,068,250	-	1,068,250
Cash flows:			
Interest paid	(744,359)	(293,227)	(1,037,586)
Repayment of bank borrowings	(21,424,375)	-	(21,424,375)
At end of year	5,400,750	-	5,400,750

The exposure of the Company's bank borrowings to interest rate changes at the reporting dates are:

	2024	2023
	UShs '000	UShs '000
6 months or less	-	3,600,500
6 - 12 months	-	1,800,250
	-	5,400,750

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Right-of-use assets and lease liabilities

		Leasehold land UShs '000	Leased motor vehicles UShs '000	Total UShs '000
a)	**Right-of-use assets**			
	Year ended March 31, 2023			
	At start of year	2,776,233	258,857	3,035,090
	Depreciation	-	(173,478)	(173,478)
	At end of year	2,776,233	85,379	2,861,612
	Year ended March 31, 2024			
	At start of year	**2,776,233**	**85,379**	**2,861,612**
	Additions	**-**	**271,080**	**271,080**
	Depreciation	**-**	**(117,863)**	**(117,863)**
	At end of year	**2,776,233**	**238,596**	**3,014,829**
b)	**Lease liabilities**			
	At March 31, 2024			**-**
	Current	**-**	**109,328**	**109,328**
	Non-current	**-**	**168,398**	**168,398**
	At end of year	**-**	**277,726**	**277,726**
	Cash outflows for leases during the year comprised:			
	Payments for principal portion of lease liability	**-**	**173,202**	**173,202**
	Payments of interest on lease liabilities	**-**	**28,868**	**28,868**
		-	**202,070**	**202,070**
	At March 31, 2023			
	Current	-	49,816	49,816
	Non-current	-	67,462	67,462
	At end of year	-	117,278	117,278
	Cash outflows for leases during the year comprised:			
	Payments for principal portion of lease liability	-	148,090	148,090
	Payments of interest on lease liabilities	-	30,644	30,644
		-	178,734	178,734

24 Right-of-use assets and lease liabilities (continued)

c) Reconciliation of lease liabilities arising from financing activities:	Leasehold land UShs '000	Leased motor vehicles UShs '000	Total UShs '000
At start of year	-	**117,278**	**117,278**
New lease		271,080	271,080
Charged to statement of profit or loss:			
Interest on finance lease liabilities	-	28,868	28,868
Foreign exchange loss	-	37,458	37,458
Cash flows:			
Operating activities	-	(28,868)	(28,868)
Cash flows from financing activities			
Cash flows from financing activities	-	(148,090)	(148,090)
At end of year	-	**277,726**	**277,726**

The Company leases land and motor vehicles. The leases for the land are for 99 years. The leases for the motor vehicles are for periods of three and four years.

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25 Trade and other payables

Financial instruments		
Trade payables	**30,521,744**	14,866,274
Due to related parties	**1,494,548**	11,660,289
Non-financial instruments		
Advances from customers	**818,295**	-
Accruals	**6,191,500**	8,917,848
Withholding tax payable	**302,599**	17,923
	43,351,834	35,462,334

25 Trade and other payables

Financial instruments		
Trade payables	**30,521,744**	14,866,274
Due to related parties	**1,494,548**	11,660,289
Non-financial instruments		
Advances from customers	**818,295**	-
Accruals	**6,191,500**	8,917,848
Withholding tax payable	**302,599**	17,923
	43,351,834	35,462,334

26 Related parties

The Company was controlled by Meditab Holdings Limited, a wholly owned subsidiary of Cipla, incorporated in Mauritius which owned 51.05% of the Company's shares. Its remaining 48.95% is widely held principally by four institutional investors. Cipla sold all its shares in the Company on November 14, 2023 to Africa Capitalworks SSA 3 and therefore ceased to be a related party on that date. The related party transactions have been recorded up to that date. There are no related party transactions with Africa Capitalworks SSA 3.

a. The following were the key related parties:

Name	**Nature of relationship**
Meditab Holdings Limited, Mauritius	- Parent company (sold its stake on November 14, 2023)
Meditab Specialties Private Limited, India	- Holding Company of Meditab Holdings Limited
Sitec Labs Private Limited, India	- Subsidiary of Meditab Specialties Private Limited, India
Cipla Kenya Limited	- Subsidiary of Cipla
Cipla Medpro South Africa (Pty) Limited	- Subsidiary of Cipla
Cipla Limited, India	- Ultimate Holding Company of Meditab Holdings Limited

ii) The value and nature of transactions with related parties during the year were as follows:

Related party	**Nature of transactions**	**2024** **UShs '000**	2023 UShs '000
Cipla Limited	Purchase of raw materials	**-**	1,691745
	Purchase of finished goods	**1,126,552**	-
	Technical services fees	**3,882,179**	6,255,191
	IT services	**223,178**	667,448
Cipla Kenya Limited	Purchase of finished goods	**28,841**	10,008
	Sale of goods	**22,325**	-
Sitec Labs Private Limited	Laboratory services	**-**	232
Cipla Medpro South Africa (Pty) Limited	Sale of ARVs	**7,618,953**	27,101,518
	Purchase of machinery	**-**	103,411
	Other technical services	**7,014**	-
Total transactions with related parties		**12,909,042**	35,829,553

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2024	2023
	UShs '000	UShs '000

27 Related parties (continued)

The following were the balances as at March 31:

	2024	2023
a) Due from related parties		
Cipla Medpro South Africa (Pty) Limited	-	1,879,721
Cipla Limited	-	2,254,865
	-	4,134,586

Amounts due from related parties in 2023 related to outstanding balances from sales of products. These amounts were unsecured, interest free and receivable within 30 to 60 days.

	2024 **UShs '000**	2023 UShs '000
b) Due to related parties		
Cipla Limited	-	11,642,246
Cipla Medpro South Africa (Pty) Limited	-	17,979
Sitec Labs Private Limited	-	246
	-	11,660,289

Amounts due from related parties in 2023 related to outstanding balances for purchases of raw materials. The amounts were unsecured and interest free.

	2024 **UShs '000**	2023 UShs '000
c) Key management compensation		
Short-term employee benefits	**6,509,169**	6,166,179

28 Contingent liabilities

The Company is a defendant in various legal actions. In the opinion of the Directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

29 Events after the reporting period

The management is not aware of any events after the reporting period and up to the date of this report which requires adjustments to or disclosures in the financial statements.

30 Comparatives

Except as otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.