2023 Integrated Annual Report

CiplaQCi
ACCESS TO AFFORDABLE QUALITY MEDICINES

Clarity. Care.
Boundless Prospects.

At Cipla Quality Chemical Industries Limited (CiplaQCIL), we are deeply committed to our mission: Our focus is on providing medicines that are both affordable and effective, with the goal of enhancing patients' quality of life. As a responsible pharmaceutical Company, we also strive for continuous value creation for all our stakeholders. It is with pride that we present our Integrated Annual Report, reflecting these commitments.

This Report is designed to provide a comprehensive view of our performance, encompassing both financial and non-financial achievements. It explores key areas such as our leadership strategy, organizational culture, and strategic planning, detailing how we generate value for our stakeholders now and into the future.

Join us in discovering the CiplaQCIL journey within this report. We will walk you through our historical accomplishments, our present standing, and our goals for the future. Along the way, we'll illustrate the intricate relationships between our strategic aims, the resources we deploy, and the tangible value we provide to those we serve.

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List of
Acronyms

AGM	Annual General Meeting
APIs	Active Pharmaceutical Ingredients
CAPA	Corrective and Preventive Action
CEO	Chief Executive Officer
COVID-19	Corona virus disease
COSO	Community of Sponsoring Organisations of the Treadway Commission
CSR	Corporate Social Responsibility
cGMP	Current Good Manufacturing Practices
EPS	Earnings Per Share
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
EHG	Environment, Health and Safety
ESG	Environmental, Social, and Governance
ETP	Effluent Treatment Plant
FTE	Full-time equivalent
FY	Financial Year
GLP	Good Laboratory Practices
GMP	Good Management Practices
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting <IR> Council's Framework
ISO	International Organization for Standardization
KPI	Key Performance Indicators
LTI	Last Time Incident
MAs	Marketing Authorisations
NDP/A	National Drug Policy and Authority
NEMA	National Environment and Management Authority
PPM	Planned Preventative Maintenance
PWC	Price Waterhouse Coopers
RA	Regulatory Affairs
SAP	Systems, Applications & Products in Data Processing
SDGs	Sustainable Development Goals
SOPs	Standard Operating Procedures
TIR	Total Injury Rate
WHO	World Health Organization
WHP	World Health Organization's Pre-qualification of Medicines Programme
QMS	Quality Management System

Technical
Definitions

COMPOUND ANNUAL GROWTH RATE CAGR
The average year-on-year growth rate of an investment over several years.

CORE CAPITAL
Permanent shareholder's equity in the form of issued and fully paid-up shares plus all disclosed reserves, less goodwill or any intangible assets.

CREDIT IMPAIRMENT CHARGE (Ushs)
The amount by which the period profits are reduced to cater for the effect of credit impairment.

COST-TO-INCOME RATIO (%)
Total operating expenses as a percentage of total income before deducting the provision for credit losses.

CREDIT LOSS RATIO (%)
Provision for credit losses per the Statement of Comprehensive Income as a percentage of gross loans and advances.

DIVIDEND COVER (TIMES)
Earnings per share divided by total dividends per share.

DIVIDEND PER SHARE (Ushs)
Total ordinary dividends declared per share with respect to the year.

DIVIDENDS YIELD (%)
Dividends per share as a percentage of the closing share price.

EARNINGS PER SHARE (UShs) - EPS
Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue stated in Uganda Shillings.

EFFECTIVE TAX RATE (%)
The income tax charge as a percentage of income before tax, excluding income from associates.

EFFLUENT TREATMENT PLANT
Also known as ETP is a waste water treatment process (WWTP) that is used to treat waste water. It's mostly used where extreme water contamination is a possibility. Effluent Treatment Plant plays a significant role in the treatment of industrial waste water as well as domestic sewage. Organic matter, inorganic matter, heavy metals, oil & grease, suspended particles, and other contaminants are treated in the wastewater treatment process of an ETP plant.

LENDING RATIO
Net loans and advances divided by total deposits.

NET INTEREST MARGIN (%)
Net interest income as a percentage of average total assets.

PERCENTAGE CHANGE IN CREDIT LOSS RATIO (%)
Ratio of change in the rate of credit loss impairment between time periods.

PERCENTAGE CHANGE IN THE IMPAIRMENT CHARGE (%)
Ratio of change in the rate of impairment charge between time periods.

PRICE EARNINGS RATIO (%)
Closing share price divided by earnings per share.

PROFIT FOR THE YEAR (UShs)
Annual Income statement profit attributable to ordinary shareholders stated in Uganda Shillings.

RETURN ON AVERAGE ASSETS (%) - ROA
Earnings as a percentage of average total assets.

RETURN ON AVERAGE EQUITY (%) - ROE
Earnings as a percentage of average ordinary shareholders' funds.

SOFP CREDIT IMPAIRMENT AS A % OF GROSS LOANS AND ADVANCES (%)
Ratio of the Statement of Financial Position credit impairment to gross loans and advances.

SUPPLEMENTARY CAPITAL
General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialize, and revaluation reserves on banking premises, and any other form of capital as may be determined from time to time, by the Central Bank.

TOTAL CAPITAL
The sum of core capital and supplementary capital.

TOTAL CAPITAL ADEQUACY
Total capital divided by the sum of total risk weighted assets and total risk weighted contingent claims.

Enhancing Our **Approach to Reporting**

In this report, we invite you to explore the CiplaQCIL story. We'll guide you through our past achievements, current position, and future aspirations, demonstrating the complex connection between our strategic objectives, our resources, and the value we deliver to those we serve.

The Scope of Our Report

This annual integrated report aims to provide a comprehensive overview of CiplaQCIL's commitment to creating value for its diverse stakeholders, encompassing patients, customers, employees, shareholders, and the environment. We diligently take into account both financial and non-financial dimensions as crucial components in the process of value generation. We firmly believe that our narrative extends far beyond mere financial statistics.

Our commitment lies in presenting a comprehensive perspective of our operations, encompassing the various metrics that demonstrate the utilisation and influence of the multiple resources (capitals) that define our organisation. These capitals encompass multiple facets, such as financial, intellectual, manufactured, regulatory, and natural resources. Through a comprehensive lens, we express our assurance that this report will furnish you with invaluable insights and a heightened comprehension of our unwavering dedication to corporate sustainability and our collective pursuit of prosperity.

The Reporting Frameworks that guide us

In the compilation of this report, we have deliberately utilised the standards established by the International Financial Reporting Standards and the International Integrated Reporting <IR> Council's ("IIRC") Framework, to facilitate the effective communication of pertinent details concerning our strategy, governance, and performance, as well as the manner in which these elements contribute to the creation of value for our stakeholders.

The adoption of this approach is aimed at fostering enhanced clarity, conciseness, and meaningfulness in the way we tell our story. CiplaQCIL's embrace of this framework exemplifies our strategic choice to uphold sustainable business practises, foster stakeholder accountability, and perpetually generate value. The comprehensive exploration of resource management, relationship management, and the broader impact of our activities on the operating context is a crucial factor in driving our success.

Our adoption of this innovative framework also exemplifies our dedication to spearheading corporate reporting excellence. We are committed to crafting a report that encompasses a holistic and multifaceted perspective of CiplaQCIL's achievements, surpassing the conventional confines of financial indicators. By effectively conveying our long-term strategic direction, potential risks, and opportunities, we empower our stakeholders to make informed decisions.

Overview of Materiality Issues

This annual integrated report presents a comprehensive overview of the key factors that have a significant influence on our value creation and sustainability in the short, medium, and long term. The identification of material matters is a collective responsibility across our organisation, with each business unit assessing noteworthy risks, opportunities, and feedback from stakeholders. Management of these material matters is tightly integrated into our value-creation process, aligned with our business strategy and regulatory compliance. We exercise professional judgement in disclosing information, aiming for transparency while safeguarding our competitive position.

This report aims to present comprehensive details regarding various aspects that we consider to have a substantial impact on our capacity to generate and maintain value across the short, medium, and long term. The comprehensive assessment and prioritisation of our materiality assessment revolve around the following key areas:

The comprehensive assessment and prioritisation of our materiality assessment revolve around the following key areas:

Product Quality and Safety:

As a pharmaceutical Company, we place paramount importance on guaranteeing the safety and superior quality of our products.

Ethics and Compliance:

Adherence to all relevant laws and regulations is a fundamental pillar in maintaining trust and integrity throughout our operations.

Employee Health and Safety:

We remain steadfast in our pursuit of enhancing safety protocols, consistently seeking opportunities for refinement and progress.

Community Engagement and Social Impact:

We value fostering a positive societal impact, achieved through a multitude of community engagement initiatives.

Financial Performance:

The sustainable enhancement of our Company's financial performance remains a pivotal factor in delivering value to our esteemed shareholders.

Forward Looking Statement

This report encompasses forward-looking statements pertaining to our future performance and prospects. The aforementioned statements reflect our assessments and forward-looking projections as of the time of compiling this report. However, it is important to acknowledge that various emerging risks, uncertainties, and other significant factors may potentially lead to deviations between the actual results and our initial expectations. This report encompasses various factors that have the potential to negatively impact our business operations and financial performance. Please note that the forward-looking information provided in this report has not been subject to an audit.

We Value Your Feedback

We highly value the feedback we receive from you, our stakeholders and leverage it to ensure that our reporting accurately reflects the aspects that hold the greatest significance to you. To provide us with your feedback, contact our Company Secretary at shareholder@ciplaqcil.co.ug

Board Approval

The Board appreciates its critical responsibility in ensuring the highest level of integrity for this comprehensive Integrated Report. CiplaQCIL has used its joint knowledge diligently in drafting and delivering this report and is confident that the report aligns with the Integrated Reporting Framework. The Board has duly considered the issue of materiality which includes determining the significance of including or omitting particular content; the potential impact on the truth and validity of assertions in the Integrated Report and the report's relevance to CiplaQCIL's stakeholders.

The primary objective of this Integrated Report is to communicate information that has the potential to substantially impact CiplaQCIL's ability to generate value in the short-, medium-, and long-term. The Board acknowledges that this Integrated Report endeavours to include topics that are crucial for the decision-making of its stakeholders. It aims to illuminate the long-term impact of CiplaQCIL's value development process, the impact on its stakeholders and its operating environment.

CiplaQCIL Integrated Annual Report 2022/23

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Leadership Insights

In This **Section**

Our Performance Highlights

FY 2022-23 Value Creation
By The Numbers

Our numbers tell our story – a story of our unwavering determination, and optimistic prospects for the years to come.

Financial Performance

Revenue

221.5 bn Ushs

2021/22: Ushs 267.4 bn
2020/21: Ushs 284.5 bn

Gross Profit

67.0 bn Ushs

2021/22: Ushs 70.7 bn
2020/21: Ushs 55.0 bn

EBITDA

42.0 bn Ushs

2021/22: Ushs 48.2 bn
2020/21: Ushs 1.2 bn

Earnings/(loss) Per Share

5.2 per share Ushs

2021/22: Ushs 6.6
2020/21: (Ushs 2.9)

Revenue By Therapeutic Area

Anti Retrovirals

160.5 bn Ushs

2021/22: Ushs 201.2 bn
2020/21: Ushs 209.4 bn

Anti Malarials

56.6 bn Ushs

2021/22: Ushs 57.1 bn
2020/21: Ushs 71.5 bn

Other

4.4 bn Ushs

2021/22: Ushs 9.0 bn
2020/21: Ushs 3.6 bn

Return on Equity

11%

2021/22: 16%
2020/21: (8%)

Shareholders Equity

171.4 bn Ushs

2021/22: Ushs 159.7 bn
2020/21: Ushs 135.7 bn

Cashflow From Operations

42.0 bn Ushs

2021/22: Ushs 15.9 bn
2020/21: Ushs 27.5 bn

Tax Paid

8.6 bn Ushs

2021/22: Ushs 6.3 bn
2020/21: Ushs 2.0 bn

Loan Interest Expense

0.7 bn Ushs

2021/22: Ushs 1.1 bn
2020/21: Ushs 0.8 bn

Operational Performance

Production Volumes per month

76 mn tablets

2021/22: 77 mn tablets
2020/21: 74 mn tablets

Overall Equipment Efficiency

27%

2021/22: 26%
2020/21: 23%

Regulatory Compliance

WHO pre-qualification certification

Sustainability Performance

Health & Safety

Zero fatalities.

3 ISO certifications

for our Quality Management System, Environmental Management System and Occupational Health and Safety Management System

Water Consumption

30%

2022/23: **16,887 KL**
2021/22: 24,651 KL

Waste to Landfill

14%

2022/23: **77.5 MT**
2021/22: 91.7 MT

Performing through a Challenging Year

It is with great pleasure and a sense of accomplishment that I present the Annual Report of Cipla Quality Chemical Industries Limited (CiplaQCIL). Over the period of April 2022 – March 2023, our Company continued to demonstrate resilience, innovation, and a steadfast commitment to excellence in all facets of our operations.

As the Board Chairman, I am immensely proud of the strides we have taken to advance our mission of providing high-quality pharmaceutical products to improve global healthcare. This report not only serves as a reflection of our financial performance but also as a testament to our unwavering dedication to upholding the highest standards of quality, safety, and sustainability.

In the face of dynamic market challenges, our team has worked diligently to fortify our position as a trusted industry leader. We have harnessed the power of cutting-edge technology in embracing technological advancements that optimize our manufacturing processes and enable us to bring essential medications to the market more efficiently. Our collaborations and partnerships have expanded, fostering innovation and ensuring that our offerings remain at the forefront of pharmaceutical advancements.

We are pleased to announce a significant development in the growth trajectory of CiplaQCIL. Africa Capital Works SSA 3, a distinguished investment firm with a proven track record in driving value and fostering growth across diverse industries, made a bid to acquire substantial stake in our Company. Africa Capital Works SSA 3's expertise, resources, and strategic insights will undoubtedly catalyse our efforts to innovate, diversify, and further enhance the value we deliver to our stakeholders. This alliance will enable us to leverage synergies and capitalize on emerging opportunities.

We successfully underwent our 5th WHO inspection and have maintained our current Good Manufacturing Practices (cGMP) compliance which enables us to compete at a global level.

At CiplaQCIL, we take immense pride in the trust and support our shareholders have shown throughout our journey. As a testament to our commitment to delivering value and recognizing their integral role in our success, the board recommended a dividend of UShs 2.5 per share for FY2022 – FY2023. This recommendation reflects our dedication to enhancing shareholder value while acknowledging their continued faith in our endeavours.

Amid the ongoing global health landscape, our responsibility to society has never been clearer. We remain committed to enhancing accessibility to affordable, high-quality medicines, particularly in under served regions. Through our corporate social responsibility initiatives, we shall continue to make meaningful contributions to the communities we touch, thereby reaffirming our commitment to being a force for positive change.

None of our achievements would have been possible without the dedication and hard work of our exceptional teams. Their passion, expertise, and tireless commitment form the bedrock of our success. I extend my heartfelt gratitude to each and every individual at CiplaQuality Chemicals Limited for their remarkable contributions.

Looking ahead, we recognize that the road to progress is unending. We remain resolute in our pursuit of excellence, unwavering in our adherence to ethical practices, and determined to foster an environment of continuous improvement. As the healthcare landscape evolves, so shall we, adapting to new challenges and embracing new opportunities.

In closing, I invite you to delve into this report and gain insight into the endeavours, achievements, and aspirations that define Cipla Quality Chemicals Limited. Together, as a united and forward-thinking entity, we remain dedicated to creating a healthier, brighter future for all.

Emmanuel Katongole
Board Chairman

Caring For Life is at the heart of everything we do

It is with a sense of pride and profound gratitude that I present to you the Cipla Quality Chemical Industries Limited Annual Report. This report summarizes a transformative journey, a narrative of resilience, innovation, and unwavering dedication to our mission of enhancing healthcare through quality pharmaceuticals.

As we reflect on this fiscal year, we recognize the dynamic nature of the pharmaceutical industry and the challenges it brings. Our focus in this year was to sustain the profit performance of last year. Despite the tough economic situation globally, CiplaQCIL has registered consecutive profitable years. Although we see decline in net profit to Ugx19bn in FY23 from Ugx24bn in FY22, our quality of profit improved evidenced by improvement in cash from operations. Quality of profit along with Zambia recoveries enabled reduction in long-term loan by 79% to UGX 5bn. Excluding the exceptions like Zambia recoveries, the EBITDA over revenue has remained stable at about 12% over the last two years. The decline in revenue is largely due to reduced demand from other countries we trade with due to tough global economic conditions.

Revenue

221.5 bn Ushs

2021/22: **Ushs 267.4 bn**

2020/21: **Ushs 284.5 bn**

Net profit/ (loss)

19.0 bn Ushs

2021/22: **Ushs 24.1 bn**

2020/21: **(Ushs 10.4 bn)**

Return on Equity

11%

2021/22: **15%**

2020/21: **(8%)**

Return on Invested Capital

9%

2021/22: **13%**

2020/21: **(8%)**

Mr. Ajay Kumar
Chief Executive Officer

The path ahead is illuminated by the potential we hold to make a meaningful difference in the lives of individuals in Uganda and Africa at large.

79%

long-term debt

down to Ushs 5.4 bn from USHs 25.7 bn in FY 2022-23

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new products tech transferred

during FY 2022-23

But also, it is precisely within these challenges that we find the opportunities to excel, to redefine industry standards, and to make a lasting impact on the lives of individuals we serve. Last year we broke into the private market with the launch of an antibiotic called Azicip-500, our brand of azithromycin. Azicip-500 had gained traction in response to upper respiratory tract infections and registering promising growth in the private market segment. In addition, we expanded our product portfolio by technology transferring 9 new products in the therapeutic areas of anti-infectives, cardiovascular anti emetics and malaria. We are aggressively pursuing expansion of our collaborations and partnerships to allow us to broaden our horizons and extend our reach into new markets.

Throughout this period, our team has worked diligently to uphold our commitment to delivering accessible and affordable healthcare solutions. We have invested in product access and are fostering a culture of innovation to position ourselves at the forefront of pharmaceutical advancements. CiplaQCIL has improved its manufacturing processes by adopting new technologies to ensure production efficiencies. The Company renewed its ***WHO accreditation*** and ***ISO certifications*** on ***'Environmental Management System', 'Occupation Health and Safety Management System'*** and ***'Quality Management System'***.

At the heart of our achievements lies the dedication of our remarkable team. Their expertise, passion, and tireless efforts form the bedrock of our success. It is with profound gratitude that I extend my appreciation to every member of the CiplaQCIL family for their invaluable contributions. We were humbled to receive 2 recognition awards from Prudential Best Human Resource Practices Survey 2022 in the areas of "Quality and Innovation" and "Learning and Development".

Our strategic ambition is hinged on three pillars – our people, robust processes and purpose driven growth.

Furthermore, in a world where the demand for quality healthcare has never been more evident, we recognize our responsibility to society. Through our corporate social responsibility initiatives, we continue to give back to the communities we touch, we prioritize protecting mother-earth, and we strive to align our actions with our values and mission. We are actively pursuing our vision of most sustainable organisation in the sector and region by predominantly working in three areas - greenhouse gas emission, water consumption and waste reduction. Over the years we have undertaken many initiatives targeting impact creation in the three areas. Our rainwater harvesting project boosts responsible consumption of water. Waste management through segregation at the point of generation dedicates hazardous waste storage and safe disposal; and treatment of water through the effluent treatment plant has shown some remarkable improvement towards our sustainability targets.

Our strategic ambition is hinged on three pillars – our people, robust processes and purpose driven growth. Whereas significant impact has been realised in our human resource and manufacturing processes, we continue to fuel our growth engines for the future by investing in portfolio so that we can launch new products and therapies which can be trusted for quality. In next fiscal year we are planning to launch more than 10 new products in the private market to cement access to quality affordable products.

3 Pillars Of Our strategy

- **Engaged People**
- **Robust Processes**
- **Purpose Driven Growth**

Capital Expenditure

10.6 bn Ushs.

2021/22: **Ushs. 8.0 bn**

2020/21: **Ushs. 10.2 bn**

We are also prioritizing opportunities that shall propel us to access other African countries and improve our export share thereby further cementing our market position in the region.

This report not only presents our financial performance but also serves as a testament to our commitment to sustainability and ethical practices. This is a testament to the trust placed in us by our shareholders, partners, and customers, all of whom play a pivotal role in our journey.

As we navigate the ever-evolving landscape of the pharmaceutical industry, we remain dedicated to pioneering solutions, embracing innovation, and driving progress. The path ahead is illuminated by the potential we hold to make a meaningful difference in the lives of individuals in Uganda and Africa at large.

I invite you to explore this report and immerse yourself in the narrative of Cipla Quality Chemical Industries Limited. Together, we are shaping a healthier future, one step at a time.

Ajay Kumar Pal
Chief Executive Officer

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Our Business Overview: Cipla At A Glance

In This Section

CiplaQCIL at A Glance

Made In Africa
For Africa

CiplaQCIL is more than a pharmaceutical entity; we are a purpose-driven beacon of health, committed to enhancing the quality of life for people across Africa. We symbolize a fusion of pharmaceutical manufacturing expertise, compassionate care, and innovative thinking, continuously evolving to combat critical health challenges in Africa like HIV and Malaria.

We envision a future in which the expectation of good health is not limited to a privileged few but rather extends to a broad and inclusive population. We firmly uphold the principle that every individual should have unfettered access to vital medication. Our core focus extends beyond the production of medicine; it encompasses our commitment to creating a meaningful impact

Our Purpose

Caring For Life

Our Mission

To provide affordable and efficacious medicines in a sustainable way, to improve the quality of life.

Our Credo

Purpose - Inspired

Responsibility - Centred

Innovation - Driven

Integrity & Trust - Anchored

Excellence - Focussed

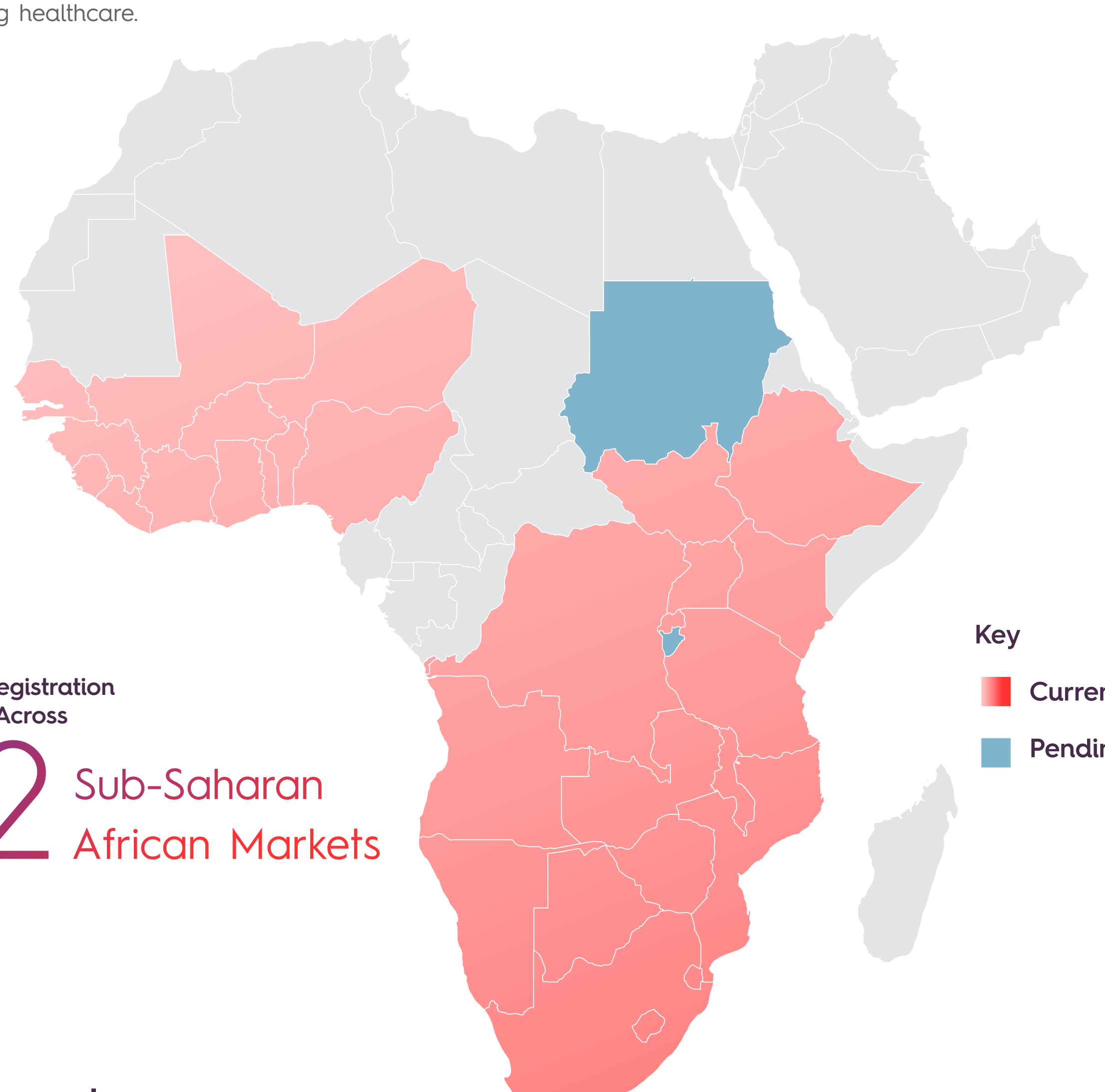
Our Therapeutic Focus Areas

CiplaQCIL at A Glance

Widening
Our African Footprint

Within the intricate fabric of our expansive regional operations, the presence of CiplaQCIL weaves a compelling narrative of steadfast determination, strategic expansion, and unwavering dedication to providing compassionate service.

The extensive reach we maintain across various regions exemplifies not only the expansive nature of our operations but also the profound dedication we possess in revolutionising healthcare.



Product Registration Footprint Across

32 Sub-Saharan African Markets

Key

Current Appprovals

Pending Appprovals

Current Approvals

Angola	DR Congo	Liberia	Niger	South Africa	Togo
Benin	Ethiopia	Madagascar	Nigeria	South Sudan	Uganda
Botswana	Ghana	Mali	Rwanda	Sudan	Zambia
Burkina Faso	Guinea	Malawi	Senegal	Tanzania	Zimbabwe
Cape Verde	Guinea Bissau	Mozambique	Sierra Leone	The Gambia	
Cote d'Ivoire	Kenya	Namibia			

And Building A Robust
Product Portfolio

At CiplaQCIL, each product we introduce to the market mirrors our pursuit of excellence, commitment to quality and affordability, in addition to our dedication to 'Caring for Life'.

We provide a diverse range of life-enhancing pharmaceutical solutions, for those combating prevalent diseases such as HIV and Malaria. We have recently made additions to our product portfolio to meet the ever-evolving healthcare demands in the region.

HIV/ Hep-B
Product Range

Malaria
Product Range

Prescription
Product Range

Awards and **Recognition**

We take immense pride in acknowledging the recognition and accolades we have garnered over the past years. These prestigious awards not only validate our relentless commitment to excellence and innovation, but also reinforce our stature as a leading player in the pharmaceutical industry.

Best Practices In Learning and Development

Prudential Best HR practice survey - 2022

Best Practices In Quality and Innovation

Prudential Best HR practice survey - 2022

Outstanding Performance in Occupational Safety & Health Management

Ministry of Gender, Labour & Social Development - 2023

Best Employer Awards - Silver

Federation of Uganda Employers - 2022

02

How We Create Value Through Our Purpose

In This Section

Who We Do It For

Our Key Stakeholders &
How We Engage Them

To achieve our targeted Sustainable Development Goals (SDGs), we recognize the importance of collaboration. Nurturing strong and meaningful relationships stands at the heart of our stakeholder strategy, as it enables us to collectively inspire, learn, and champion change.

Addressing the pressing global climate challenges demands our joint efforts to craft optimal solutions.

Shareholders: Our shareholders are more than just investors; they are partners committed to forging a sustainable society. We consistently engage in transparent and constructive dialogues, sharing our long-term vision, groundbreaking innovations that bolster our competitiveness, and timely updates on market trends. Feedback from our shareholders is invaluable. We ensure it reaches our Executive Management and informs our corporate decision-making, striking a balance between the company's achievements and challenges.

Our Employees: The spirit of CiplaQCIL lies in our employees. Unified by a shared vision and values, we strive to ensure everyone has access to quality, affordable medicines, fostering more sustainable lives. Our inclusive and open work environment celebrates diversity, recognizing the unique contributions of each individual. Beyond just our employees, their families too significantly contribute to advancing our mission.

Communities: The communities within which we operate are sources of wisdom and collaboration. We actively engage with them, creating avenues to both impart and gain knowledge. This collaborative approach seeks to enhance the environment, uplift livelihoods, and bolster the local economy. Our commitment extends beyond business; it's about shaping a brighter, balanced future together.

Suppliers: Our network of over 50 direct suppliers and service providers plays a pivotal role in the CiplaQCIL ecosystem. Collaborating closely, especially in transport, logistics, and distribution, we endeavor to diminish our environmental footprint. This relationship extends further, with thousands of dedicated workers who, through these suppliers and service providers, transport our products, furnish raw materials, and render indispensable services to CiplaQCIL.

Customers: The CiplaQCIL vision—becoming a beacon of excellence in manufacturing quality, affordable medicines—revolves around our customers. We strive to deeply understand their needs. Engagement channels, spanning online platforms to physical pharmacies, provide invaluable data and insights. These insights not only help us meet the current demands but also innovate for future aspirations, ensuring our products evolve with changing needs.

Partners and Collaborators: To address complex challenges and drive systemic change, partnerships are crucial. Our collaborators range from businesses and governments to universities and NGOs. Together, we envision a sustainable trajectory for CiplaQCIL, embodying integration, compliance, and holistic growth.

Government and Drug Regulatory Authorities: Central to our mission and operations, governments and drug regulatory authorities shape the very framework in which we operate. These bodies ensure the adherence to rigorous standards, safeguarding public health and trust. We maintain an open, proactive dialogue with these authorities, ensuring that we're not just compliant, but ahead of the curve in understanding and implementing the evolving regulations. Their guidance is pivotal in navigating the complex landscape of pharmaceutical production, enabling us to deliver medicines that are not only effective but also safe. In collaboration with them, we pledge our commitment to upholding the highest standards, reflecting our joint vision for a healthier and more sustainable future.

As we move forward, these strategies and initiatives remain tethered to our enduring commitment to sustainability. It is this unwavering dedication that propels us to integrate, innovate, and excel, continually steering us towards a harmonized and prosperous future.

Stakeholder Group	Engagement Frequency	Key Aspects	Modes Of Engagement
Patients, Healthcare Professionals & Customers	Monthly / half yearly / annually	Accessibility and affordability of medicines Product quality and safety Customer experience Supply chain management	Customer meetings and feedback, performance review meetings, customer satisfaction surveys
Our Employees	Quarterly / every 6 months / Annually	• Financial performance Non-Financial performance – Sustainability & ESG • Responsible investment • Ethical business conduct • Long-term business growth • Risk management • Corporate governance • Brand management	Board meetings, conferences, one-on-one meetings, Annual Reports, press releases, and Company website
Shareholders & Investors	Quarterly / every 6 months / Annually	• Financial performance Non-Financial performance – Sustainability & ESG • Responsible investment • Ethical business conduct • Long-term business growth • Risk management • Corporate governance • Brand management	Board meetings, conferences, one-on-one meetings, Annual Reports, press releases, and Company website
Our Communities	Needs based CSR activities	• Contributions to community welfare • Adherence to community expectations and needs	CSR Projects and awareness programs
Suppliers, Service providers, Consultants & Business partners	Monthly / quarterly / Annually / Needs based	Contract development & Procurement Material sourcing Sustained business growth Ethical business conduct Timely payment of invoices	Procurement meetings, supplier performance evaluation, meetings with suppliers
Governments & Pharmaceutical Regulatory Bodies	Monthly / quarterly / annually / Needs based	Regulatory compliance Disclosures Corporate governance Partnerships for CSR projects implementation	Legal filings, Forums

Responding to **Our External Environment**

This market dynamics report provides a comprehensive analysis of the pharmaceutical manufacturer, CiplaQCIL's operating environment for the fiscal year 2022-23. The report examines key trends and indicators that are influencing the Company's strategic decisions, growth prospects, and overall performance.

By understanding these dynamics, CiplaQCIL aims to strategically position itself achieve purposeful growth and success into the long term.

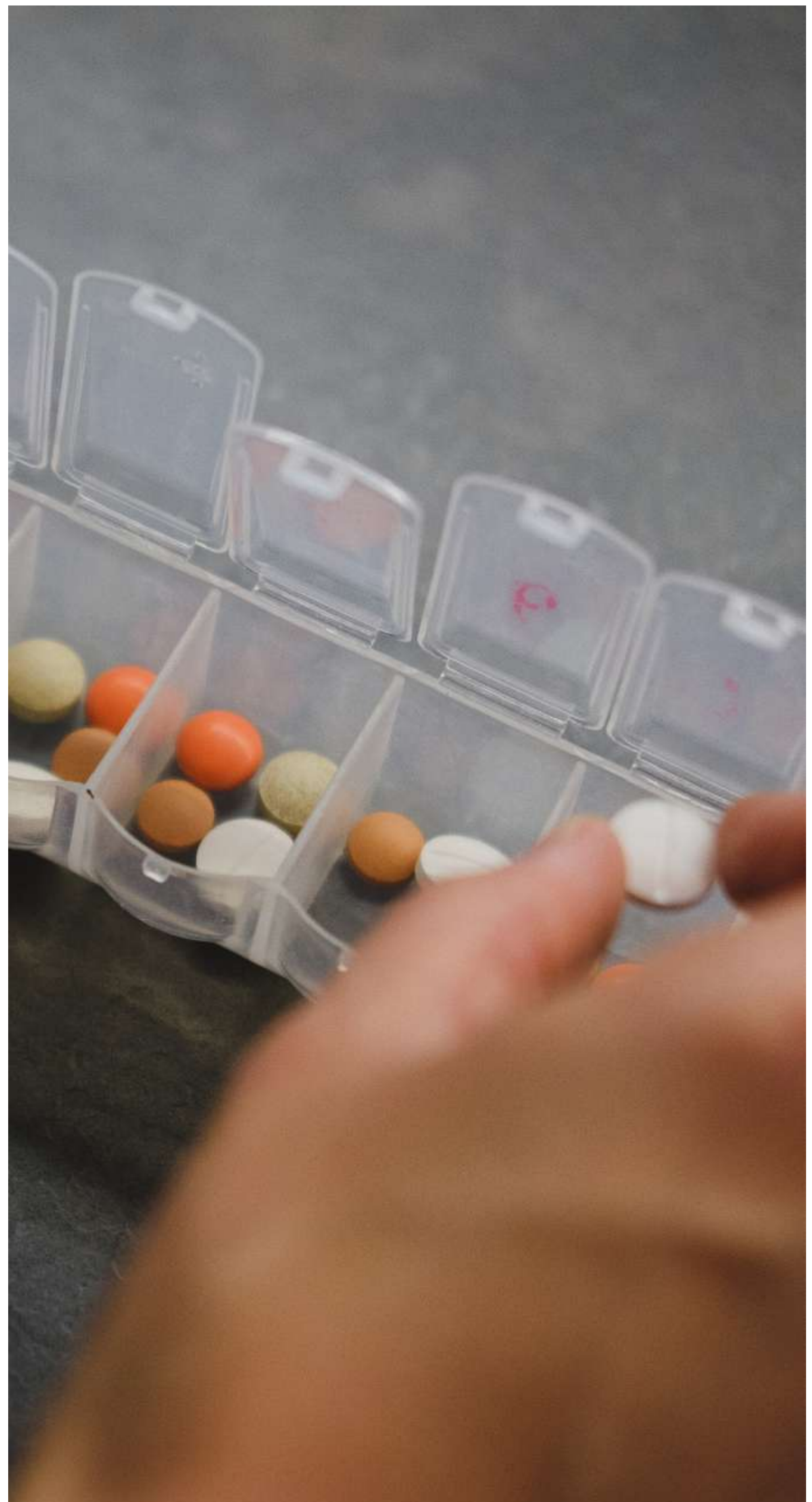
Trends and Opportunities:

Increased Awareness of Healthcare:

The FY 2022-23 period witnessed a surge in healthcare awareness, prompting people to seek medical attention for various health concerns. As a result, there was a rise in consulting doctors and primary healthcare physicians, leading to increased demand for antibiotics and related products. CiplaQCIL capitalized on this opportunity by promoting its antibiotic products as essential healthcare solutions for common ailments. Marketing campaigns focused on educating customers about the rational use of antibiotics and their benefits in combating infections.

Economic Recovery and Per Capita Healthcare Expenditure:

With economies rebounding from the pandemic's impact, per capita healthcare expenditure increased during FY 2022-23. This growth in healthcare spending provided an opportunity for CiplaQCIL to cater to the rising demand for over-the-counter remedies and self-care products.



the Company is well-positioned to capitalize on increased healthcare awareness and rising per capita healthcare expenditure

Expansion into New Markets:

During FY 2022-23, CiplaQCIL considered expansion beyond Uganda and aligned its portfolio and marketing strategies with global and regional trends. Thorough market research and due diligence allowed the Company to tailor its products and approaches to cater to specific country-level demands. While entering new markets presented growth opportunities, it also entailed regulatory challenges and cultural differences, necessitating cautious planning and risk mitigation.

Challenges and Risks:

Supply Chain Disruptions:

During FY 2022-23, the Company faced supply chain disruptions due to rising fuel prices and transportation costs. To maintain competitiveness, we optimized our upstream and downstream supply chains. Its advantage as a local manufacturer in Africa allowed better control over the downstream supply chain, ensuring a stable supply of essential drugs, particularly those required for disease-combating projects supported by international agencies.

Regulatory Considerations:

The heavily regulated pharmaceutical industry demanded compliance with various requirements for product development and approval during FY 2022-23. CiplaQCIL had a separate team of regulatory and quality experts to stay informed about global and regional regulations. By anticipating future requirements, the Company estimated product launch time lines and assessed potential impacts on its portfolio.

Competitive Strategies:

Focusing on Core Competency:

During FY 2022-23, CiplaQCIL's core competency remained in manufacturing Anti-malarial and ARVs medicines. Leveraging this expertise, the Company aimed to dominate the public distribution system, secure funding, and maintain a strong presence in the not-for-profit market.

Building Brand Loyalty:

In a competitive pharmaceutical industry, the Company differentiated itself by establishing brand loyalty and effectively communicating the quality of its products to customers. By promoting its unique value, CiplaQCIL aimed to maintain a significant market share and withstand competition from generic alternatives.

Embracing ESG Initiatives:

Recognizing the significance of ESG principles, CiplaQCIL viewed them as an opportunity to enhance its environmental and social impact. By adopting ESG initiatives, such as sustainable manufacturing practices and social responsibility, the Company aimed to attract responsible investors and enhance its reputation.

Moving Forward:

As we report after the end of the FY 2022-23 period, the Company is well-positioned to capitalize on increased healthcare awareness and rising per capita healthcare expenditure by offering essential products and focusing on brand loyalty.

We also believe that, our intentional drive towards embracing ESG initiatives signals our commitment to responsible business practices and sustainable growth. By aligning its strategies with past market trends, the Company endeavours to maintain its competitive edge and achieve sustained growth and success in the future. Through a customer-centric and responsible approach, CiplaQCIL aims to remain at the forefront of the pharmaceutical industry while addressing past opportunities and potential risks in its operating environment.

Recalibrating Our **Value-Creating Business Model**

Our key business drivers...

CiplaQCIL's Value Creating Business Model is underpinned by three fundamental elements that serve as the bedrock of its achievements and long-term development:

Our Mission, Purpose, and Expertise:

At the core of CiplaQCIL's business model lies its mission and purpose. Our unwavering commitment is to provide quality, affordable medicines to improve healthcare accessibility for communities across the region. We aim to positively impact the lives of patients, healthcare providers, and society at large by offering innovative and reliable pharmaceutical solutions.

Our Expertise is a critical component of our business model. With experience in the pharmaceutical industry, CiplaQCIL has cultivated a deep understanding of market dynamics, patient needs, and regulatory requirements. This expertise enables us to develop, manufacture, and distribute high-quality pharmaceutical products efficiently and effectively.

Operating Environment:

CiplaQCIL's business model is continuously shaped by the operating environment in which it operates. We operate in a dynamic and rapidly evolving healthcare landscape, characterised by technological advancements, changing regulatory frameworks, and shifting market demands. To thrive in this environment, we strive to maintain agility and adaptability, enabling us to respond promptly to emerging opportunities and challenges.

Additionally, we are deeply committed to environmental stewardship. Our operations are driven by sustainable practices, ensuring responsible resource management and waste reduction. By embracing green initiatives, we aim to contribute to the well-being of the environment and the communities we serve.

Stakeholders' Expectations:

Understanding and meeting the expectations of our stakeholders is paramount to our business model. We actively engage with our diverse stakeholders, including patients, healthcare practitioners, regulators, employees, investors, and the community.

We prioritise patient safety and well-being, ensuring that our products meet the highest quality standards and comply with regulatory guidelines. Our focus on innovation and continuous improvement allows us to exceed customer expectations, delivering novel and effective treatments.

Engaging with the community and being a responsible corporate citizen is deeply ingrained in our business model. We pro-actively participate in corporate social responsibility initiatives, positively impacting the communities in which we operate.

Furthermore, we value our employees as our greatest asset. Their well-being, development, and satisfaction are central to our success. By fostering a culture of diversity, inclusion, and empowerment, we drive innovation and create a positive work environment.

...influence the allocation of our key resource inputs:

The following six capitals embody our Value Creating Business Model and ensure a holistic and sustainable approach to delivering quality, affordable medicines, promoting innovation, and positively impacting society and the environment in which we operate.

Financial Capital:

Financial capital represents the monetary resources and funding that CiplaQCIL leverages to support its operations and growth initiatives. It includes equity, debt, and retained earnings that enable the Company to invest in state-of-the-art manufacturing equipment, and innovative technologies. By prudently managing its financial resources, CiplaQCIL sustains its operations, expands its product portfolio, and drives long-term profitability.

Manufactured Capital:

Manufactured capital encompasses the tangible assets and infrastructure that CiplaQCIL has developed to produce high-quality pharmaceutical products. This includes state-of-the-art manufacturing facilities, advanced equipment, and cutting-edge technologies. Through continuous investments in modern manufacturing capabilities, CiplaQCIL ensures efficient production processes, consistent product quality, and adherence to stringent regulatory standards.

Intellectual Capital:

Intellectual capital is a critical driver of CiplaQCIL's competitive advantage. It comprises the Company's knowledge base, regulatory acumen, intellectual property, market intelligence, and strategic partnerships. CiplaQCIL's intellectual capital drives its success in obtaining manufacturing approvals, regional filings, and licences. This intangible knowledge is crucial in navigating regulatory requirements and expanding market presence in the pharmaceutical industry.

Human Capital:

Human capital refers to the knowledge, skills, and expertise of CiplaQCIL's employees. The Company fosters a culture of learning, development, and inclusive, ensuring that its workforce is equipped to tackle complex challenges and drive innovation. CiplaQCIL's talented employees are instrumental in delivering high-quality healthcare products, engaging with stakeholders, and sustaining the Company's growth trajectory.

Natural Capital:

We are committed to environmental stewardship and responsible resource management. Natural capital includes the ecosystems, biodiversity, and natural resources that CiplaQCIL interacts with in its operations.

The Company embraces sustainable practices to minimize its environmental footprint, reduce waste generation, and conserve resources. By respecting and preserving natural capital, CiplaQCIL contributes to the well-being of the environment and the communities it serves.

Social Capital:

Social capital encompasses the relationships, trust, and reputation that CiplaQCIL has built with its stakeholders, including customers, healthcare practitioners, suppliers, regulators, and the community. The Company actively engages with its stakeholders, seeking feedback and understanding their needs to enhance product offerings and services. Strong social capital fosters a positive brand image, strengthens partnerships, and creates shared value within the communities where CiplaQCIL operates.

...fuelling our core value chain activities

CiplaQCIL's value creation is anchored in a well-structured business model driven by key core value chain activities:

Supply Chain Management:

The seamless management of the supply chain lies at the heart of CiplaQCIL's success. By efficiently sourcing raw materials, optimising inventory levels, and ensuring smooth logistics, the Company ensures the timely delivery of quality pharmaceutical products to the market.

Redefining Our
Value-Creating Business Model

Our key business drivers

Our Mission, Purpose and Expertise

At CiplaQCIL, our mission is to offer quality, affordable medicines to enhance healthcare access. With decades of industry experience, the Company efficiently creates and distributes innovative pharmaceutical solutions, impacting patients, providers, and society.

Our Operating Environment

We operate in a fast-changing healthcare landscape marked by technology, regulatory shifts, and fluctuating market demands. Agility and adaptability are key to seizing opportunities and meeting challenges. Committed to environmental stewardship, the Company emphasizes sustainable practices in resource management and waste reduction, aiming to positively impact the environment and communities served.

Our Stakeholders Expectations

We actively engage with stakeholders, emphasizing patient safety and product quality. Through innovation and adherence to guidelines, they exceed expectations. The Company is committed to community impact through social responsibility and values employees by fostering a culture of well-being, diversity, and empowerment, driving a positive work environment.

...influence the allocation of our key resource inputs

Financial Capital
Capital Expenditure
10.6 bn Ushs

Manufactured Capital
97,000 manufacturing area sq. m
11 Technology Transfers
Robust QMS

Intellectual Capital
5 Products received manufacturing permission for Tech Transfer
Product Registration Footprint Across 32 Markets

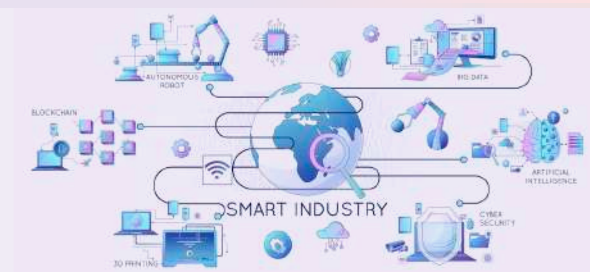
Human Capital
358 (24% female) employee strength
1,500 online employee trainings carried out

Natural Capital
Energy consumption` 37,408.2 GJ
Water consumption` 308 KL

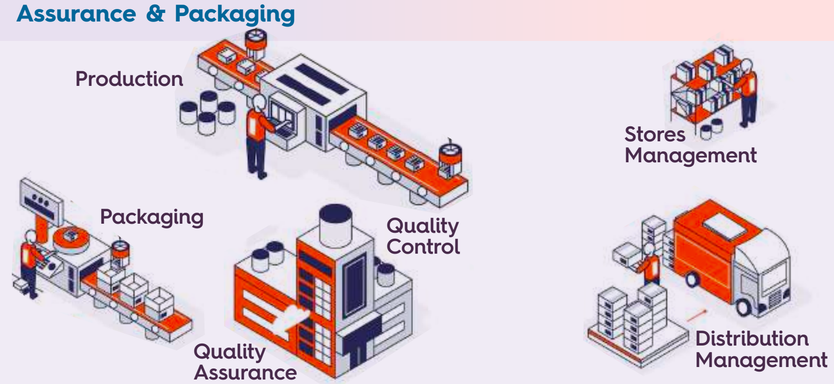
Social Capital
CSR Expenditure
179.4 mn Ushs

..fuelling our core valuechain activities

Supply Chain Management



Finished Dose Manufacturing, Quality Assurance & Packaging



Drug Registration

Domestic Market | Export Market

5 Products received Manufacturing Permission

8 Successful Dossier Fillings.

...resulting in outputs and outcomes

Financial Capital
Revenue 221.5 bn Ushs
Net Profit 19.0 bn Ushs

Manufactured Capital
Accredited in 8 Sub-Saharan African Countries
International Accreditations from **WHO, EAC, GMP, NDA & ISO**

Intellectual Capital
5 Products registered for Tech Transfer
8 Successful Dossier Fillings.
Product Registration Footprint Across 32 Markets

Human Capital
Recognized for **HR Best Practices** by Prudential Uganda

Natural Capital
Scope 1 Carbon Emissions 1,144.2 tonnes of CO_2e
Waste Produced` 77.5 MT

Social Capital
CSR Expenditure
179.4 mn Ushs

...that yield sustainable value for our stakeholders

Caring For Life

Patients, Healthcare Professionals & Customers
Impact On HIV in SSA region
5.6 million doses of ARVs delivered
Impact On Malaria in SSA region
13.2 million doses of Anti Malarials delivered

Our Environment
205,000 litres of water reused

Caring For People

Shareholders & Investors
Earnings Per Share 5.2 per share Ushs
Dividends Per Share 2.5 per share Ushs

Our Employees & Communities
Health & Safety: Zero fatalities.
Total Incident Rate 0.59
Social Security Fund Contribution 2.1 bn Ushs

Caring For Planet

Suppliers, Service providers, Consultants & Business partners
Total Supplier Spend 270.8 bn Ushs
Local Supplier Spend 121.8 bn Ushs

Governments & Pharmaceutical Regulatory Bodies
Tax Paid 8.6 bn Ushs

Redefining Our **Value-Creating Business Model**

Finished Dose Manufacturing:

CiplaQCIL's manufacturing prowess is showcased through its expertise in producing finished dosage forms, including tablets, capsules, and various pharmaceutical products. Adhering to stringent quality standards, the Company operates state-of-the-art manufacturing facilities to ensure the production of safe and effective medicines.

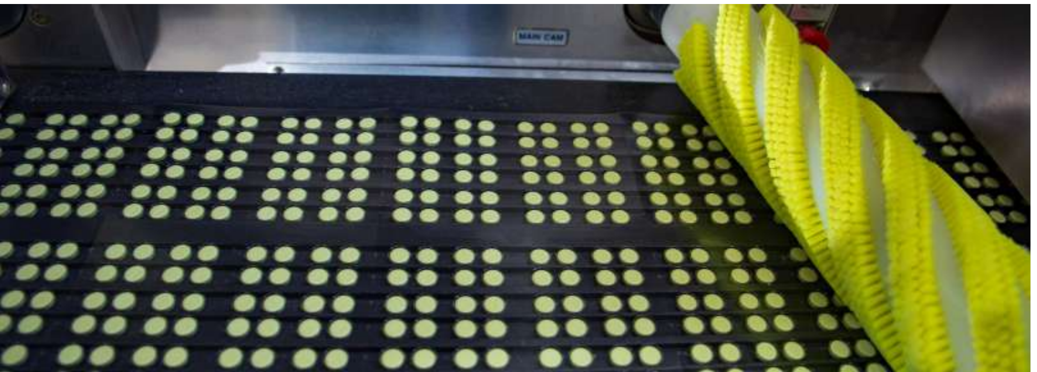
Quality Control and Assurance:

At CiplaQCIL, unwavering commitment to quality is paramount. Rigorous quality control and assurance processes are integrated throughout our value chain. Comprehensive testing and analysis at various stages of production is undertaken to meet regulatory standards and uphold the integrity of the products.

Packaging:

Recognising the significance of packaging in preserving product quality and efficacy, CiplaQCIL prioritises innovative and sustainable packaging solutions. These not only safeguard the integrity of medicines but also contribute to minimising the environmental impact of its operations.

These core value chain activities serve as the backbone of CiplaQCIL's business model, empowering the Company to provide accessible and high-quality medicines to patients and healthcare providers worldwide.



...resulting in outputs and outcomes

CiplaQCIL's business model yields several key outcomes that drive its success and contribute to its value creation:

Commercial Pharmaceuticals:

At the core of CiplaQCIL's business model is the production and distribution of commercial pharmaceutical products. Through a diverse portfolio of high-quality medicines, the Company addresses a wide range of healthcare needs, providing accessible and affordable treatments to patients across various therapeutic areas.

This outcome reflects CiplaQCIL's commitment to making a positive impact on global healthcare by ensuring the availability of essential medications.

Manufacturing Excellence:

CiplaQCIL's business model is underpinned by a strong emphasis on manufacturing excellence. The Company upholds stringent quality standards and employs advanced technologies to achieve optimal efficiency and precision in its manufacturing processes. This outcome reflects CiplaQCIL's dedication to producing safe, reliable, and effective pharmaceuticals, aligning with its mission to deliver superior products to patients worldwide.

Emissions and Waste:

As part of its commitment to sustainable practices, CiplaQCIL addresses environmental impact through its focus on emissions reduction and waste management. Our business model emphasises responsible resource usage, minimising emissions, and optimising waste disposal to reduce its ecological footprint. This outcome reflects CiplaQCIL's proactive approach to environmental stewardship, striving to contribute positively to the communities and ecosystems it operates in.

...that yield sustainable value for our stakeholders

In our value creating business model, we embrace a holistic approach aimed at positively impacting various critical aspects in the long term. These aspects are intrinsically linked to the core philosophy and mission of the organization:

Caring for Life:

Central to CiplaQCIL's business model is a profound commitment to caring for life. The Company's primary purpose revolves around providing accessible and high-quality pharmaceutical products that significantly improve and save lives. By engaging in the development and manufacturing of a diverse range of medicines, CiplaQCIL actively addresses healthcare challenges and endeavours to enhance the overall well-being of individuals across the globe. This essential component underscores the Company's unwavering dedication to making a meaningful and positive difference in the lives of patients and the communities it serves.

Caring for People:

At the core of CiplaQCIL's business model is a sincere focus on caring for people, encompassing not only its employees but also its valued customers, partners, and other stakeholders. The Company firmly acknowledges that its success is intricately tied to the well-being and growth of its people. By fostering a culture of inclusion, diversity, and empowerment, CiplaQCIL nurtures a safe and supportive work environment for its employees.

Additionally, by cultivating strong and collaborative relationships with customers and partners, the Company strives to collectively drive advancements in the healthcare sector and create sustainable value for all stakeholders involved. This foundational element reflects CiplaQCIL's long-term vision of conducting business with a deep sense of responsibility and care for its people.

Caring for Planet:

CiplaQCIL's business model highlights its unwavering commitment to sustainability and environmental stewardship. The Company firmly acknowledges its duty to care for the planet and actively works towards minimising its environmental footprint. By implementing eco-friendly practices, optimising resource utilisation, and reducing emissions and waste, CiplaQCIL endeavours to make a positive contribution to the overall health of the planet.

This aspect distinctly portrays the Company's long-term commitment to conducting business in a manner that not only fosters growth and success but also preserves precious natural resources and safeguards the environment for future generations.

A Diversified Path Towards Sustainable Impact

The most exhilarating aspects of our business model moving forward is the deliberate diversification of our product portfolio, which promises to propel us towards even greater heights of success and impact.

By expanding our product offerings, we are not only broadening our reach to new therapeutic categories but also strengthening our market presence across diverse healthcare segments. This strategic move aligns seamlessly with our commitment to providing quality healthcare solutions and positively impacting the lives of countless individuals worldwide.

The introduction of new pharmaceutical products is set to open up new avenues for growth and innovation, driving our business model towards enhanced resilience and adaptability in an ever-changing healthcare landscape. Furthermore, this diversification fortifies our position as a dynamic and forward-thinking pharmaceutical organization, ready to embrace emerging opportunities and address evolving healthcare needs.

As we venture into this new phase of our journey, we envision significant positive impacts on our overall business model. The new-found diversity in our product portfolio will not only bolster our financial capital but also enrich our intellectual capital. Additionally, by catering to a broader range of medical conditions and therapeutic areas, we strengthen our human capital as our talented teams embrace new challenges and opportunities to deliver meaningful healthcare solutions. This expansion will also underline our commitment to environmental stewardship as we seek to embed sustainable practices throughout our value chain, ensuring responsible procurement and minimizing our environmental footprint.

As we embrace these exciting prospects, we remain steadfast in our dedication to "Caring for Life, Caring for People, and Caring for Planet." This serves as the guiding compass that steers our value creating business model towards sustainable impact and a brighter future for all.

Shaping A Future-Ready **Business Strategy To Reach The Last Mile**

At CiplaQCIL, we believe that a strong strategic direction, underpinned by well-defined Key Performance Indicators (KPIs), forms the bedrock of our ongoing success and growth.

Our approach integrates multifaceted considerations, demonstrating our unwavering commitment to generating long-term value in every facet of our operations, which contributes to our resilient and sustainable growth trajectory.

Our Previous Strategic Direction

Over the years, our strategy has primarily revolved around manufacturing, with a large profit margin and predominantly fixed demand. We concentrate on large-scale production and supply, with our customer base mainly consisting of government institutions and global agencies.

We boast a robust portfolio of 13 distinct products, embodying a unique business model that slightly deviates from the traditional pharmaceutical blueprint which heavily relies on tenders. We operate primarily on the bedrock of our role as a key manufacturer of anti retro-virals (ARV) and malaria drugs, a strategic position fortified by government backing and our strategic approach to catering to critical health crises like HIV and malaria. Additionally, the considerable potential discovered in the strategic supply sectors of HIV and malaria has prompted the construction of a production and marketing unit in the East African region here in Uganda. Our operations, structured around our defined product lines and a specific customer segment, are largely dependent on two main channels: the public distribution system and global agencies. These pillars not only drive our business but also contribute significantly to the success of our government-backed programmes here in Uganda.

Keeping Track of Our Performance

When it comes to monitoring our performance, our operating model encourages role-specific tasks with flexible Key Performance Indicators (KPIs), allowing individuals to perform their duties more efficiently.

This system, focusing on identifying and resolving gaps, may lack explicit targets but is designed to foster guidance, supervision, and evaluation, enhancing our overall operations. Our robust performance management system, powered by the cutting-edge SAP Success Factors platform, effectively aligns all Key Performance Indicators (KPIs) with the strategic objectives established by our CEO and Board of Directors. These KPIs are not simply directives imposed from above. Rather, they are the result of a collaborative effort, involving negotiations and discussions, to ensure that they are meaningful and applicable to every function and role within the organisation.

Our evaluation system, where each team member's objectives are assessed quarterly against pre-determined standards, goes beyond task completion but also incorporates the demonstration of our leadership values and self-development objectives. The review process begins with each team member setting self-improvement goals that are in line with their aspirations for professional growth, after which their supervisor reviews them. Should any performance gaps be cited, the reasons for the deviation are scrutinised to discern whether missed targets were due to uncontrollable circumstances or personal shortcomings. This comprehensive performance management approach combines individual, functional, and Company performance assessments to provide three ratings—Amazing, Credit, and Developing—reflecting a holistic view of an employee's contribution to CiplaQCIL's strategic direction.

Our Performance Overview

As CiplaQCIL, this year we focused on three primary objectives in our strategy. These were; achieving high employee engagement, enhancing our processes to achieve cost efficiencies, and driving growth through establishing a robust production pipeline, market acceleration, and maintaining a solid financial position.

Our Strategic Priorities

Engage Employees	Optimize Processes	Grow Purposefully
Health & Safety	Cost Management & Optimisation	Robust Product Pipeline Management
Learning & Development	System & Process Improvements	Customer Base Expansion
Engagement & Motivation	Digitization	Regional Market Acceleration

The Key Focus Areas in our Strategy

Over the course of the year, our performance was marked by both significant advancements and areas necessitating improvement.

In enhancing our processes to achieve cost efficiencies, our efforts bore fruit, as demonstrated by our strong operational performance, increased dividend payout, positive cash flow, and strong financial ratios. Significant progress was also made in reducing our debt to Ushs 5.4 billion in FY 2022-23 from Ushs 25.8 billion in FY 2021-22. This was supported by the successful recovery of Ushs 14.7 billion of the amount owed by the Zambian government. Additionally, our aggressive focus on operational cost efficiency over the last two years enabled us to remain profitable and increase dividends due to improved cash flows, leading to a strong financial position and liquidity ratio.

In the strategic aspect of driving growth, we engaged in technology transfers for a total of nine products. However, only one was successfully launched due to regulatory hurdles and delays. We acknowledge that the launch of more products could have further enhanced our value proposition, and we continue to strive towards aligning our product launch rate with our objectives. As we move forward, we have already introduced two more products into the market, and we are optimistic about the future. Furthermore, our growth was negatively impacted mainly due to two factors: our heavy reliance on public sector tenders with delayed processes attributed to fiscal challenges and a decline in inter Company sales. We believe that this impact on growth is temporary. Despite this drop in revenue, we have paid a better dividend, thanks to our reduced financial obligations and an improved balance sheet.

In order to foster a harmonious work environment, our strategy also entails enhancing staff engagement with the aim of achieving an Employee Engagement score that exceeds 70%. Currently, it is worth noting that a significant proportion of our workforce has achieved a commendable score of over 85%. This achievement can be attributed to the implementation of diverse initiatives and policies aimed at fostering a culture of open communication, motivation, reward, and recognition.

A year of clarity

The previous fiscal year presented a pivotal moment in our trajectory as a Company. Several noteworthy developments occurred throughout the year 2022, highlighting our dedication to advancement and growth. Despite our sustained growth, we have encountered a variety of new market challenges that have prompted us to identify numerous opportunities for further expansion and impact.

We have embarked on a journey to deliberately explore and implement innovative business practices, anticipate future market trends, and improve our overall readiness for the future. We have been challenged to diligently examine the strategic trajectory we aim to pursue in the forthcoming years.

The varied difficulties highlighted below demanded that we think creatively and strategically to resolve them, not just in the short term but in the long term as well.

Reaching territories beyond Kampala; Navigating through the dynamic demands of territories beyond Greater Kampala remains one of the principal challenges facing CiplaQCIL. As our operational hub lies in Kampala, our reach within this region is profound, yet we acknowledge the growing necessity to broaden our sphere of influence to the western and southern parts of Uganda. To this end, we are pioneering solutions to enhance our delivery speed, with possibilities such as same-day or 5-hour delivery under consideration.

Fluctuating Market Trends; A pivotal part of our strategy lies in understanding and adapting to market demands and trends, which requires ongoing innovation. We have embarked on a demand projection exercise, aligning our front-line sales figures with our distribution and manufacturing sectors, which bolsters our supply and production planning processes.

We also recognise that the launch of new products often induces fluctuating market trends; hence, we have established benchmarks to accommodate these variations. Our planning endeavours are cyclical and flexible, anticipating initial lower unit counts that progressively increase to match and drive market demand. This approach has been integral during the last fiscal year, especially the latter half, as we undertook a major planning exercise that set the stage for the current financial year, resulting in a heightened level of strategic readiness.

Global Restructuring of Aid; CiplaQCIL faces significant challenges due to global aid restructuring post-COVID-19, particularly from European and American agencies. This shift has affected the public distribution of healthcare commodities, especially outside our main ARV and antimalarial segments such as antibiotics and pain management drugs. Although the ARV and antimalarial sectors have been less affected, owing to well-defined supply chains and established forecasting systems used by agencies, the overall impact of aid restructuring presents a substantial obstacle in our operations.

Diversification Towards Self-sustainability

We recognise the importance of adaptability and the need to diversify our market segments, which has prompted our pursuit of a more resilient and self-sufficient business model. While we are deeply rooted in the production of antiretroviral drugs (ARVs) and antimalarials, we recognise the decline in incidence rates of HIV and malaria due to increasing public awareness and preventative measures.

This is a testament to the collective effort towards managing these life-threatening diseases, a cause we are proud to be part of.

However, from a business perspective, this signals a crucial need for diversification. Our future sustainability may no longer solely depend on these sectors as it has in past decades. Hence, our primary focus this year is to explore and penetrate new market segments and expand our customer base. While we continue to serve our institutional clients in Uganda and across global agencies, we are also progressively shifting our focus.

As part of our evolution, we are broadening our reach to the prescription medicine market, covering chronic and acute therapeutic categories such as gastroenterology, allergies, antibiotics, and critical care.

We aim to penetrate this market via both organic and inorganic means, partnering with manufacturers to access their technologies and products while also developing our own products and, leveraging our available capacities.

As we advance into this exciting future, we have initiated a fusion of our manufacturing expertise with an enhanced sales strategy. The evolution in our business model sees us embracing the private sector, which has exhibited significant growth and potential; expanding our reach to wholesalers, retail pharmacies, and hospitals.

However, this is not a complete pivot but a strategic expansion. Our core commitment to the public sector and the ARV and malaria segments remains intact as we continue to innovate and introduce new products and technologies. We are striving to strike a balance between supporting our traditional sectors and pioneering new paths to ensure our ongoing relevance and growth.

Positioning Ourselves for the future

Our new strategic direction mandates a focus on product portfolio, competent teams, and a robust distribution system. To best position ourselves for our evolving business model, we have been steadily growing our portfolio and, training our marketing, sales, and communication teams to facilitate the market shift.

The private market, with its dynamic supply chain, presents unique challenges, calling for a distinct approach to product distribution and supply chain management, as demonstrated by our current team structure, which includes communication and sales managers as well as field teams. Understanding the intricacies of the private market supply chain, especially the prompt delivery of smaller pack sizes, we are constructing an efficient distribution system to cater to diverse needs and demands.

Additionally, we are expanding our team and promoting our portfolio through pilot launches. By last year's end, we had successfully launched two products, focusing on sexual health and the cardiac segment. Our market research indicates that approximately 26% of the adult population suffers from hypertension, indicating a substantial market for us to serve. As a result of the COVID-19 epidemic, we are also experimenting with care for upper respiratory tract infections, which have acquired prominence in recent years.

Our strategic shift is rooted in understanding and implementing the traditional marketing mix, tailored to our unique market context and business objectives. To effectively position ourselves, we are keen on adopting the classic four Ps of marketing: Product, People, Price, and Promotion. Our approach is strategic, integrating these key elements to facilitate growth and maintain a competitive edge.

Product: We are committed to introducing new and innovative products that meet market demands. Through a blend of organic and inorganic means, our portfolio is expanding to serve diverse therapeutic categories, ensuring the right product at the right time.

People: Talent is at the heart of our strategy. We are focused on cultivating a knowledgeable team that understands market nuances and can formulate strategic action plans to grow our market share. The right people with the right expertise are crucial for our transition.

Price: We are cognizant of the need for competitive pricing, ensuring our products are accessible and cost-effective. This we intend to achieve through working towards achieving economies of scale as we aim to deliver value to our customers without compromising on quality.

Promotion: With the right product, driven by an adept team, and competitively priced, effective promotion serves as the final piece of our strategy. Promotion by the right people amplifies our reach and ensures our success in the evolving market.

As we continue to gauge the market with our new product launches, we remain aware of the importance of meeting demand with a steady supply. We have set benchmarks and implemented demand forecasting mechanisms to ensure smooth order fulfilment. This balanced approach aligns with our broader strategic shift, as we aim to maintain our heritage in ARV and antimalarial production while creating new paths in prescription medicines. We are optimistic that our overall new long-term strategy will pay off with great returns.

All in all, our strategy at CiplaQCIL is rooted in our profound commitment to delivering impactful healthcare solutions while simultaneously ensuring sustainable growth for our stakeholders. Our strategy is not merely a set of plans; it is a dynamic roadmap that continues to evolve in response to the intricate, multifaceted challenges of the pharmaceutical industry. By adopting an integrated approach, we seek to foster harmony between our financial performance and our corporate responsibility to society and the environment. As we venture ahead, our strategy will remain our beacon, illuminating our path and guiding us towards our goal of bettering lives, driving value, and building a healthier future for all.

Creating a **Sustainable Future**

CiplaQCIL remains steadfast in its commitment to creating a positive impact on society and the environment. We have successfully incorporated the United Nations Sustainable Development Goals (SDGs) into our business practices, aligning our operations and projects with the pursuit of a sustainable future.

Our dedication lies in generating measurable impact and fostering sustainable development throughout our entire value chain via strategic partnerships, ground breaking initiatives, and principled conduct.

Fig 2: The 11 SDGs most relevant to us

Our Sustainability Framework (at a glance):

At CiplaQCIL, we acknowledge the significance of our resource utilisation while simultaneously enhancing our competencies to ensure sustained progress. We have implemented a sustainable business strategy aimed at achieving long-term value creation for the Company and its stakeholders. Our unwavering commitment lies in fostering positive social impact for our esteemed stakeholders and safeguarding the invaluable resources of our natural capital.

Our ongoing activities are strategically aligned with our long-term vision of advancing innovation in order to introduce novel healthcare solutions for patients. Furthermore, we prioritise environmental, social, and governance (ESG) considerations to effectively contribute to the well-being of our stakeholders who rely on our pharmaceutical products.

ESG considerations are undergoing rapid evolution and are increasingly becoming indispensable in the process of making business decisions.

Forward-thinking organisations are strategically embracing environmental, social, and governance (ESG) principles to cultivate a culture of transparency, ethical practices, and enhanced accountability.

Investors place a significant emphasis on the consideration of ESG factors as part of their risk management strategies and efforts to enhance performance. In parallel, stakeholders have increasingly high expectations regarding the adoption of ethical practices, the establishment of responsible supply chains, and the demonstration of a commitment to environmental stewardship.

Fig 3: Our Sustainability Pillars

The seamless integration of ESG factors serves as a catalyst for fostering innovation, cultivating long-term value, and establishing a unique market position.

As CiplaQCIL, we are firmly dedicated to upholding the principles of Environmental, Social, and Governance (ESG) and endeavour to elucidate our steadfast commitment to sustainable business practices in the subsequent sections. In our ongoing commitment to integrating ESG factors into our operations, we have successfully translated our beliefs into actionable practices. We have put in place an ESG policy that establishes four core pillars which we have identified as essential to our overall business operations.

Our sustainability strategy sets a clear long-term vision and goals for the period 2023-2030, identifying our priorities around Environmental, Social and Governance topics. We are cognizant of the fact that ESG is a process, not an outcome, and have therefore identified four essential strategic pillars relevant to our business i.e. Sustainable operations, Stakeholder centricity, Environmental stewardship, and Business resilience. These pillars are the foundations of our ESG strategy through which we focus on issues critical to our business activities.

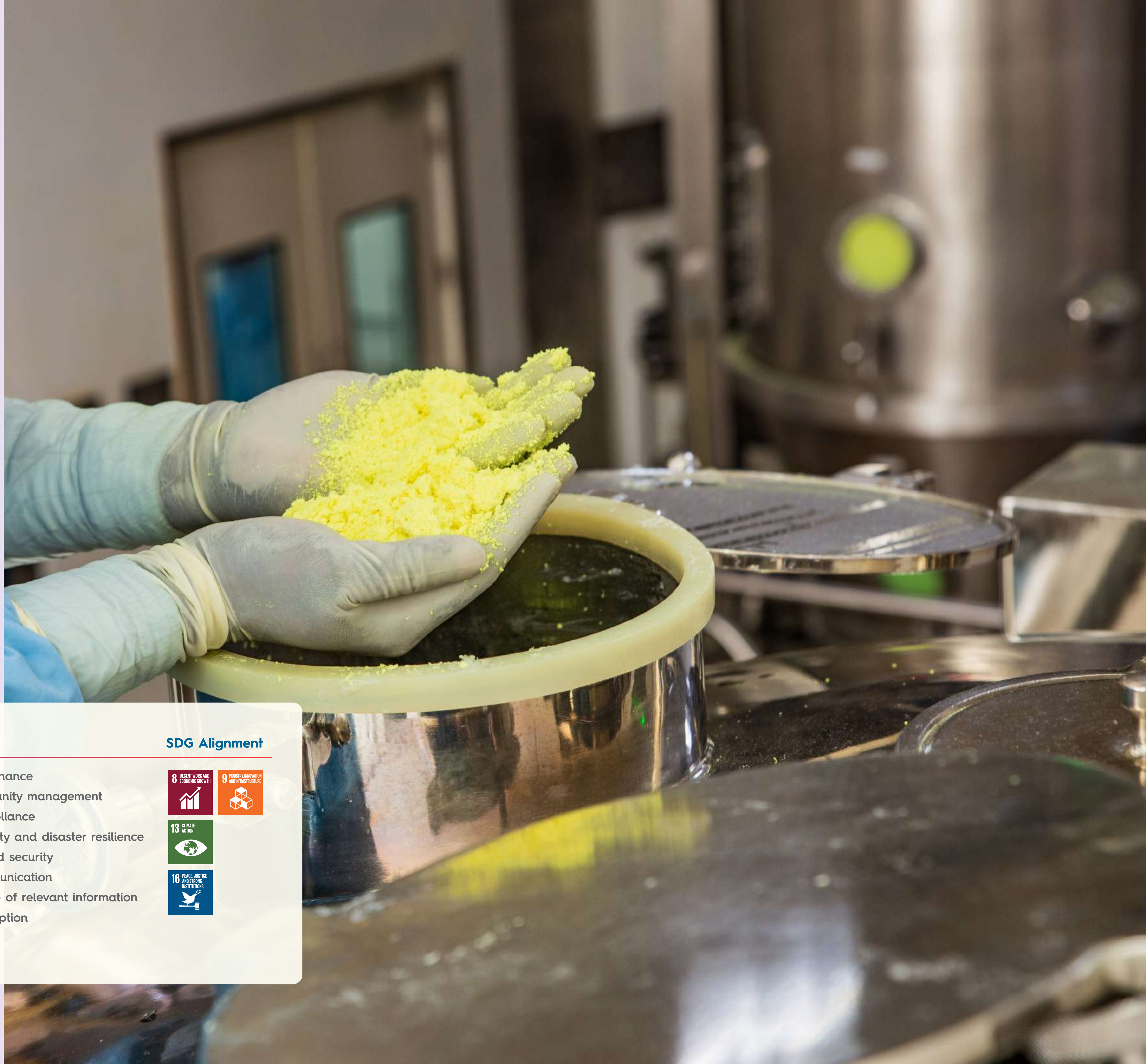
ESG Pillar 1:

Business Resilience

Key to our Company's sustenance is our economic performance as driven by ethical business conduct. Our performance is monitored by the Uganda Securities Exchange and reported periodically in compliance with the prevailing rules and regulations. CiplaQCIL is committed to a robust set of governance policies and practices and regularly reviews those practices against corporate governance developments and stakeholder feedback to ensure continued effectiveness. It is important that all parts of our Company feel invested in and accountable for CiplaQCIL's sustainability agenda.

Specifically, the CiplaQCIL Board of Directors has delegated overall responsibility for sustainability matters to the Communications Committee. The committee then reports to the Board regarding Sustainability and ESG matters. Ethical conduct, coupled with honest and transparent disclosures, lies at the core of our sustainable growth strategy.

These attributes are critical to running our business without disruptions, protecting our reputation, and building trusted relationships with all our stakeholders. We have several policies in place, like the risk management policy, supplier code of conduct, data privacy and security policy, EHS Policy, whistle-blower policy, conflict of interest policy, etc., to ensure that our business operations are resilient through proper governance structures. Important to note is that we strive to promote an ethical culture that encourages stakeholders to express themselves without fear of retribution, while maintaining mutual respect and transparency. Under the Whistle-blower Policy, we have a vigilance system that allows all stakeholders to report unethical behaviour or non-compliance with our code of conduct, fairly and securely.



Our Focus Areas

- Governance Structures
- Technology as a basis for future growth
- Ethics and data security
- Remaining prudent and bold

Key Topics

- Corporate governance
- Risk and opportunity management
- Regulatory compliance
- Business continuity and disaster resilience
- Data privacy and security
- Corporate communication
- Timely disclosure of relevant information
- Technology adoption
- Asset integrity

SDG Alignment

ESG Pillar 2:

Environmental Stewardship

We at CiplaQCIL are aware of our responsibility to contribute towards the mitigation of health risks by providing timely products for patients, customers, and consumers while increasing our operational efficiency, optimising our resource consumption, and decreasing our emissions and environmental footprint. In our quest to preserve the environment, we are cognizant of the importance of conserving resources and have undertaken initiatives in various areas like water conservation, waste management initiatives, and carbon reduction initiatives. Specifically, we have an Effluent Treatment Plant (ETP) for treating our industrial waste. The water once treated is reused in our wet areas and for watering our greenery. Likewise,, we have monthly water, waste, and energy use audits across the different departments, allowing us to identify areas for improved efficiency, reduced usage, and additional possible recycling options. 68.5% of the energy used is clean energy (hydroelectricity), 25.3% fossil fuel, and 6.2% diesel, and we are currently exploring different avenues of reducing the fossil fuel used on the premises, e.g., solar system. Coupled with our quest for a more responsible supply chain, these interventions will help us reduce emissions and our carbon footprint in the coming years. The hazardous waste we produce is carefully handled, treated, and securely packaged before it is transported to the designated area of incineration.

Our Focus Areas

- Water and energy management
- Climate change and greenhouse gas emissions
- Waste and hazardous material management

Key Topics

- Water & waste management
- Energy Management
- Air quality
- Ecosystem and biodiversity

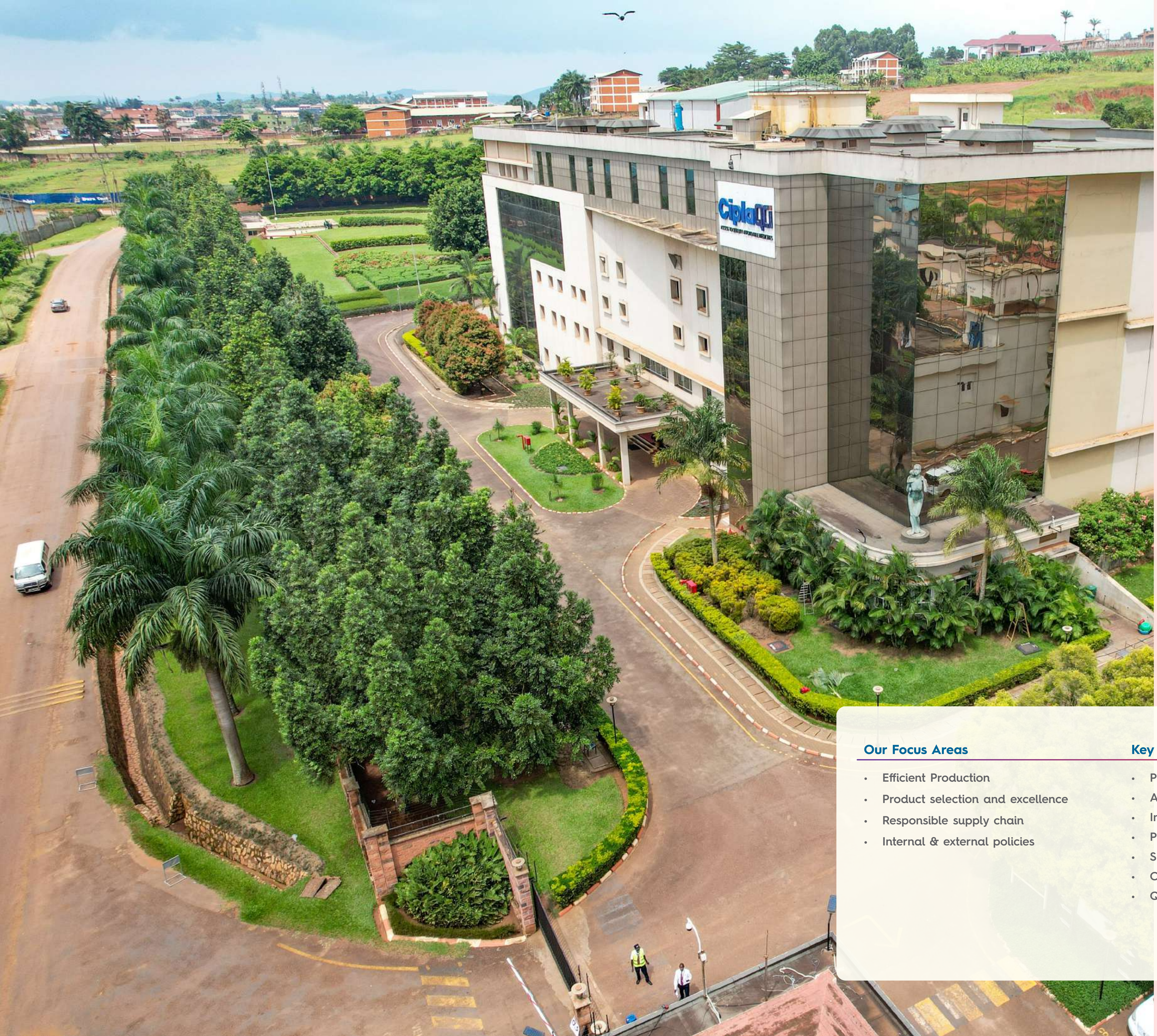
SDG Alignment

ESG Pillar 3:

Stakeholder Centricity:

Patients are at the heart of our business activities. We strive to earn the trust of patients by producing high quality affordable medicines while actively listening to and incorporating their feedback into our production processes to meet their needs and improve our products. As our stakeholders are integral to our business activities, we work to maintain a close dialogue with them to ensure that we consider the issues that are material to them. By reporting on our sustainability position, we are committed to all our stakeholders (internal and external), including our customers, patients, shareholders, employees, the community where we do business, regulatory bodies, NGOs, suppliers, etc. Likewise, we are increasing the level of transparency of our actions while creating opportunities to improve our activities by incorporating feedback from all our stakeholders and consequently contributing to the development of a sustainable society.

Our Focus Areas	Key Topics	SDG Alignment
• Patient at the core	• Product safety and quality	3 Good Health and Well-Being
• Health and safety	• Human capital health and safety	5 Gender Equality
• Labour practices	• Diversity, Equity and Inclusion	8 Decent Work and Economic Growth
• Community engagement and relationships	• Stakeholder relationships	10 Reduced Inequalities
• Employee experience		17 Partnerships for the Goals



ESG Pillar 4:

Sustainable Operations:

Our commitment to sustainability helps to future-proof communities by addressing societal and environmental factors while enabling economic progress, as reflected in our 16 key focus areas. We strive for operational excellence across our value chain by practicing current good manufacturing processes (cGMP) and good laboratory practices (GLPs) to ensure product safety and efficacy while maintaining consistent quality throughout the manufacturing and testing processes. Specifically, we strive to streamline processes, reduce waste, enhance productivity, cost optimise without compromising the quality of our products, and maintain high-quality standards to deliver better products and services. Important to note is that our manufacturing and production processes are streamlined through a fair percentage (50%) of automation to enhance productivity, reduce errors, and provide valuable insight for better decision making.

Crucial to the sustainability of our business operations is continuous training and development for our employees across the value chain to keep ourselves updated with the latest industry trends, technologies, and regulations. This contributes to improved operational efficiency.

Risk management and regulatory compliance are key aspects of our operational excellence as we strive to implement risk management strategies that help us identify potential threats, challenges and ensure compliance with various regulatory requirements, both local and international.

Our Focus Areas

- Efficient Production
- Product selection and excellence
- Responsible supply chain
- Internal & external policies

Key Topics

- Process optimization
- Agile manufacturing
- Innovation
- Product tracking
- Supply chain management
- Code of conduct and Ethics
- Quality control and Assurance

SDG Alignment

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Risk Management

Protecting Our **Stakeholders' Interests**

The pharmaceutical industry is characterised by stringent regulatory oversight, pricing pressures and competition. The manufacturing process is affected by many variables, including access to supplies and raw material, equipment, factory overhead, the need for special manufacturing parts, and the people who work at each point in the process. All these are of particular importance and carry with them risks, challenges and opportunities.

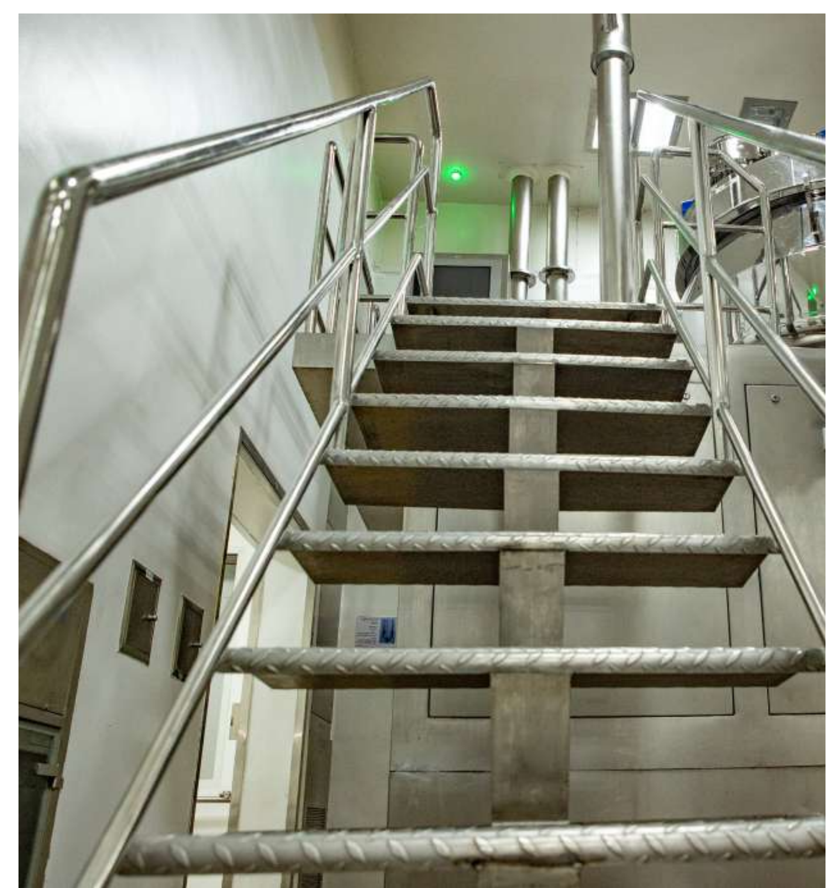
At CiplaQCIL, our Risk Management Framework is benchmarked against the Community of Sponsoring Organizations of the Tread Way Commission (COSO) and the ISO 31000 Standards for Risk Management Principles and guidelines. The main objective of the risk management framework is to support the Company in realizing its vision for creating, preserving, and deriving value through continuous assessment and management of risk. The Company has adopted a top-down approach, with the Board assuming overall responsibility for the management of risk. Appropriate support for risk management is disseminated throughout the Company, driving a positive risk culture across the organisation.

Further, we continuously review our risk management framework to ensure the effective provision of the appropriate foundational and organisational arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving the management of risk.

Our Enterprise Risk Management approach focuses on the identification of key strategic, business and operational risks and aims to mitigate these risks effectively whilst identifying opportunities that may arise from these challenges.

The below chart represents CiplaQCIL's risk architecture:

Constituents	Responsibility
Board of Directors	Responsibility for the Company's overall approach to risk management and internal control
Board Audit & Risk Committee	Examines and reviews adequacy of risk identification and mitigation measures
Internal Audit	Provide independent and objective assurance on the effectiveness of risk management and controls in place to mitigate risks
Principal Risk Champion	Responsible for overseeing the management of risk at the department levels
Departmental Unit	Owns and manages the principal risks inherent in the activities they perform and deployment of controls



Our Key Business Risks

Outlined below are key risks that had a significant effect on the Company during the year under review and are projected to continue having an impact going forward:

1. Pricing, Competition and Business Model Pressures

The pharmaceutical industry in Uganda is increasingly becoming more competitive as evidenced by new players entering the market coupled with the innovation of new therapeutic treatments for ARVs and ACT's such as the intravenous ARV (injectable). During the year Artemether Lumefantrine resistance had been established in Uganda and discussions were ongoing for the development of a resistance strategy.

The Company continued to face pricing challenges for tenders it participated in especially within the East African region mostly due to the competition from larger players in the market whose prices were relatively lower.

The combination of the above risk factors can have an adverse impact on our business profitability and product launch decisions.

The Company has leveraged its relationship with Cipla for required technology transfer for new products in a bid to diversify its product portfolio and has also collaborated with other new manufacturers in an effort to expand its product range and capabilities.

Cost reduction and efficiency improvement strategies have been adopted to support business profitability.

Expansion of the retail coverage in Uganda was a key focus for the Company which during the year allocated more resources to boosting the marketing and sales team in a bid to drive growth through direct sales to hospitals, clinics and pharmacies.

The groundwork for the setup of the private market in Uganda realised some benefits during the year as evidenced by the steady growth in sales of the Company's leading private market product Azicip. Continued focus will be placed on launching new products and building a sustainable growth strategy for the private market in Uganda and across Africa.

2. Supply Chain Disruptions

Majority of the factories in China and India where the Company sources its Active Pharmaceutical Ingredients (APIs), packing materials, excipient and solvents (raw materials) resumed their operations following ease in the COVID 19 restrictions. The prices of the APIs and other raw materials used in the production process remained relatively stable during the year as compared to the previous year.

The potential impact of closure of the ports in Mombasa during the Kenyan elections that took place in August 2022 was keenly monitored as it was expected to have an impact on shipments into the Country.

Additionally, prevailing inflationary pressures (Russia-Ukraine war, hiking interest rates, Forex fluctuations) continue to impact our procurement cost budgets.

In order to mitigate future cost pressures, the Company has identified alternative suppliers for all key ingredients and monitors its alternate vendor deployment programme on a regular basis.

In order to mitigate any potential production disruptions, rigorous safety stock level checks were regularly tracked for all raw materials to ensure they were in line with the manufacturing plan. A stock norm policy was also developed and implemented to mitigate the impact of any dynamic changes in consumption patterns of customers.

3. Cyber Security

The pharmaceutical industry continued to face ransom ware attacks, social engineering, data breaches, SQL injection, supply chain vulnerabilities and insider threats that pose a risk to patient safety, intellectual property, Company finances and overall business operations.

In order to mitigate this risk, the Company outsourced monitoring and management of security devices and systems including but not limited to Moving Target Defence, Next Generation Antivirus Support, Managed Detect & Response, Vulnerability Management and Cyber & Digital Risk Management Services. Upgrading of firewall next generation which had reached end of life commenced in addition to strengthening the IT cyber security unit.

Penetration tests were periodically undertaken to determine vulnerability of our network to hacking and intrusion. We have in place IT Policies aimed at streamlining data management and use of our IT systems.

A Data Privacy Policy was developed during the year to streamline the various roles and responsibilities for protection of Personal Information and to ensure that adequate security controls are implemented in line with the regulatory requirements.

4. Environmental Health & Safety

All activities undertaken within and around the facility typically attract a number of environmental health and safety risks ranging from workplace physical and health hazards, enforcement penalties from non-compliance with NEMA regulations environmental releases among others.

Failure to limit our adverse environmental impact, deliver societal value and operate in an ethical manner can have negative consequences on our reputation, operations and long-term sustainability of our organization's performance.

Our mitigation efforts are aligned with our ESG goals of carbon neutrality, water neutrality and zero waste to landfill by December 2025.

Efforts to achieve our ESG goals that have been adopted in the year include rain water harvesting, water recycling, installation of energy monitoring metres, reducing waste powder generation, reducing ETP sludge by drying among others. Continuous timely identification of all EHS related risks on a day-to-day basis is undertaken with the support of an EHS Management system which tracks any exposures to EHS risks.

Regular audits, both internally and externally were conducted during the review period to validate and provide assurance of the controls that have been designed to mitigate EHS related risks and comply with the various regulatory obligations.

A Health and Safety Week was held during the year where a series of activities aimed at enhancing health and safety in the organization were undertaken.

5. Quality & Compliance

The pharmaceutical industry is one of the most heavily regulated industries in the world. In order to maintain its promise of delivering quality and safe products to patients. Failure to comply with applicable regulations at any stage in product manufacturing can have an adverse impact on our business and result in sub-optimal product quality which poses a significant health hazard to patients.

The Company has robust quality management assurance systems adequately assisted by digitisation to adhere to applicable and emerging regulatory requirements.

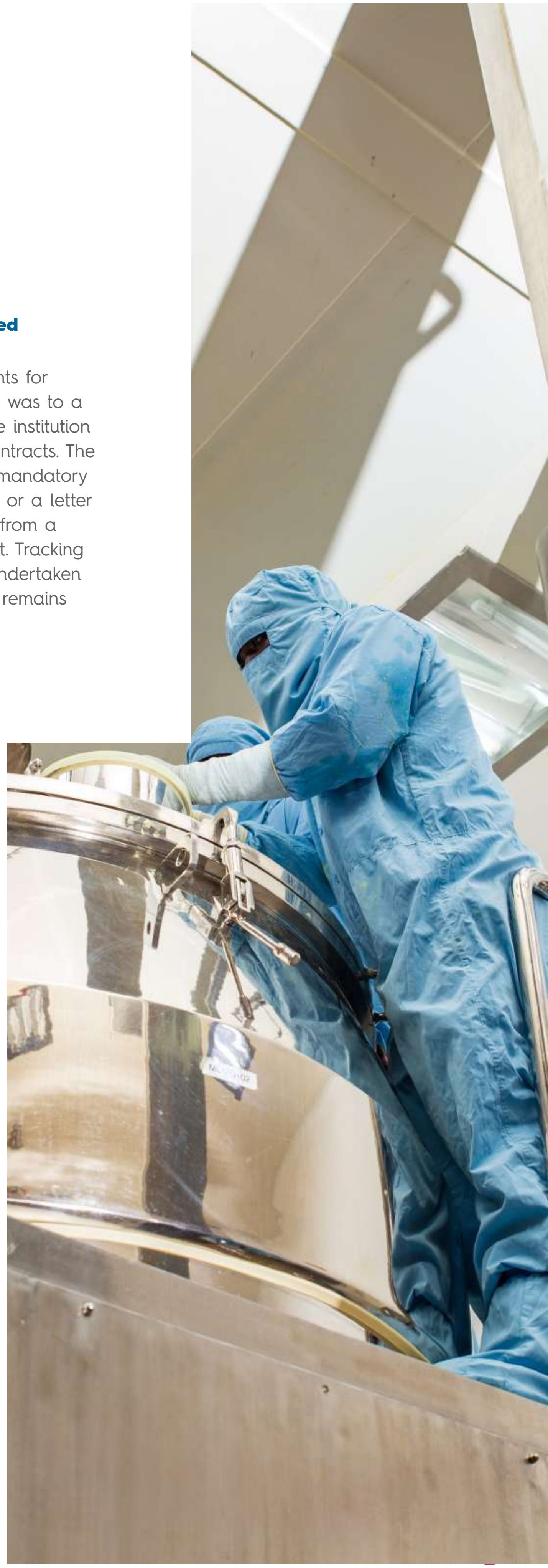
Audits by external parties such as the World Health Organization, National Environment and Management Authority (NEMA) and National Drug Authority (NDA) were conducted during the year, in addition to Internal Quality and Compliance audits. These audit exercises allow the Company to ensure its operating activities are at all times in line with regulation and internal Standard Operating Procedures (SOPs).

Compliance with all legislation is a critical factor to the business. A compliance manager tool is used to support the review and tracking of the status of compliance on a daily basis. Periodic reviews and verification exercises allow for proactive identification of potential challenges and any non-compliant gaps or breaches are identified and re mediated by appropriate Corrective and Preventive Action (CAPA).

Comprehensive quality improvement and training programme are designed with a focus on addressing known quality and compliance gaps and challenges.

6. Customer Default/Delayed Payments

The risk of default in payments for goods supplied to customers was to a large extent minimised by the institution of strict payment terms in contracts. The Company adopted either a mandatory advance payment obligation or a letter of credit or bank guarantee from a reputable bank for any credit. Tracking of receivables is rigorously undertaken to ensure that the Company remains within acceptable limits.



03

How We Created Value in FY 2022-23

In This **Section**

Well positioned to Capitalize on Opportunity

As a key player in the healthcare sector, our mission is to deliver essential pharmaceuticals and medical supplies to significantly improve patient outcomes.

Our vision encompasses not only financial achievements but also an unwavering commitment to positive societal impact and ethical business practices.

At CiplaQCIL, the financial team holds a crucial strategic role that goes beyond just number-crunching. We are deeply involved in implementing our broad financial management strategy, which includes aspects such as strategic business planning, budget creation, financial forecasting, and performance evaluation in relation to our projections. By conducting these thorough analyses, the team can pinpoint areas where improvements can be made and assess whether to continue with current strategies or consider alternative approaches.

Transparency is a key principle in our financial operations, and it is showcased in our monthly reports. These regular updates enable us to track our progress, ensure we're aligning with our financial plans and industry standards, and glean insights from comparisons with other businesses in our industry. These reports are an essential tool for formulating effective strategies that can enhance our business operations.

In FY 2022/23, we focussed on several key areas;

We worked on improving cost structure efficiencies to strengthen gross margins through a combination of strategic operational changes, contract renegotiations, and waste reduction initiatives.

Our market focus has shifted from the more challenging export market to the promising local market. This shift has helped us mitigate the impact of export market challenges, and as a result, our financial position remains strong, with our gross margins aligning closely with operating expenses.

Asset management is another area we placed emphasis on as crucial to our long-term financial health. We managed and recorded value of our assets, including stock, receivables, and cash, in line with the International Financial Reporting Standards (IFRS). This approach helps us manage risk and provides a clear demonstration of our Company's value.

We've also made strides in inventory management. By adjusting our stock levels, we have been able to reduce holding costs and free up cash that was previously tied up in inventory. Our balance sheet now shows a decrease in stock, a shift from our previous approach during the COVID era, when we increased stock levels in anticipation of supply chain disruptions. With an emphasis on maintaining optimal stock levels, our plant now operates at a high utilization rate of over 90%. This is a clear testament to our commitment to continuously improve our financial management and adapt to changes in the business environment.

FY2022/23 Capital Allocation, Financial Performance and Analysis

Revenue

Sales for FY 2022-23 were UShs 221 billion compared to UShs 267 billion in FY 2021-22.

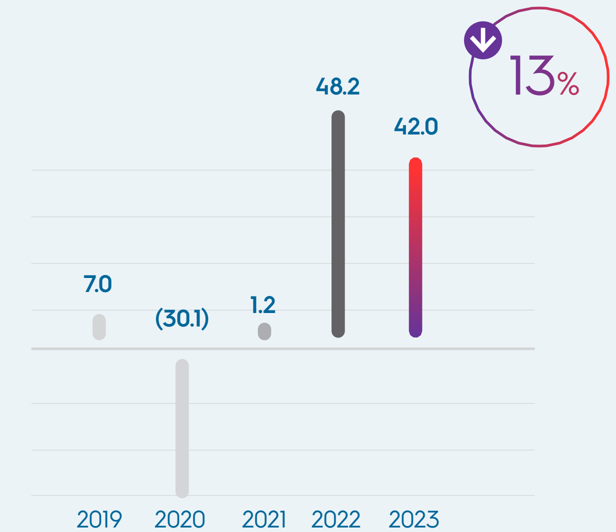
Difficult trading conditions including the price pressure in the pharmaceutical industry, increase in supply cost and reduced demand.

Export segment registered a higher reduction of 38% resulting from a decline in demand in the contract manufacturing business.

EBITDA

Earnings Before Interest Tax Depreciation and Amortization (EBITDA) was boosted by improvement of gross margin and part recovery of impaired debt due from Government of Zambia of UShs 14.7 billion (FY 2021-22: UShs 19.2 billion).

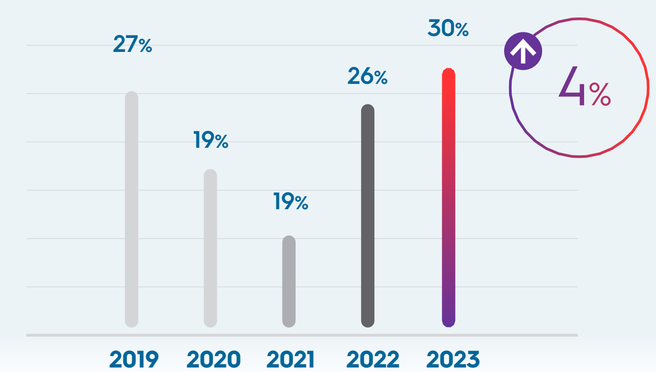
The gains above were more than offset by a drop in sales and general rise in prices of about 9% reducing EBITDA to UShs 42.0 billion from UShs 48.2 billion in FY 2021-22.



Gross Profit Margin

Gross profit margin improved by 4% from 26% in FY 2021-22 to 30% in FY 2022-23.

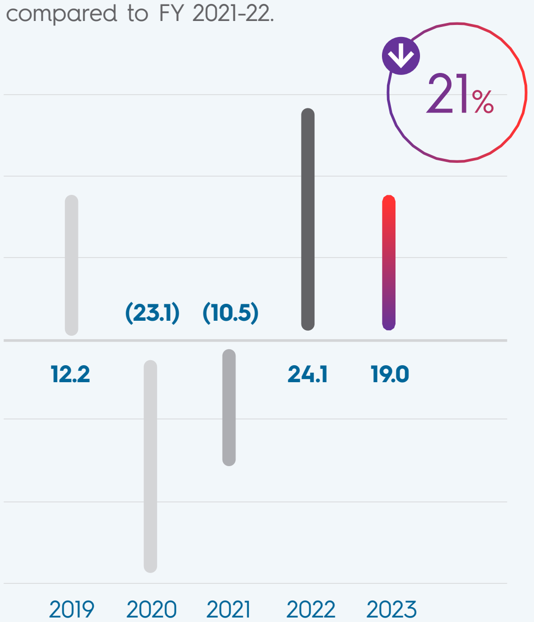
This was mainly due to consistent focus on operational efficiency and changes in the product mix.



Profit After Tax

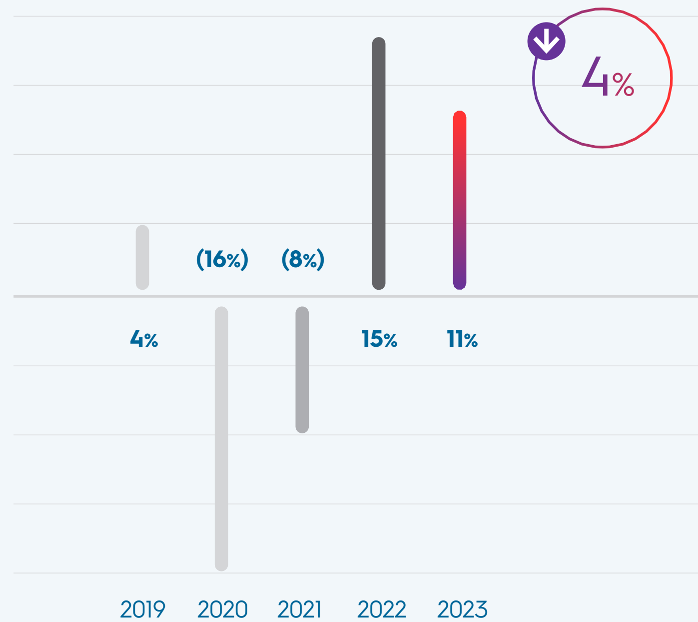
The decline in net profit was mainly due to reduction in sales and increase in general and administrative expenses.

Net profit margin was, however, stable at 9% compared to FY 2021-22.



Return on Equity

Return on Equity was positive for the second consecutive year despite challenges in the economic environment.

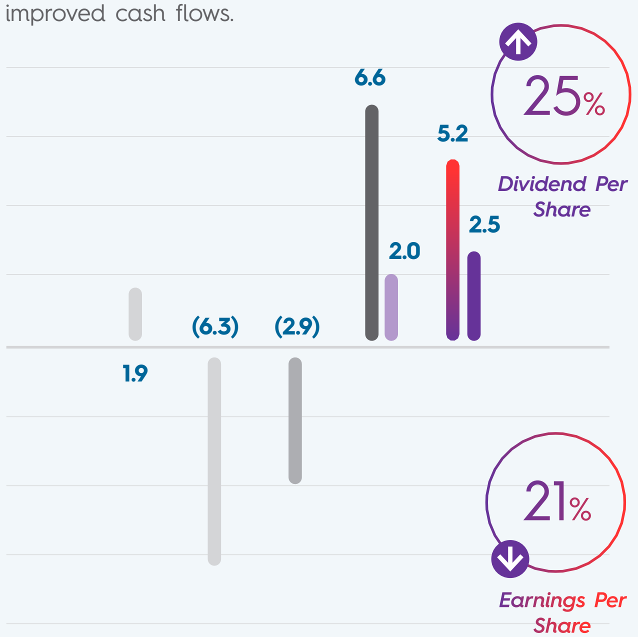


Earnings and Dividends per Share

Earnings per share continued to be positive.

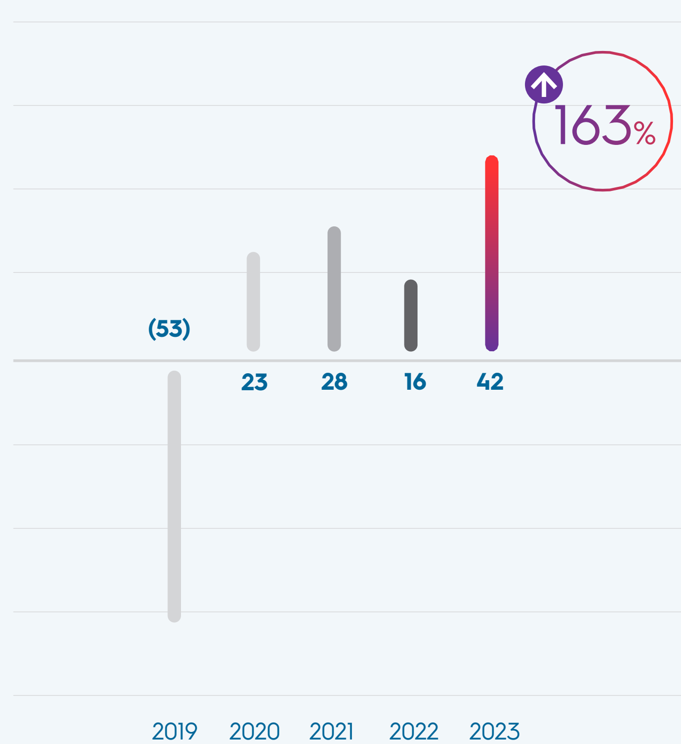
A dividend was proposed in line with the dividend policy.

The increase in proposed dividend is partly explained by improved cash flows.



Cashflow from Operating Activites

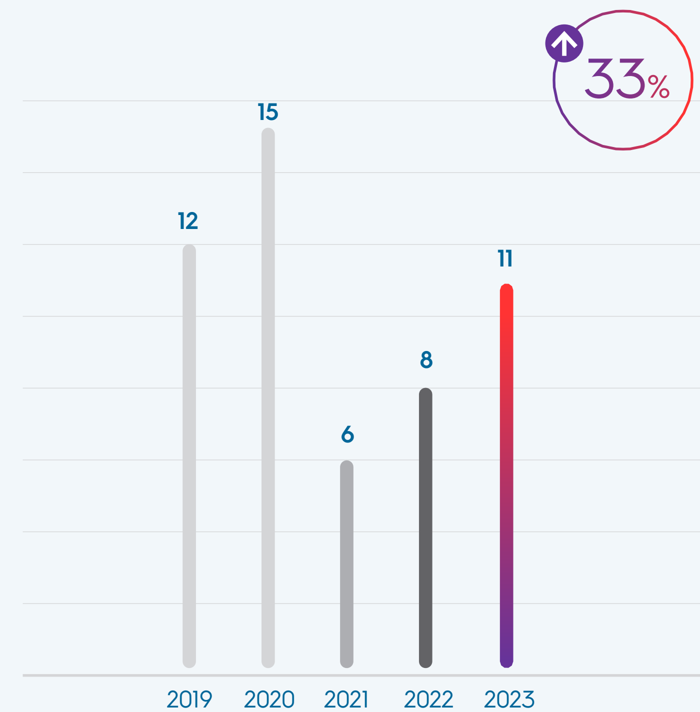
Operating cash improved mainly due to recovery of impaired Zambia debt, working capital optimization and profitable operations.



Capital Expenditure

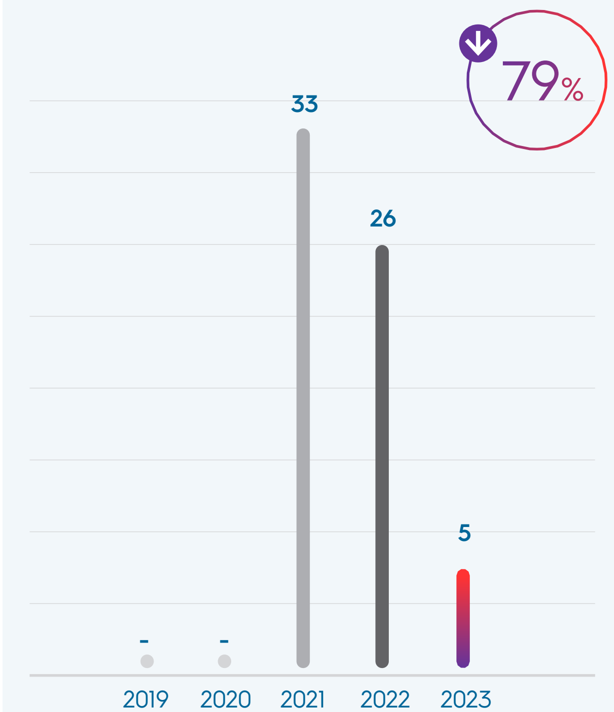
Capital expenditure is mainly for expansion activities , maintenance of plant capacity, and quality and regulatory compliance.

In FY 2022-23, we strategically invested UShs 10.6 billion into constructing a new modern storage facility to enhance our raw materials and finished goods storage capacity. We also equipped the new warehouse facility to save on renting third party stores. This capital expenditure supports our long-term growth strategy.



Term Loan

Reduction of term loan balance was mainly supported by increase in cash from operations.



ESG Agenda and Non-Financial Performance

Our commitment to sustainability and ethical business practice is embedded in our ESG (Environmental, Social, and Governance) agenda. We actively work towards environmental stewardship, promoting social wellbeing, and maintaining robust governance standards. These non-financial elements are critical to our overall performance and corporate health.

Risk Management and Governance

Effective risk management and strong governance structures are integral to our financial stability and resilience. We continually design financial strategies to address potential risks, protect our stakeholders' interests, and ensure strict compliance with regulatory requirements.

Future Outlook

As we look ahead, our objective is clear - to deliver superior value to our stakeholders while continuing to invest strategically in our core therapeutic areas. Despite potential future challenges, we are resolute in navigating risks, fortifying financial stability, and driving our Company towards a path of sustainable growth.

The journey through FY 2022/23 has indeed been a testament to our resilience, dedication, and robust financial management. Our sincere gratitude goes to you for your unwavering support and trust. We pledge our commitment to improving lives through innovative healthcare solutions and look forward to ethical, sustainable, and financially strong growth.

Value Created in FY 2022/23

Manufactured Capital

At CiplaQCIL, The backbone of our operations, our manufactured capital isn't just about machinery and processes; it signifies our commitment to operational efficiency, product efficacy, innovation, and manufacturing excellence.

This commitment is not just a statement; it is a daily practice, evident in how our diverse departments harmoniously converge, each with a distinct role, yet unified in our overarching vision: to elevate operational efficacy while ensuring unwavering product quality..

Our Supply Chain Management stands as a testament to our precision in inventory optimization, deftly navigating challenges like material lead time variability. The Water Treatment division not only guarantees a continuous purified water supply but also pioneers sustainable water management solutions, emphasizing our ecological responsibility.

The Production department turns commitment into tangible outcomes, maneuvering through diverse product formulations while championing enhanced automation. Our Quality Assurance (QA) team is the bedrock of our safety and quality ethos, continuously updating protocols in an evolving regulatory landscape. Complementing QA, our Quality Control (QC) team employs rigorous analysis, adapting to the variances in natural raw materials, ensuring that our products consistently meet industry benchmarks.

Our evolution is driven by a balanced approach, marrying accomplishments with ongoing challenges, always prepared for dynamic market shifts. As we gaze forward, our endeavors reflect more than mere operations; they are a blueprint for long-term sustainability. Merging innovation with responsibility, we solidify our stance as pharmaceutical industry trailblazers.strategies is the driving force behind our ability to consistently deliver pharmaceutical products that are both safe and of the highest quality.

2022/23 Manufactured Capital Highlights

This year, we achieved significant milestones in our manufactured capital.

Compliance

In a landmark accomplishment this year, we successfully navigated and cleared major inspections conducted by esteemed organizations including the East African Community, the World Health Organization (WHO), International Organization for Standardization (ISO), and the United Nations Economic Commission for Africa.

Increased Resource Utilization

Our production mechanism showcased an enhanced resource utilization rate. Specifically, we marked a commendable upswing in our tablet production by almost 100 million units compared to the previous year. This growth, not only increased our volumes but also showed a positive ripple effect on our profit margins. Our cost metrics, especially the cost per thousand tablets, stood consistent, reiterating our emphasis on operational cost optimization.

In addressing storage costs, we revamped our storage methodologies – a move that saw the integration of an in-house mobile rack, subsequently amplifying our storage capacity from 1500 to 5000 pallets. This strategic change enabled us to centralize our storage facilities, leading to a significant cut in our annual expenses. Further, by streamlining our logistics, we eliminated the dependency on external transportation, securing further cost savings.

The Full-time equivalent (FTE) index, which measures the relationship between our organization's production volume and our workforce, was below the target value of 0.35, indicating enhanced productivity. While this figure may seem modest, it represents a meaningful improvement compared to the previous year. Furthermore, our efforts in digitalization have led to the successful implementation of digital quality control measures, with 60% of operations now conducted digitally.

increased storage capacity
5,000 from 1500 pallets

Increase in Batches Released and Products Launched

Even amidst occasional batch hiccups, we managed to release 666 batches, playing a pivotal role in revenue augmentation. Our capacity to execute technology transfers for varied products showcases our adeptness in new product rollouts and addressing manufacturing challenges. Importantly, we observed a downward trend in rejection rates over the past two years.

The Pivotal Role of our Stores Department

As stewards of vital resources, our Stores Department navigates the intricate dance of managing essential raw and packaging materials. This department ensures that both our production and packaging teams have an uninterrupted supply chain, pivotal to our seamless operations. Beyond internal collaboration, our Stores Department also undertakes trading activities.

Our store operations rely on several resources, with human capital being paramount. Alongside, our infrastructural assets like warehouses facilitate our daily operations. Recognizing the need for vertical storage, we've integrated advanced systems to ensure optimal warehouse usage. Beyond infrastructure, we prioritize resources like water, electricity, and transportation. These are essential cogs in our operational wheel, and their management underscores our sustainability ethos.

Addressing Operational Challenges:

Our warehouse operations, though generally seamless, have had their share of hurdles – from logistical hiccups to delays in capacity augmentation. Yet, with proactive governance practices and regular stock-level reviews with our CEO, we've maintained our course. Challenges like stock management complexities, regulatory changes, and managing obsolete materials have been met with proactive stock movement strategies to minimize losses. With this, we've achieved cost savings, particularly in transportation and storage.

Recognizing operational risks, we've put in place measures to counteract them. From backup generators to address power outages to cross-training our workforce for flexibility, we're prepared. A special mention goes to our fire safety protocols. Given the concentration of our stock and its extended validity periods, fire outbreaks are potential risks we've taken seriously, integrating preventive measures to safeguard our commitments.

In ensuring our customer-centricity, we've aligned our production and supply goals with customer expectations. This alignment underscores our devotion to customer satisfaction and operational brilliance.

Upholding Quality and Standards in Our Manufacturing Process

At CiplaQCIL, we maintain a robust quality assurance approach, employing comprehensive inspections and assessments throughout our production process with advanced tools to detect and address potential issues. Additionally, our state-of-the-art facilities, equipped with a range of machinery and resources, are supported by a skilled workforce.

Our Quality Management System (QMS) includes effective change management procedures to maintain product integrity while utilising quality control measures that play a vital role in upholding product integrity, encompassing thorough assessments of qualitative and quantitative aspects.

At each production stage, diligent testing and monitoring ensure adherence to quality and safety standards, enabling informed decisions for batch releases. Both product and personnel validation are critical aspects of our quality control approach.

Process validation is performed to establish documented evidence that provides a high degree of assurance that a specific process (manufacturing and packing) will consistently produce a product meeting its predetermined specifications and quality characteristics, while personnel validation is the process by which personnel are verified for correctly and independently performing the job assigned to them.

In order to ensure compliance with the necessary standards, we diligently conduct annual product quality reviews and perform comprehensive gap analyses. The data collected from these analyses is then evaluated to gauge our level of compliance.

To ensure increased efficiency and the generation of valuable data, our Quality Management System (QMS) is currently undergoing digitalization initiatives for various processes such as deviations, Corrective and Preventive Actions (CAPA), root cause analysis, complaints, and laboratory non conformance. Our commitment to digital transformation extends beyond these areas as we continue to explore opportunities to digitise other aspects of our operations. We strive to provide superior pharmaceuticals through continual improvement and rigorous adherence to quality standards.

Managing Product Change

The management of change within CiplaQCIL's Quality Management Systems (QMS) encompasses comprehensive evaluations, assessments of impact, and analyses of root causes for deviations. The implementation of corrective and preventive actions (CAPA) is undertaken to effectively address identified issues and uphold the integrity of our products. Our utmost importance is ensuring customer satisfaction; hence, we make it a top priority to maintain high levels of customer satisfaction, where we conduct thorough investigations to promptly address any complaints that may arise.

3 ISO certifications

for our Quality Management System, Environmental Management System and Occupational Health and Safety Management System

Our Comprehensive Supply Chain Process

Comprising four pivotal functions, namely demand planning, production planning, procurement (encompassing both direct and indirect materials), and logistics (including imports and exports), our comprehensive supply chain processes are meticulously designed to optimize resource utilization and enhance customer satisfaction.

Through robust demand and production planning, CiplaQCIL anticipates market needs and ensures a steady flow of high-quality products. The procurement process strategically sources materials, fostering strong partnerships with reliable suppliers while adhering to stringent quality standards, while the logistics department adeptly manages imports and exports, streamlining the distribution of products to meet global demand. As an integral component of our commitment to excellence, our supply chain serves as a cornerstone for our sustainable growth and operational resilience.

We aim to achieve digitalization of most of our processes within the next one or two years, positioning ourselves as a pioneer in the region for adopting industry 4.0 standards.

Driving Effective Production in FY 2023/24

The strategic framework governing our manufacturing capital for the period spanning 2022-2024 can be categorised into four overarching facets pertaining to processes, tools, people, and collaboration, all of which are aimed at overcoming the challenges we have encountered and the risks we anticipate facing in the future.

Optimising our Processes

In our manufacturing process, we were confronted with difficulty in fulfilling audit requirements as a result of the hybrid nature of our software system, which requires increased automation. Efforts to reduce our standard operating procedures (SOPs), enhance audit readiness, and digitise our processes with three ongoing digitalization projects already aimed at bolstering our operational agility are ongoing. As regards our supply chain process, we plan to digitalize our order book management to provide real-time visibility into orders, manufacturing progress, dispatch details, and delivery dates. We are also looking to digitizing our logistics and procurement processes to reduce inaccuracies in quotations and supplier information.

We aim to achieve digitalization of most of our processes within the next one or two years, positioning ourselves as a pioneer in East Africa and potentially Africa as a whole by adopting industry 4.0 standards.

The significant presence of online rejections is also another notable challenge. The successful resolution of this issue has necessitated a substantial allocation of time, culminating in the establishment and execution of a comprehensive Quality Management System. In pursuit of our commitment to excellence, we are set to launch a portfolio of 24 products.

We recognise the challenges inherent in this endeavour and are prepared to incorporate them into our technology transfer efforts. To optimise efficiency, our goal is to reduce Operational excellence (OpEx) by 10% compared to the previous year.

The failure to secure competitive pricing may pose a substantial risk to the overall financial performance of our organisation, directly impacting our balance sheet and profit margins. We also recognise the potential risks associated with deliberate or unintentional malpractices, which can lead to the acquisition of substandard quality materials and subsequently result in escalated pricing. Efforts are underway to establish a base pricing model, particularly with regards to the procurement of materials sourced from Uganda. The objective is to ascertain the current market prices of trades in the region.

Being Regulatory Compliant

Committed to compliance, we have undertaken initiatives to meet regulatory requirements, including the establishment of a regulatory surveillance team and the implementation of audit trails on specified machines. We also plan to upgrade three key machines in accordance with regulatory guidelines.

A focus on our Workforce

A high attrition rate, with employees departing for other opportunities, is yet another challenge we face. Three to five months are required to stabilise new employees in their positions, which presents a time-related challenge. Our focus is on continuously ensuring succession planning, motivating our staff to retain them, and mentoring and enhancing their abilities.

Collaborating with our Stakeholders

Stakeholder Engagement and alternate vendor development also emerge as a potential area of focus. The ongoing process of engaging with our stakeholders is meticulously aligned with the evolving needs of our supply chain. To bolster our supply chain and explore new opportunities, we are also actively engaged in the vendor qualification process for two manufacturing entities which we hope to conclude soon.

As we continue on our journey, we remain open to emerging ideas that may improve our operational efficiency and resilience. The above strategic initiatives demonstrate our steadfast commitment to advancement and innovation.

Value Created in FY 2022/23

Natural Capital

At CiplaQCIL, our sustainability endeavours are strategically aligned with the prevailing global climate trends, including but not limited to climate change, the circular economy, and water stewardship.

We acknowledge the immense value of our natural capital in supporting our activities and the welfare of our communities. As a conscientious pharmaceutical enterprise, we are committed to achieving a seamless equilibrium between utilising natural resources for our product development and safeguarding the environment for the well-being of future generations. Our unwavering dedication to environmental stewardship is deeply embedded in the fabric of our corporate culture. Through various initiatives, we persistently strive to reduce our ecological footprint while simultaneously maximising the positive influence we have on the environment.

Our Environment, Health and Safety (EHS) policy

Our EHS Policy is a guiding force that ensures the preservation of our natural capital and sustainable practises. We are committed to complying with environmental regulations, reducing our ecological footprint, and conserving natural resources. Additionally, emphasis is placed on eco-friendly practices, efficient resource use, and minimising waste and emissions.

Our EHS Policy prioritises the health and safety of all stakeholders, including employees, customers, suppliers, and communities. We cultivate a safety-conscious culture and engage in regular risk assessments to address potential hazards promptly. Our commitment to producing safe pharmaceutical products further reflects our concern for customers' well-being.

Engaging in continuous improvement and open dialogue, our EHS Policy encourages stakeholders to pro-actively identify and mitigate environmental and safety risks. By involving suppliers, customers, and communities in the process, we foster collective responsibility and united efforts to preserve our natural capital and achieve sustainable development goals. Through these measures, we aim to make a positive impact on the environment, society, and the well-being of all involved.

Ensuring Compliance in Our EHS Endevours

We have maintained a flawless compliance record, achieving a remarkable 100% compliance rate without any legal notices or citations. This outstanding achievement is attributed to several key initiatives, including rigorous statutory inspections and certifications. We ensure the examination and certification of critical equipment such as steam boilers, pressure vessels, and lifting machines to meet safety standards. Additionally, our dedicated focus on certifying skilled operators for our equipment contributes to our exemplary safety practices.

Our successful Environmental and Social Impact Assessment (ESIA) for our oncology plant and International Organisation for Standardisation (ISO) audit and recertification, along with other compliance certifications and awards, demonstrate that our unwavering dedication to compliance and safety has delivered positive results.

Furthermore, we remain proactive in engaging third-party entities to conduct EHS regulatory audits, ensuring the thoroughness and transparency of our compliance processes.

Continuous improvement is at the core of our compliance efforts, and we are actively pursuing the renewal of approval licences for our manufacturing plant and warehouse to maintain our exceptional compliance track record. We also regularly implement safety walk-throughs and daily toolbox talks to create an open and proactive environment for discussing challenges and identifying potential safety gaps. These discussions serve as valuable opportunities to enhance our quality feedback mechanisms and continuously improve our practices.

Our Waste Management Efforts

In our commitment to effective waste management, we have achieved significant milestones in reducing hazardous waste. During the previous year, one of our key targets was to reduce waste sent to landfill by 4%.

We are pleased to report that we exceeded expectations and achieved a remarkable 14% reduction in waste going to landfill.

To accomplish this, we collaborated with an established organisation, implementing strategies for waste reuse, rework, and repurposing. Through this partnership, a significant portion of our waste was either repurposed or reused, minimising the amount sent to landfill. Furthermore, obsolete materials that were previously burned are now crushed and shredded, finding new uses in various industries, contributing to our waste reduction efforts and promoting sustainability.

Notably, there has been an impressive 87% reduction in our ETP (Effluent Treatment Plant) sludge beds. Additionally, we have implemented measures to minimize the use of poly-bags, moving from 55 pieces per day to just 4 pieces per day, and have completely eliminated the use of poly-bags to carry cleaned filters.

One of the key initiatives in our waste management strategy is waste segregation at the point of generation.

Waste to Landfill

14%

2022/23: **77.5 MT**

2021/22: **91.7 MT**

This practice has proven instrumental in efficiently categorizing waste and enabling better understanding of generation volumes across various departments. By promoting waste segregation at its source, CiplaQCIL fosters a more sustainable approach to waste management, aligning with our commitment to environmental stewardship.

Through these concerted efforts, we continue to make strides in minimizing waste generation and optimizing our waste management practices, promoting a cleaner, greener future for the Company and the communities we serve.

Optimising our Water Usage

Over the past year, we achieved significant milestones in optimising our water usage, marking two notable accomplishments. Firstly, a total of 1,702,000 litres of water was responsibly utilised as portable water. This water is sourced from rainwater harvesting and undergoes rigorous purification processes to ensure its safety for consumption.

Secondly, we successfully reused 205,000 litres of water through the implementation of an efficient water recycling system. This system enables the reuse of a portion of the water within our facility's bathrooms, promoting water conservation and reducing waste. Our comprehensive water management approach involves recycling and treating a portion of the water supply that would otherwise not be discharged through drains or flushed, thus contributing to our commitment to sustainable water usage practices.

Through these initiatives, we reaffirm our dedication to responsible resource management and environmental preservation, reinforcing our role as a responsible and environmentally conscious organisation.

205,000 litres of water reused

Our Energy Optimisation Efforts

As part of our commitment to energy optimisation, we employ a rigorous monitoring process to track power consumption across various areas of our operations. Through this diligent monitoring, we identify the major energy consumers within our organization and pinpoint any energy gaps or inefficiencies that may exist. This data-driven approach empowers us to implement targeted strategies to enhance energy efficiency and sustainability, ultimately contributing to our goal of responsible resource management and reduced environmental impact. By continuously assessing and addressing our energy usage, we strive to create a more energy-efficient and environmentally conscious organisation.

Ensuring Occupational Health

In ensuring occupational health, we have embarked on various initiatives. We maintain a rigorous and comprehensive approach to monitoring hygienic parameters, specifically air and sound quality. Our commitment to excellence is evident through monthly monitoring conducted by external service providers, ensuring adherence to all relevant standards and regulations. The results of these assessments consistently demonstrate full compliance with established guidelines.

Sustainability Highlights

Carbon Emissions (Tonnes of CO_2e)

↑ 51%

2022/23: **1,144.2**

2021/22: **790.8**

Energy Consumption (GJ)

↑ 28%

2022/23: **37,408.2**

2021/22: **30,447.3**

We maintained our record for

Zero fatalities.

To ensure transparency and accountability, we maintain a detailed monitoring register that encompasses all relevant data and findings. This practice enables us to conduct a thorough monthly analysis, facilitating a deeper understanding of our environmental performance and highlighting areas where further improvements can be made.

By upholding stringent monitoring practices and conducting regular assessments, we affirm our dedication to maintaining hygienic standards in our commitment to sustainable and responsible operations.

Our Incident and Fatality Management Efforts

Last year, our primary goal was to achieve and sustain a Total Injury Rate (TIR) below the target of 0.59. We are pleased to report that we successfully accomplished this objective. Our achievement can be attributed to a comprehensive range of initiatives that have been instrumental in enhancing our safety practices and cultivating a culture of diligence and responsibility.

We implemented 28 new employee induction training sessions, ensuring that all new team members are equipped with the necessary knowledge and awareness regarding workplace safety protocols. Additionally, we conducted 47 refresher classroom and on-the-job training sessions to reinforce safety measures among our existing workforce.

Regular communication and engagement have been crucial in promoting safety consciousness. Over the course of the year, we conducted a staggering 702 toolbox talks, providing a platform for open discussions on safety challenges and potential improvements.

Furthermore, our site leadership played a pivotal role by providing 8 targeted training sessions, leveraging their expertise and experience to further enhance safety awareness and practices.

Collaborative efforts were vital in addressing safety concerns at the departmental level.

We conducted 144 monthly department safety committee meetings, fostering a proactive approach to identifying and addressing potential risks. Our commitment to identifying hazards and taking timely action is evident through the 465 monthly department walk-throughs, which led to the observation and resolution of 75 unsafe acts and 18 unsafe conditions, both of which were promptly addressed to maintain a 100% closure rate.

Last year, we were also able to achieve zero fatality rates. This milestone was made possible by fostering a culture of learning and collaboration across our sister CiplaQCIL sites. By sharing incident learning, best practices, and insights, we have collectively enhanced our safety measures and minimised potential risks. Through this collaborative approach, CiplaQCIL continues to set new benchmarks for safety excellence in our industry, ensuring a secure and sustainable work environment for all.

Through the above initiatives and a steadfast commitment to safety, we are committed to ensuring the well-being and security of our valued workforce. We remain resolute in our dedication to continuous improvement and the pursuit of excellence in safety, as we recognise that a safe work environment is fundamental to our long-term success and sustainability.

Value Created in FY 2022/23

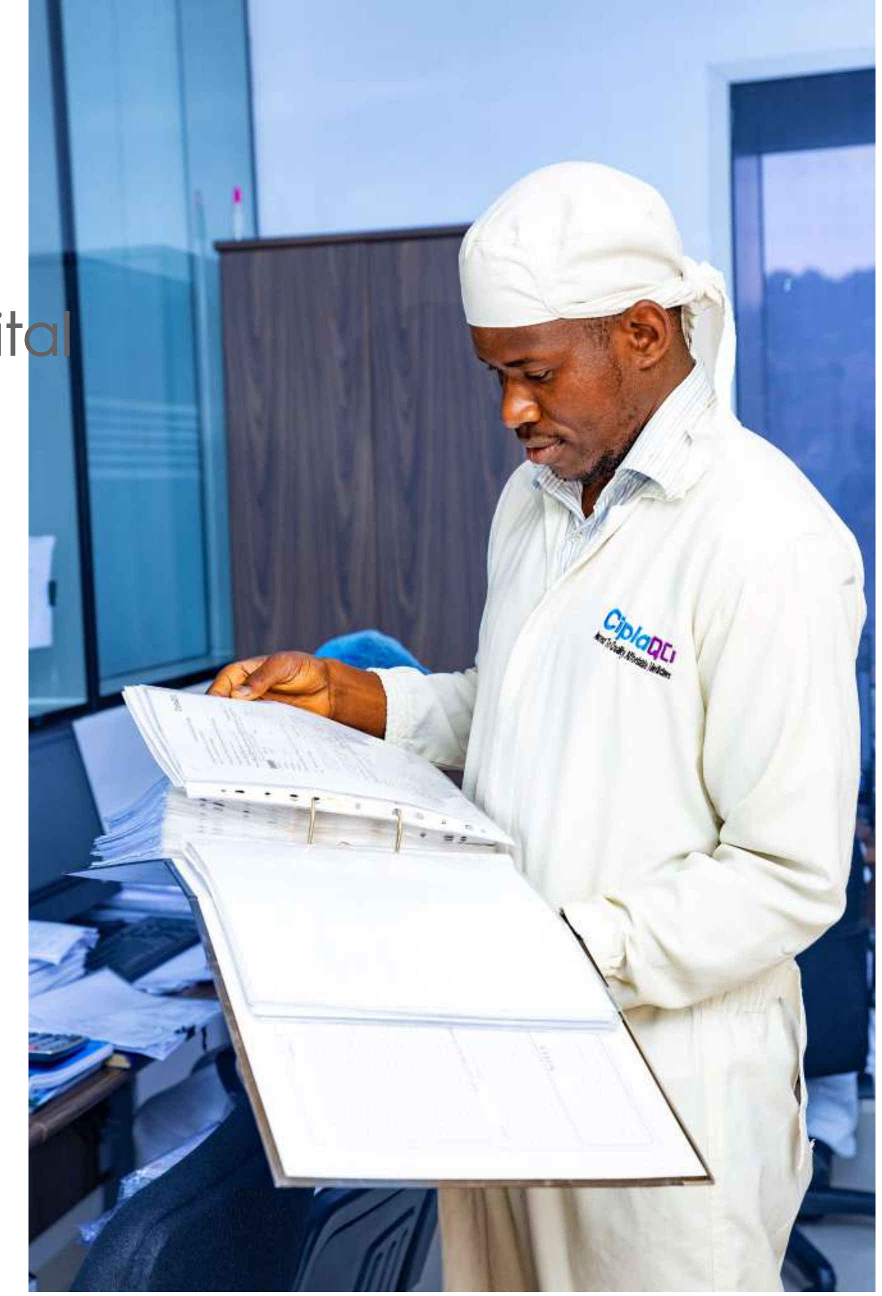
Intellectual Capital

Ensuring compliance with relevant laws, regulations, and industry standards remains at the core of our operations, as it is instrumental in upholding our esteemed standing as a conscientious and reliable institution in the market.

Regulatory policies followed by CiplaQCIL

The regulatory landscape in which CiplaQCIL operates plays a fundamental role in shaping the Company's operations, compliance, and overall business strategy. As a pharmaceutical organisation, CiplaQCIL is subject to a complex framework of regulations and standards governing various aspects of its activities, ranging from product development and manufacturing to marketing and distribution.

We adhere to the comprehensive pharmaceutical regulatory policies available at both the national and regional block levels. Additionally, we diligently comply with any other relevant pharmaceutical policies that may be applicable to our operations.



World Health Organization

CiplaQCIL is WHO pre-qualified to manufacture and supply products as may be required to meet global standards.

Pharmacy and Drugs Act (PDA)1972 regulates the profession and is responsible for education and registration of pharmacists.

OSHA

Environmental, Safety and Health regulations, among others, are adhered to on a national, regional, and global scale, depending on where we intend to conduct business, based on regulatory department and legal counsel.

National Drug Policy and ACT (NDP/A) 2002 revised from National Drug Authority NDA 1993 regulates the Manufacturing, Importation, Exportation and Marketing/promotion both for raw materials and finished product.

Pharmacovigilance remains integral to our operations, as we actively monitor feedback on our products through diverse channels

The Regulatory Affairs' Arm at CiplaQCIL

The Regulatory Affairs (RA) division at CiplaQCIL assumes a crucial function as the intermediary between our organisation and regulatory authorities responsible for overseeing the pharmaceutical sector in diverse markets. RA demonstrates a steadfast dedication to upholding compliance, ensuring that our organisation consistently abides by all pertinent regulations.

Through our RA division, we maintain open lines of communication with the authorities, providing them with timely and pertinent information to keep them well-informed by diligently providing regular updates to regulatory bodies regarding our operations and products, while also actively ensuring that any regulatory advancements are effectively communicated within the organisation. The Regulatory Affairs (RA) department plays a vital role in bridging the gap between CiplaQCIL and the regulators.

In this role, our dedicated Regulatory Affairs department takes charge of a myriad of essential activities.

Ensuring CiplaQCIL's Compliance with set Standards

The first and foremost responsibility lies in ensuring the Company's compliance with requisite licences for various operations, encompassing manufacturing, wholesale business, and product importation. Rigorously managing product registrations, the department meticulously compiles technical documents, subject to evaluation by competent authorities before commercialization.

The department aims to ensure that CiplaQCIL's operation is in within the legal framework, nurturing a positive rapport with regulatory bodies. Through our RA department, we engage closely with external regulatory bodies and authorities, emphasising the importance of building and sustaining strong relationships.

Providing Guidance in Product Amendments and Administrative Changes

Equally crucial is the department's role in guiding the Company through product amendments and administrative changes. Our Regulatory Affairs department diligently handles the retention of registered products, application of licences for new products, import applications, drug promotion approvals, and pharmacovigilance, all with the paramount objective of safeguarding patient safety.

Committed to effective commercialization

We aim to ensure the timely registration of new products and the retention of existing ones, a process requiring close collaboration with regulatory authorities. These efforts are paramount for maintaining smooth operations and achieving our organisational goals.

Drug Promotion

When it comes to the aspect of drug promotion the department is tasked to also ensure that the Company adheres strictly to the guidelines stipulated by the National Drug Authority (NDA), seeking approval before initiating any promotional activities to uphold ethical and responsible practices and avoiding any misleading information to patients and healthcare professionals.

Pharmacovigilance

Pharmacovigilance remains integral to our operations, as we actively monitor feedback on our products through diverse channels, including the Company's website, social media channels and direct interactions with healthcare professionals. This feedback assists us in assessing product performance and making necessary improvements. Additionally, information technology systems play a crucial role in efficiently managing regulatory documentation and facilitating communication with relevant stakeholders.

Human Capital

At CiplaQCIL, our workforce is undeniably our most valuable asset. They serve as the catalysts in our relentless pursuit of 'Caring for Life'. Our employees' unwavering commitment has been instrumental in our ability to provide healthcare services to the millions of patients we serve.

Our Human Capital plays a pivotal role in driving our success and performance. As a pharmaceutical Company, we are committed to enhancing global healthcare, and our achievements are intrinsically tied to the dedication, expertise, and well-being of our workforce. Our Human Resources Department serves as the backbone of our operations, ensuring the recruitment, development, and retention of exceptional talent that drives innovation and operational excellence. Through strategic workforce planning, fostering a culture of inclusion, and nurturing employee growth, we aim to empower our employees to reach their full potential, creating a dynamic and engaged workforce that contributes to the fulfilment of our mission and the delivery of high-quality healthcare solutions across the African continent.

Our Workforce Composition

At CiplaQCIL, diversity is proudly embraced as a fundamental cornerstone of our workforce strategy. Our team comprises individuals with diverse skills, ages, backgrounds, and perspectives, contributing to the vibrancy and dynamism of our organisation. The diverse range of perspectives and ideas within our organisation fosters a wealth of innovation and creative approaches, driving us towards continuous growth and a commitment to excellence.

Gender Diversity

34%
Band D & above
66%

22%
Band C & below
78%

60%
Graduate Trainees
40%

60%
Contract Labour
40%

Male
Female

Currently, our staff count stands at 348 people. In terms of gender diversity, we have 66% male and 34% female representation in senior management (Band D) and above. For operators, particularly those involved in physically demanding tasks, female representation is at 22%, while male representation is at 78%. Graduate trainees show a fairly balanced representation, with 40% male and 60% female employees. To achieve greater gender balance, we are strategically focusing on recruiting more women. We are pleased to report that 70% of recent top leadership appointments are women.

Despite challenges associated with the nature of factory work, including heavy machinery and shift patterns that may unintentionally deter female applicants, we believe that our commitment to gender equality will permeate throughout the organisation.

Attrition has been a concern as other pharmaceutical institutions seek our talent. Nonetheless, we prioritize retention through motivation and engagement strategies.

We also have a flexible workforce managed by Job Connect, which includes roles like packing attendants, temporary workers for short-term projects (1-3 weeks), and housekeeping staff. We remain steadfast in our dedication to fostering a diverse and gender-balanced workforce.

On-boarding Processes

From our pre-recruitment processes to our comprehensive on-boarding initiatives, we are committed to nurturing a diverse and inclusive workforce; prioritizing finding the right individuals who align with our values and can contribute to our Company's success.

Our recruitment process begins with adherence to the approved headcount budget. When a position becomes vacant, a justification for its replacement is required, and the matter is escalated to the Chief Executive Officer for final approval. This ensures transparency and accessibility to all relevant information during the sign-off process, whether for a replacement or a new recruit.

Our rigorous recruitment approach encompasses a comprehensive process that includes both internal and external advertising, meticulous team interviews, and a thorough assessment of candidate suitability including a rigorous background check.

Post recruitment, we have detailed employee integration, on-boarding, and induction processes to ensure a seamless transition for new employees into the Company. We are proud to have in place a comprehensive remuneration and benefits policy that includes performance management, a variable pay policy, and learning and development policy.

The presence of our comprehensive policies well-documented in our recently revamped HR manual and the implementation of a resilient disciplinary management system are key components that contribute to the effective governance of our employees. Through close collaboration with our legal team, we diligently ensure adherence to the established employee governance framework. This collaborative effort plays a pivotal role in upholding our commitment to compliance and maintaining the highest standards of corporate governance.

Creating Purposeful Career Pathways for our Employees

At CiplaQCIL, we believe in creating purposeful pathways for our employees through robust learning and development initiatives. Our commitment to employee growth and continuous improvement is at the heart of our HR strategy. We recognise that our employees are our most valuable asset, and investing in their development not only enhances individual skills but also contributes to the overall success of the organisation.

Through a variety of training programmes, workshops, and skill-building opportunities, we empower our employees to expand their knowledge and expertise, equipping them with the tools they need to excel in their roles.

Our steadfast dedication to nurturing the next generation is exemplified through our comprehensive graduate training programmes and internship opportunities having over 90 interns from local and international universities trained per year.

Furthermore, our emphasis on leadership development ensures that our managers and leaders are equipped with the necessary skills they need to guide and inspire their teams.

By fostering a culture of learning and innovation, we encourage our employees to embrace new challenges and drive excellence in their respective domains, ultimately contributing to our collective mission of improving global healthcare. As we continue to evolve and adapt to the ever-changing landscape of the pharmaceutical industry, our learning and development initiatives remain a cornerstone in shaping purposeful pathways for our valued employees.

65%

Company-wide employee engagement score

Enhancing Employee Engagement

Enhancing our employee engagement is a central focus of our human resources strategy. This is evidenced by the notable achievement that emerged from our latest Company-wide employee engagement survey, where we attained an impressive score of 65%. Additionally, our commitment to fostering engagement and motivation has been recognised through the attainment of several prestigious accolades.

We recognise that a positive work environment, well-being, motivation, and retention are vital factors that contribute to the success and sustainability of our organization. Through comprehensive well-being programmes, we prioritise the physical, mental, and emotional health of our employees, fostering a supportive and inclusive culture. Additionally, we strive to create a motivating atmosphere by offering career growth opportunities, performance recognition, and competitive compensation packages. Employee feedback is highly valued; we actively seek input from our employees through regular engagement surveys to address concerns and continuously improve the employee experience. Our commitment to diversity and inclusion ensures that all employees feel valued and respected, fostering a sense of belonging and empowerment.

Testament to our excellence, we scooped the Learning and Development, and Quality and Innovations Awards during the 2022 Prudential Best HR Survey Awards. We also won a Silver Award from the Federation of Uganda Employers for an elaborate COVID-19 prevention and management program.

Through comprehensive well-being programmes, we prioritise the physical, mental, and emotional health of our employees, fostering a supportive and inclusive culture.

Fostering a culture of Open Communication

Through various initiatives, we are committed to creating an inclusive workplace that fosters democracy, open feedback, and continuous communication, ensuring that every voice is heard. To further realise an environment of open communication, we run town hall meetings as a means of effectively communicating the accomplishments, progress, and policy modifications of the business. At present, we are elevating this to the departmental levels and beyond, where each unit has implemented a performance review mechanism to ensure comprehensive performance evaluation. We also prioritise bringing together leaders from various functions to convene and engage in meaningful discussions, fostering the exchange of ideas, addressing shared challenges, and exploring opportunities for enhanced collaboration.

New HR Policies and Procedures

- *12-Hr Shift (4-day work week)*
- *General Shift (4-day work week)*
- *Newborn Gift*
- *Marriage Gift*
- *Birthday Leave*
- *Reward & Recognition*
- *Long Illness*
- *Sabbatical Leave*
- *Paternity Leave*
- *Gift and Hospitality*
- *Grievance Management Policy*
- *Antenatal Leave*
- *Exit Medical*
- *Time and Attendance*

Renumeration and Benefits

We maintain a competitive remuneration policy, benchmarking regularly with industry standards through exercises conducted by PWC. Our benchmarking efforts extend to the beverage industry, government parastatals, and established brands.

We continuously strive to provide competitive annual remuneration, with increments above inflation and a variable pay policy. Our comprehensive benefits package includes medical coverage, group life insurance, meals, and recognition programmes for innovative ideas.

Additionally, we offer other employee benefits, including Birthday leave for employees to celebrate with their families on their special day. We also provide maternity leave, paternity leave and antenatal leave to support expectant mothers.

In addition to our competitive remuneration policy, our commitment to acknowledging the efforts and achievements of employees within our organisation has resulted in the establishment of a robust and effective system for recognising and rewarding outstanding contributions.

We regularly reward our employees for outstanding performance and innovation. Long-service awards are given at 10, 15, and 20 years of service, recognising dedication with certificates and cash rewards. Additionally, we prioritise team building activities and rewards based on team accomplishments. We believe that a culture of recognition not only motivates our employees but also reinforces our core values and drives continued excellence in our operations.

Conducive Working Schedules

Over the past year, the Company has made noteworthy advancements in its work schedule. Initially, employees worked from Monday to Saturday, with alternate Saturdays being half days. More recently, enhancements have been implemented, and the work schedule now covers Monday through Friday only. To accommodate the 48-hour work week, working hours have been extended, with employees now leaving work later in the day, with the end time set at 5:30 PM.

We have implemented a shift system to accommodate the operational needs of staff working in areas that require round-the-clock operation. This system operates for a duration of 12 hours from Monday to Thursday, resulting in a total of 48 hours worked per week.

24hrs
on-site **Clinic**

biometric systems to **monitor attendance** and **punctuality**

Fully optimised **online goal setting platform**

Following the completion of the designated period, a compulsory interval of three consecutive days off is observed as per the stipulations outlined in labour regulations, thereby ensuring adherence to the prescribed guidelines.

The recording of our staff attendance is facilitated through the utilisation of our advanced biometric system aimed at enhancing the efficiency and security of authentication and identification processes while also meeting audit requirements.

These changes aim to optimize efficiency and productivity while ensuring compliance with working hour regulations. Additionally, we are committed to maintaining a balanced approach to work-life integration, with a standard working week of 48 hours.

Ensuring the Health and Wellness of our Employees

As part of our commitment to ensuring the well-being and safety of our workforce, our Human Resources policies stipulate the requirement of pre-employment medical examinations for all newly hired employees prior to their commencement of work. This proactive measure allows us to assess the health and fitness of our employees, enabling us to create a conducive and healthy work environment for everyone. By adhering to this policy, we aim to mitigate any potential health risks and promote a culture of wellness within our organization.

We are also committed to fostering an inclusive workforce by integrating persons with disabilities. Additionally, we prioritize mental health services and collaborate with Butabika Hospital, where a counsellor is available to support our employees.

In line with our commitment to promoting employee well-being, we provide an enviable health insurance policy. We also have an allocated budget specifically for hospital visits, ensuring that our employees receive the necessary support and care during their time of need.

To support our female staff, we have pro-actively established a newly launched Mother Care Lactation Suite for breastfeeding mothers. The suite is protected by biometric authentication, ensuring secure access only for authorized individuals. In the suite, which has 4 rooms, we also provide refrigeration and warming appliances.

Additionally, National Women's Day is celebrated by inviting doctors to discuss women's health and pregnancy-related issues. Fathers are granted 7 days of paternity leave of, and on Valentine's Day, they too are honoured with gifts.

We promote the continuous wellness of our staff through sports and health activities like medical camps and regular medical checks, while also encouraging healthy eating habits by offering fruits and nutritious foods. We plan to further sensitize our members about wellness with a week-long wellness week in the coming year. Drinking water is at various points across the premise

Activities Fostering Teamwork and Unity

Fostering teamwork and unity among our employees is a key aspect of our organisational culture. To achieve this, we have put in place a series of intentional initiatives, including hosting annual events such as CiplaQCIL's Annual Day, Sports Day and Safety Week celebrations. These events provide opportunities for our employees to come together, engage in friendly competition, and strengthen their bonds as a team.

Succession Planning

Our strong reputation continues to be a magnet for a multitude of companies in search of top talent, with our current attrition rate at 3%. We take pride in nurturing international talent from our organization, ensuring they are equipped to excel in their roles. To address the concerns about our attrition rate, we have successfully implemented a board-approved succession plan. This plan ensures that for every key role, we have at least two capable individuals ready to assume responsibilities in the event of a vacancy due to staff turnover. This proactive approach helps us maintain stability and continuity in our workforce.

Our Safety Measures

Being an active member of the global community, we place utmost importance on ensuring safety in all aspects of our operations. Our comprehensive global monitoring system encompasses a range of targets, one of which is the paramount objective of attaining zero LTI (Lost Time Injuries) incidents, thereby placing utmost emphasis on ensuring a safe and secure work environment. By implementing a comprehensive range of safety protocols, establishing dedicated safety committees, and conducting regular drills, we ensure the preservation of a secure and protected working environment.

Our safety operations are conducted round the clock, 365 days a year, reflecting our commitment to delivering uninterrupted services to our stakeholders. We have appointed dedicated safety officers who diligently oversee compliance with regulations and pro-actively mitigate potential hazards.

The inclusion of safety touch points and walk-throughs also serves to enhance the robustness of our safety management system, where our stakeholders are provided with safety martials at all stations to quickly curb any emergencies comprehensive knowledge of safety protocols through the effective utilization of signage and documentation.

Our on-site clinic operates around the clock, ensuring continuous availability of medical services. In the event of an emergency, we also have a standby ambulance service in place as well as a clear designated assembly point. This is made possible through our strategic partnership with City Ambulance. Our seamless coordination of medical care and efficient communication with insurance providers and hospitals are vital aspects that also guarantee the provision of quality healthcare services and timely assistance.

Our Digitization Efforts

We are currently focusing on the digitization of many of our Human Resources operations. For starters, we have made a deliberate effort to provide everyone with email accounts. This has enabled efficient communication and also facilitated the delivery of payslips, ensuring compliance with confidentiality regulations, hence improving accessibility to crucial information and streamlining communication processes within the organisation.

To enhance digital accessibility, we have established digital stations in various departments. While not everyone is provided with a personal laptop or desktop, shared centres with computer access are available, which allows employees to log in and access necessary information during their free time. Collaboration with the IT department ensures employees receive the necessary training and support for digital tools. Furthermore, a system is in place to monitor computer usage, and employees are reminded to stay active online to optimize resources. Additionally, the large screens in each department facilitate virtual town hall meetings and remote communication.

We have shifted our goal setting process to an online platform, promoting efficiency and accessibility. Employees are guided through the process, ensuring a smooth experience when setting goals and are encouraged to regularly interact with their managers to allow for meaningful performance discussions.

We have biometric systems across departments to monitor attendance and punctuality. We have also implemented the leave manager system that allows flexible leave requests preventing delays in approval and leave accumulation.

In the coming year, we are keen on digitizing more processes, as we believe that technology enables efficient and paperless processes, enhancing productivity and collaboration.

Our Key Focus Areas for the Year 2024

Moving forward, our attention will be directed towards four fundamental aspects in relation to our human capital. These are digital acceleration that will be highlighted by the implementation of a robust Human Resources Management Information System (HRMIS); Employee Wellness ensuring the physical, mental and emotional well-being our our workforce; Culture and Environment focusing on fostering a culture and environment that promotes high employee engagement, embraces diversity and inclusion, and effectively manages change; and lastly, learning and development focusing on our initiatives to equip our talent with relevant skills and knowledge for success.

We believe these drivers will enable us to attain high employee retention and a highly engaged and efficient workforce.

Value Created in FY 2022/23

Social Capital

In order to achieve a sustainable and quantifiable influence on our society, we have embraced a novel and transformative approach to engaging our community that is deeply ingrained in ESG principles, with a specific emphasis on pursuing projects that leave a lasting legacy.

At CiplaQCIL, we recognise the intricate connection between the long-term viability of our business and our dependence on society. We emphasise making significant contributions to society and empowering underprivileged communities. Through our commitment to community engagement and collaborative partnerships, we aim to empower individuals to make decisions that have a positive impact on their lives.

Maintaining a Strong Governance Framework

We recognise the value of a solid governance structure and the implementation of resilient systems. This ensures that we operate in an ethical and responsible manner while also safeguarding the interests of our stakeholders. We are dedicated to cultivating and enriching our social capital through our endeavours to generate a constructive influence on the communities around us while also prioritising the well-being of our employees, fostering diversity and inclusion, and upholding ethical governance practises.

As a conscientious corporate entity, we prioritise the integration of Environmental, Social, and Governance (ESG) factors, acknowledging the significance of our social capital in ensuring our enduring prosperity and sustainability. At the core of our integrated approach to Environmental, Social, and Governance (ESG) initiatives lie four pillars that serve as the driving force behind our efforts.

These pillars are the bedrock of our commitment to sustainability and responsible business practices. First, we prioritise Business Resilience, ensuring that our operations are agile and adaptive to changing market dynamics and unforeseen challenges. Secondly, Environmental Stewardship is a fundamental aspect of our corporate ethos, where we strive to minimise our ecological footprint and pro-actively contribute to environmental conservation. Our third pillar, Stakeholder Centricity, reaffirms our dedication to fostering meaningful relationships with all our stakeholders, including employees, customers, communities, and investors, and actively engaging with their interests and needs.

Finally, our focus on Sustainable Operations seeks to create enduring value by integrating sustainability principles into every aspect of our business operations, setting the foundation for a more sustainable future. Additionally, to strengthen our focus on ESG matters, we have also established a dedicated ESG department and appointed an experienced professional to lead and oversee these critical aspects.

By adopting a holistic perspective on environmental, social, and governance (ESG) matters, we strive to cultivate enduring relationships with our stakeholders, align our business strategies with broader societal goals, and ultimately contribute to a more equitable and resilient world.

Our Corporate Social Responsibility (CSR) Initiatives

We firmly believe in the importance of giving back to the communities we serve. As an integral part of our commitment to corporate social responsibility (CSR), we actively engage with our community through various impactful initiatives. Through partnerships and concerted efforts, we aim to make a positive difference in the lives of those in need.

Medical Camps and Health Support:

One of the key ways we engage our community is through medical camps and health support initiatives. In partnership with Mengo Hospital, a renowned healthcare institution, we organise medical camps to provide essential healthcare services to our communities. These camps offer medical checks, consultations, and treatments, ensuring that basic healthcare reaches those who face challenges in accessing medical facilities. Additionally, last year we extended our commitment by donating cartons of drugs valued at UShs 30 million to the Luzira Inmate Hospital, further enhancing medical support to marginalised communities.

Hope in Every Drop: Blood Donation Campaign

Understanding the critical need for blood donations, we partnered with the Rotary Mengo Blood Bank to launch the "Hope in Every Drop" campaign. Our staff passionately participated in this initiative, generously donating over 338 units of blood.

Through this campaign, we aim to address the scarcity of blood in healthcare facilities and contribute to life-saving treatments for patients in need. The "Hope in Every Drop" campaign reflects our belief in the power of collective action to bring about positive change and impact the lives of manyOur New Approach to Community Engagement

In contrast to our previous Corporate Social Responsibility (CSR) endeavours that primarily involved one-off donations and events, we are now adopting a new approach rooted in environmental, social, and governance (ESG) principles. Our new strategic shift will emphasise long-term and quantifiable outcomes through legacy projects focusing on health, education, and environmental sustainability.

In this shift, we are also committed to enhancing our donation process to achieve a more strategic and impactful approach to corporate social responsibility. While the current donation process involves responding to individual requests for support, we aim to implement an outreach programme in a designated area. To ensure the efficient allocation of resources, a comprehensive assessment of our capabilities will be conducted to determine the support needed for this initiative, with a primary focus on medication donations.

The key driver behind this transformative approach is the cultivation of internal awareness and the provision of comprehensive training to our employees.

This will facilitate a comprehensive understanding of the importance of ESG principles and their direct relevance to the user's day-to-day responsibilities and activities. By fostering a profound understanding of purpose and accountability, we believe our workforce will actively engage in propelling transformative progress, harmonising their endeavours with the organization's comprehensive Environmental, Social, and Governance (ESG) goals.

This shift towards a more integrated approach exemplifies our commitment to long-term sustainability and social impact. We are poised to make a tangible and enduring difference in the communities we serve while upholding our dedication to ESG values. As we continue to evolve and refine our ESG initiatives, we set a precedent for responsible corporate citizenship and serve as an inspiring example for the broader business community.

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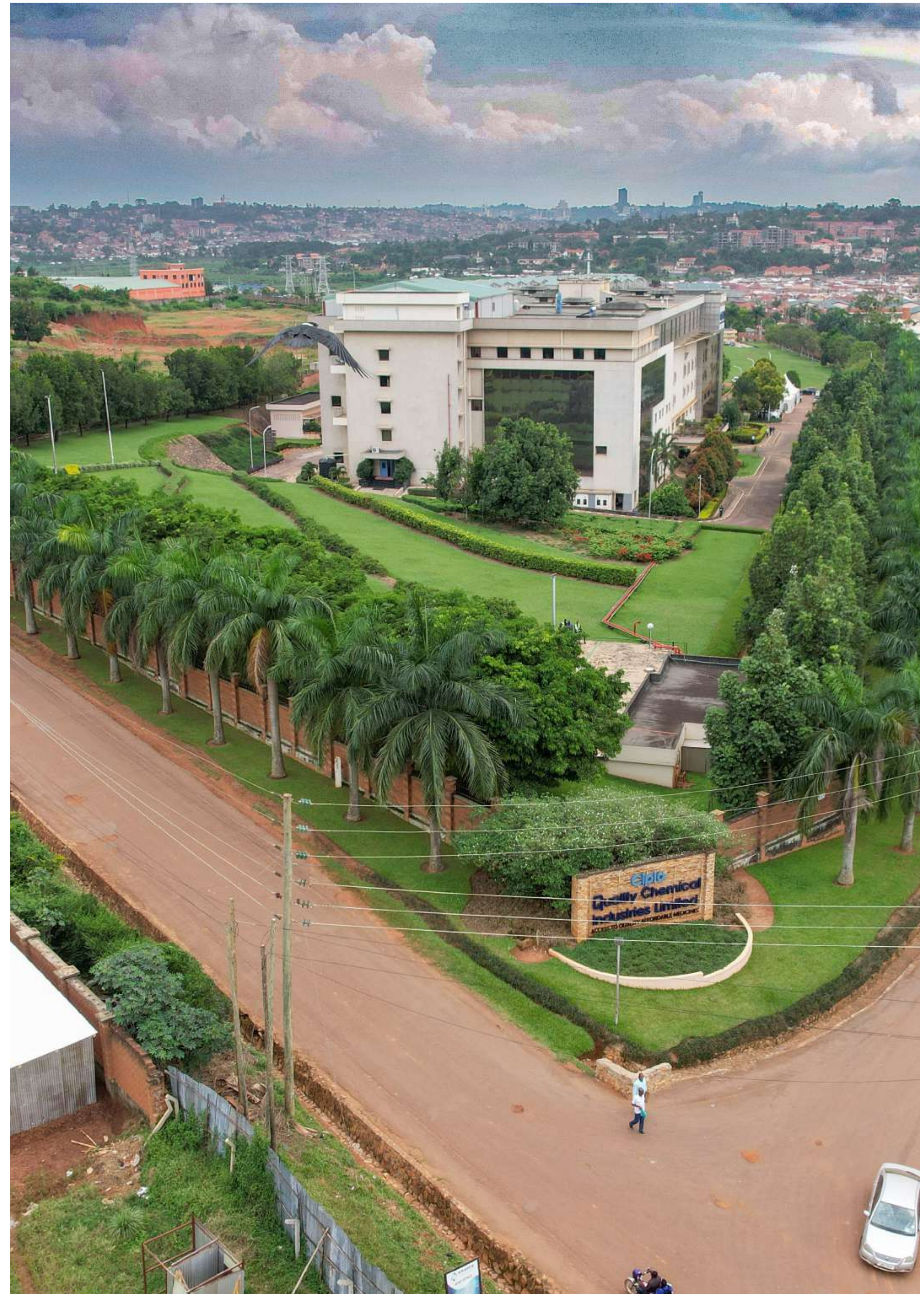

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06 Our Responsible Leadership

In This Section

Our
Board of Directors

Emmanuel Katongole
Chairman,
Executive Director

BDC, ESGCC, FC

Joseph Baliddawa
Independent Non-Executive Director
ARC, NRC

Dr. Peter Mugyenyi
Independent Non-Executive Director
NRC, BDC

Paul Miller
Non-Executive Director
NRC, BDC, ESGCC

Mark Daly
Non-Executive Director
FC, ARC, ESGCC

Geena Malhotra
Non-Executive Director
NRC, BDC

Stevens Mwanje
Non-Executive Director
FC, ARC

Ajay Kumar Pal
Executive Director
BDC, ESGCC, FC

George Baguma
Executive Director
BDC, ESGCC

ARC - Audit & Risk Committee

NRC - Nomination & Remuneration Committee

FC - Finance Committee

BDC - Business Development Committee

ESGCC - ESG & Communications Committee

John Kamili** M
Executive Director
BDC

Dr. Ranjana Pathak* F
Non-Executive Director
BDC, FC

* Resigned on 14 June 2022

** Resigned on 01 December 2022

Our Executive **Management Team**

Emmanuel Katongole
Executive Director

Kikundwa Emma Mbabazi
Company Pharmacist

George Baguma
Executive Director

Frederick Andrew Kakooza
Chief Finance Officer

Panda Ramakanta
Head of Production

Attul Vadepali
Head of Quality Control and Quality Assurance

Harrison Kiggundu
Head of Human Resources

Doreen Awanga
Company Secretary

Ajay Kumar Pal
Chief Executive Officer

Our Corporate **Governance Report**

Cipla Quality Chemicals Industry Ltd (CiplaQCIL) is a pharmaceutical Company listed on the Uganda Securities Exchange. The Company is guided by its credo 'Caring for Life' and all its structures and operations are aligned to ensure equitable access to quality, affordable medicines to treat life-threatening diseases.

Our Governance Philosophy

The Board, in carrying out its oversight responsibility, focused on strengthening its synergies through establishing sound governance structures, frameworks, policies, procedures and practices aimed not only at improving performance, transparency and accountability but seeking to create maximum value for stakeholders.

The Board is guided by the Articles of Association and Governance Manual.

Board Roles and Responsibilities

The Board is the ultimate decision-making body, except with respect to those matters reserved to the shareholders by law, regulation or by the Company's Articles of Association. The Board remained accountable to stakeholders for the performance and proper running of the affairs of the Company.

The key responsibilities of the Board during the year were as follows:

- Provide strategic direction
- Approve appropriate policies
- Ensure accountability and integrity
- Oversee implementation of the Company vision, mission, strategic objectives and values
- Approve budgets and financial statements
- Ensure an effective risk management system and a robust internal control environment
- Appoint and set the remuneration for executive management
- Ensure requisite financial and human resources are in place for the Company to meet its obligations

Board Composition

The Board size is appropriate to facilitate effective discharge of responsibilities and mandates, including at the committee level, to ensure productive meetings. This composition provides a balance of power so that no individual or group dominates discussion or decision making. The Board is currently comprised of 9 members following the resignation of 2 directors during the financial year. The Non-Executive Directors bring their independent judgement on issues which promotes constructive discourse. The Board is currently comprised on 6 Non-Executive Directors, 2 of whom are independent. The Board is committed to increasing the number of independent directors and gender diversity on the Board.

The Board recognizes the role of diversity in bringing different perspectives into board debates which enhances decision making. The aggregate mix of skills and experience of the Directors seeks to challenge Management, ensure robust and constructive debate, augments and challenges the strategic thinking of the executives thereby adding value to the Company.

Our Board is comprised of members with skills and experience in the following areas:

- Strategy
- Product Development
- Quality Control
- Compliance and Risk Management
- Finance and Reporting
- Health Administration & Research

During the year, the Board developed a skills matrix for all directors to ensure all skills at any time needed to ensure implementation and achievement of strategic objectives are available on the Board. This skills matrix guides in selection of development programmes and appointment of directors on the Board.

The Board composition during the year is shown on page 81 to 82

Board Appointments and Tenure

The appointment of Directors is governed by the Company's Articles of Association and is subject to regulatory approval in line with applicable legislation and regulation.

The Nominations & Remuneration Committee reviews potential candidates for appointment as directors and recommends the preferred candidate to the Board for approval. Newly appointed Directors hold office until the first AGM after their appointment where they retire from office and are presented to shareholders for re-appointment. Newly appointed Directors receive a letter of appointment setting out the terms of their appointment.

In line with our articles of association and best practice, one-third of the non-executive directors are required to retire annually and, if available and eligible, stand for re-election at the AGM.

The Board has put in place a rotation schedule and directors who have been in office the longest are calculated from the last re-election or appointment date and must stand for re-election.

Directors standing for re-election in the upcoming AGM are:

Joseph Baliddawa

Mark Daly

Director Duties

Directors are cognizant of their fiduciary duty to the Company which underpins them in the discharge of their responsibilities and their contribution to the decision-making process. They are required to act in the best interests of the Company to promote the success of the Company while exercising diligence and care.

As part of every meeting, Directors have an opportunity to declare any interest in any item on the agenda that could result in a conflict of interest which serves as regular reminder of the need to exclude themselves from participation in any discussion or decision of which they are conflicted. There is a standard agenda item for disclosure of conflicts of interest at all Board meetings.

Directors are also excluded from participation in discussions and decisions on any matter they are actually or potentially conflicted. In exceptional circumstances, where a conflicted

Director's opinion is needed on the subject under discussion, the Board may allow for the presentation of their input; however, the Director will not participate in the deliberation and voting on the matter.

Board Induction & Development

On joining the Board, directors undergo induction. This provides an overview of the Company, the Company's operating environment and new developments thereof, accounting and financial reporting developments, as well as any regulatory changes. No director was appointed in the year under review.

The Company Secretary is responsible for the induction and ongoing education of Directors.

Delegation Of Authority

The Board has the overall responsibility for performance of the Company and is collectively accountable to stakeholders for the same.

Sufficient time is allowed for debate and constructive discussion. Decisions are reached by consensus following discussion and debate. Where further consultation is needed, decisions are deferred.

The responsibility for implementing strategy and day-to-day operations has been delegated by the Board to the Chief Executive Officer (CEO) and his Senior Leadership Team. The Board however retains control and independent, objective oversight through a well governed framework allowing management to fulfil its responsibility free of interference but ensuring accountability through reports to the Board, at least on a quarterly basis.

Separation Of Powers and Duties Of The Chairman and The Chief Executive Officer (CEO)

The Chairperson and the Chief Executive Officer have distinct and clearly defined duties and responsibilities. The separation of the functions of the Chairman and the CEO supports and ensures the independence of the Board and Management. The clear definition of responsibilities promotes accountability and improved decision-making. The current Board Chairman is an Executive Director who is deputized by an Independent Non-Executive Director.

Management Of Conflict Of Interest

Directors observed their statutory duty to avoid situations in which the directors have or may have interests that conflict with those of the Company. All directors are required to disclose any situations that may give rise to a conflict of interest. Declaration of conflicts of interest is also a standard agenda item which is addressed at the onset of each Board and Committee meeting.

Directors who are conflicted, are excluded from the quorum and vote, in respect of any matters in which they have an interest. Various conflicts of interest on related party transactions were reported by the affected Directors in the year under review.

Meetings

It is the responsibility of the Chairman and the Company Secretary, working closely with the Chief Executive Officer, to come up with the annual Board calendar and the agenda for the Board Meetings. The agendas for each committee meeting are developed by the Company Secretary in consultation with the respective committee chairperson.

Board meetings continue to be conducted in a hybrid manner (i.e some members attend physically while others attend virtually). Secure electronic meeting platforms were used to host the meetings and access the Board papers.

The Chief Executive is a permanent attendee of all Board and Committee meetings. Management was required, where necessary, to submit additional information to the Board and Committees that informed and guided the decision-making process.

In line with best practice, management reports are circulated to the Directors at least five days before the scheduled meeting to facilitate Director preparedness. This provides Directors with sufficient time to review the documents and internalize information which promotes interrogation and ensures that the Board decisions remain strategic and not operational.

Substantive items requiring deliberation are included on the agenda, which together with supporting documentation, is circulated in advance to allow for members to internalize and provide sufficient input at the meeting. The agenda is informed by priority decisions and discussions necessary to drive the business forward.

The quality of discussions is sufficient to evaluate and interrogate management thinking so as to ensure long-term success and sustainability of the Company.

Management is held accountable for agreed actions arising from the meetings through an action matrix updated with progress discussed at the Board meetings.

The Board considers reports from the Board committees. Directors are provided with Board briefing papers containing management reports prior to each meeting to facilitate Director preparedness. At the meetings, the minutes of the previous meeting are approved and signed as an accurate record of the proceedings. A minute book is maintained and safely stored both physically and virtually.

Sufficient time is allowed for debate and constructive discussion. Decisions are reached by consensus following discussion and debate. Where further consultation is needed, decisions are deferred.

Constructive challenge is encouraged to evaluate and interrogate management's

Attendance of meetings in FY 2022-23 was as follows

Key ● Present ⊙ Apology ○ Not a Member of the Board/Committee

	Board	Audit & Risk Committee	Nominations & Remuneration Committee	Communications (ESG) Committee	Business Development Committee	Finance Committee
Emmanuel Katongole	● ● ● ⊙			● ● ● ●	● ● ● ⊙	● ● ● ⊙
Ajay Kumar Pal	● ● ● ●			● ● ● ●	● ● ● ●	● ● ● ●
Dr. Peter Mugyenyi	● ● ● ●		● ● ● ●		● ● ● ●	
Paul Miller	⊙ ● ● ●		⊙ ● ● ●	⊙ ● ● ⊙	⊙ ● ● ●	
Geena Malhotra	● ● ● ●		● ● ⊙ ●		● ● ● ●	● ● ● ●
Stevens Mwanje	● ⊙ ● ●	● ⊙ ● ●				● ⊙ ● ●
Mark Daly	● ● ● ●	● ● ⊙ ●		● ● ● ●		● ● ● ●
George Baguma (and his alternate Zain Latif)	● ● ● ⊙			● ● ● ⊙	● ● ● ●	
Joseph Baliddawa	● ● ● ●	● ● ● ●	● ● ● ●			
John Kamili **	● ● ○ ○				● ● ○ ○	
Dr. Ranjana Pathak *	○ ○ ○ ○					

Attendance of special meetings in FY 2022-23 was as follows

	Board	Audit & Risk Committee
Emmanuel Katongole	● ●	○ ○
Ajay Kumar Pal	● ●	○ ○
Dr. Peter Mugyenyi	● ●	○ ○
Paul Miller	● ●	○ ○
Geena Malhotra	● ●	○ ○
Stevens Mwanje	⊙ ⊙	⊙ ⊙
Mark Daly	● ●	⊙ ●
George Baguma	● ●	○ ○
Joseph Baliddawa	● ●	● ●
John Kamili **	○ ○	○ ○
Dr. Ranjana Pathak *	○ ○	○ ○

thoughts regarding the Company's strategy. The Board Chairperson and Chairpersons at the committee level create a boardroom climate that fosters discussion through encouraging open debates, which allow the Directors to challenge assumptions constructively.

The Board also approves an annual calendar for effective planning which ensures availability of Directors for meetings.

Attendance of meetings remained very good in the past financial year with well-reasoned absence of Directors and quorum was at all times met.

Attendance of meetings in the past financial year was as illustrated

Internal Audit

The role of Internal Audit is to provide assurance to the Board and the Executive Management on governance, risk management, and internal control processes by analysing, measuring and evaluating the effectiveness of systems or controls in place.

The Internal Auditor reports quarterly to the Audit and Risk Committee and has exclusive access to the Chairperson of the Committee. The Internal Auditor presents the annual audit plan to the Board for approval.

The audit plan is reviewed to ensure comprehensiveness and that all activities of the Internal Auditor are aimed at reviewing the soundness of controls in place to ensure the long-term success of the business. The Audit and Risk

Committee during the year reviewed and provided input to the audit plan and assessed the Internal Auditor's performance. The Audit & Risk Committee also held 2 meetings with the Internal Auditor in the absence of management to provide feedback on their performance.

Stakeholder Management

The Board and Management are cognizant of the need to uphold the interests of all stakeholders and takes these interests into consideration during the decision-making process. The need to balance the diverse interest of the stakeholders is key.

Effort is made to balance these often-divergent interests. The Board has therefore adopted an inclusive stakeholder approach that balances the different stakeholders' needs, interests, and expectations. We recognise our duty as responsible corporate citizens to act in a manner that benefits the community.

Management has put in place targets focusing on our commitment to Environment, Social and Governance (ESG) governance.

Relationship with Shareholders

We continue to ensure that views from our shareholders are considered. Following the restrictions on public gatherings, the Annual General Meeting (AGM) was held virtually in 2021. Nevertheless, the AGM provided shareholders with a platform to ask questions, which the Board responded to and to give their views. This ensures accountability and shareholder engagement despite the restrictions.

Various investor briefings were held following the 2021 audited financial statements and the half year financial results announcements. The Chief Executive and Chief Finance Officer provided explanations on the Company's performance and outlook for the following year. Participants were also allowed to ask questions and express their views on the Company's performance.

Dealings in Securities

The Uganda Securities Exchange Listing Rules requires Directors, their close family members and certain employees with access to insider information not to deal in securities in periods leading up to an announcement of the Company's financial results. The Company has also put in place a governance charter which prohibits the dealing in securities by directors, employees, their close family members and anyone with access to price sensitive information.

To this end, Directors and staff are made aware that they ought not to trade in the Company's shares while in possession of any material insider information that is not available to the public or during a closed period.

To the best of the Company's knowledge, there was no insider dealing in the financial year under review.

The Company's closed periods are in effect from 1st October to the publication of the interim results and from 1st April to the publication of the end of year results.

Dealing in securities by any Company insider during periods outside the closed period is reported to the Uganda Securities Exchange.

Financial Reporting and Disclosures

Financial performance is monitored through quarterly reports from management. The performance is formally reported to shareholders through the annual audited financial statements. The audited accounts are presented to and considered by shareholders at the Annual General Meeting.

CiplaQCIL's financial statements are produced in accordance with International Financial Reporting Standards (IFRS) and the requirements of all the relevant statutes, rules and regulations.

Codes and Regulations

The Company is cognizant of the implications any non-compliance would have on the consumers and the environment. Complying with all applicable legislation, regulations, standards, codes and policies is therefore integral to the Company business. Various Standard Operating Procedures (SOPs) are in place to enhance staff ability to implement the various compliance requirements.

The Board has delegated the responsibility of compliance to management. There exists a Compliance Policy which sets out the principles and standards for compliance management in the Company and articulates responsibilities of all personnel in relation to managing compliance risk.

The Board has delegated the responsibility of compliance to management.

The Audit and Risk Committee is responsible for reviewing reports from the compliance function, reviewing the effectiveness of compliance controls in place, and ensuring compliance risk is effectively mitigated.

The Compliance function is also responsible for assessing the impact of new and proposed legislation and regulations and reporting on the same to Management and the Audit and Risk Committee.

The Audit and Risk Committee continued to receive and review compliance reports throughout the year. This ensured that the Board was well versed on any emerging compliance risks and kept abreast of key regulatory developments.

In the past financial year, the Company complied with all legislation, regulations and codes of best practice.

Governance Framework

The Board also appreciates the requirement for the Company to adhere to good corporate governance standards and practices and this informs the Board in fulfilling its oversight and strategic role.

The Company's corporate governance framework is enshrined in Articles of Association, the Companies Act particularly the Code of Corporate Governance (Table F), USE Listing Rules 2021 and international best practice.

The Companies Act 2012 provides for the duties of directors. The Board is also cognisant of its responsibility to put in place structures and systems that support good governance practices. To this end, the Board is committed to ensuring that the Company complies with the laws, regulations and standards applicable to it.

The Directors are committed to fulfilling their fiduciary duties and responsibilities and have put in place systems to ensure good governance is practiced.

The Articles of Association and the Governance Code are critical to the Company's governance framework, and offer guidance on matters including but not limited to the following:

- Functions, responsibilities and powers of the board and its individual members;
- Powers delegated to the board committees;
- Matters reserved for final decision-making and approval by the board and shareholders;
- Policies and practices of the board on matters of corporate governance, directors' declarations and conflict of interest, conduct of board and board committee meetings; and
- Nomination, appointment, induction, ongoing training and performance evaluation of the board and its committees.

The Articles of Association and Governance Code are not a substitute of, but supplement laws and regulations that govern the Company.

Financial and Business Reporting

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position throughout the Annual Report. It is appropriate to treat this business as a going concern as there is sufficient existing financing available to meet expected requirements in the foreseeable future.

Risk Management and Internal Control

The Board is responsible for maintaining sound risk management and internal control systems and determining the nature and extent of the risks that the Company is willing to take to achieve its strategic objectives. Through the Audit and Risk Committee, the Board reviews the effectiveness of its risk management framework and internal control systems, covering all material controls including financial, operational and compliance controls. Risk registers are used to identify, assess and monitor the key risks faced by the business.

Risks are assessed at five levels (extremely serious/ very serious/ serious/ minor/ not significant) by reference to their impact and likelihood. and all identified. Mitigation plans are put in place to manage the risks identified and the risk registers are reviewed on a regular basis. Information on prevailing trends is provided in relation to each risk. The Board, with advice from its Audit & Risk Committee reviewed the effectiveness of the risk management framework and internal controls for the year and provided feedback especially on areas in need of improvement.

External Auditor

Grant Thornton Certified Public Accountants (Uganda) is the Company's External Auditor. Their performance is regularly evaluated and reccommendations for their reappointment presented to the Board by the Audit and Risk Committeee. Based on the evaluation results, the Committee was satisfied with the performance of the Company's external auditor and this position was endorsed by the Board and their re-appointment for FY23/24 approved.

Ethics and Organisational Integrity

The Code of Ethics is aimed at promoting decision making according to set ethics principles. It also aims at promoting responsible business practices in dealings with our stakeholders. The Code is in line with all Company policies and regulatory framework. This Code is published on the corporate website www.ciplaqcil.co.ug/investors for all stakeholders and ensures business is conducted in an ethical manner.

The Compliance function is charged with promoting awareness of the Code and in so doing undertakes refresher trainings for staff.

The Company has also put in place a Whistle Blower Policy and a Whistle-blower hotline which provides a platform for employees and any stakeholder to raise concerns in respect of any suspected unethical conduct.

Through the hotline, anonymous reports on unethical/ fraudulent behaviour can be made without fear of retaliation from the suspected individuals. Staff members are regularly sensitized on the need to report any suspected unethical business practices. The Whistle blowing policy has been uploaded on the Company's website.

> The Board ensures accountability of the Committees through reports submitted to the Board after every Committee meeting.

During the year, the Board approved a Conflict-of-Interest Policy. Directors and staff are obligated to fully disclose any real or potential conflict of interest which come to their attention, whether direct or indirect.

Staff were sensitized on their obligation to disclose any potential or existing Conflict of Interest. Conflict of interest disclosure forms were also developed and will be used in the continuous process of conflict-of-interest disclosure.

Board Committees

The Board delegates some of its responsibilities to Committees to facilitate effectiveness, timely discharge of obligations as well as ensure detailed analysis of issues by the experts at both Committee and management level.

Each committee has a Charter approved by the Board that outlines the obligations of the Committee. The Board ensures accountability of the Committees through reports submitted to the Board after every Committee meeting. Recommendations to the Board for consideration or approval are presented through the Committee reports.

Through the Committees, the Board can tap into the particular skills, knowledge, and experience of the directors.
The Board committees ensure that issues that require specialised areas of expertise and detailed analysis are focused on to ensure Board effectiveness.

The Committees meet at least once every quarter to consider, discuss, and challenge management reports.

At each Board meeting, the Committee chairpersons then report to the Board on Committee activities with recommendations to consider and approve where required.

During the year, the mandate of the Communications Committee was enhanced to include consideration of matters related to the Company's focus on ESG and Sustainability.

The Board is comprised of five standing committees as follows:
Audit & Risk, Finance, Nominations & Remunerations, Business Development and Communications.

Business Development **Committee**

The Business Development Committee reviews and advises the Board on strategy implementation and any investment opportunities for the business. It proposes and reviews the viability of any business proposals for CiplaQCIL.

During the year, membership of the Committee was as follows:

Geena Malhotra
Chairperson

Emmanuel Katongole
Member

Ajay Kumar Pal
Member

Dr Peter Mugenyi
Member

Paul Miller
Member

George Baguma
Member

*** Dr. Ranjana Pathak**
Member

**** John Kamili**
Member

**Resigned on June 14, 2022*

*** Resigned on December 1, 2022*

Finance **Committee**

The objective of this committee is to assist the Board in the discharge of its financial oversight role to ensure the Company remains financially sound.

During the year, membership of the Committee was as follows:

Mark Daly
Chairperson

Stevens Mwanje
Member

Emmanuel Katongole
Member

Ajay Kumar Pal
Member

*** Dr. Rajana Pathak**
Member

**Resigned on June 14, 2022*

ESG & Communications **Committee**

The objective of this committee is to provide guidance on development of the Company communications strategy and oversee its implementation. During the year, the mandate of the committee was enhanced to include review of the Company's implementation of ESG considerations and approach to ensure sustainability.

During the year, membership of the Committee was as follows:

Paul Miller
Chairperson

Mark Daly
Member

Emmanuel Katongole
Member

George Baguma
Member

Ajay Kumar Pal
Member

Access to Information and Resources

Executive Management and the Board interact regularly. The Executive Committee Members are invited to attend Board Meetings where necessary. Directors have unrestricted access to management and Company information, as well as the resources required to carry out their roles and responsibilities. This includes external legal and other professional advice at the Company's expense where necessary.

The Directors also have unlimited access to the advice and services of the Company Secretary, who assists with providing any information or documentation that may be required to facilitate the discharge of their duties and responsibilities.

Access to Independent Advice

To assist the Directors to discharge their duties and responsibilities and to enable them to take informed decisions, the Directors are entitled to obtain independent legal, accounting or other professional advice at the Company's expense. The Board may conduct or direct any investigation to fulfil its responsibilities and can retain, at the Company's expense, any legal, accounting or other services that it considers necessary from time to time to fulfil its duties. This is provided for in the Governance Code and the Terms of Reference of each Committee.

The Company Secretary

The Company Secretary is the custodian of governance for the Board, and as such assists all the members of the Board by providing independent advice and guidance.

The Company Secretary is a member of the Institute of Certified Secretaries (ICSA). She serves as the Secretary to the Board and all the Committees of the Board.

The Company Secretary guides the Directors on their fiduciary duties and responsibilities through induction and continuous training programmes and ensures that the highest standards of corporate governance are met during the establishment and implementation of processes.

The Company Secretary provides a central source of guidance and advice to the Board on matters of governance, statutory compliance and compliance with the regulators.

To enable the Board to function effectively, all Directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments which may affect the Company and its operations. All Directors have access to the services of the Secretary.

Going Concern

The Directors have sufficient reason to believe that the Company has adequate resources to continue operating as a going concern.

Remuneration
Report

The Nomination and Remuneration Committee provides an oversight role, reviews, evaluates and makes recommendations to the Board in relation to the Board recruitments, induction, training, development and performance management, the Company's strategic planning and performance and the Company's human capital framework.

The Committee is comprised of 4 members (two Independent Non-Executive Directors and two Non-Executive Directors). The Committee is chaired by an Independent Non-Executive Director.

Dr. Peter Mugyenyi
Independent Non-Executive
Chairperson, NRC

During the year, membership of the Nomination and Remuneration Committee was as follows:

Dr. Peter Mugyenyi
Independent Non-Executive
Chairperson

Joseph Baliddawa
Independent Non-Executive
Member

Paul Miller
Non-Executive
Member

Geena Malhotra
Non-Executive
Member

Remuneration Philosophy

CiplaQCIL endeavours to attract, retain and nurture a calibre of human resource capable of delivering sustainable growth of the organisation. Ensuring effective remuneration philosophies, structures and practices are in place and are appropriately implemented remains a key agenda for the Nominations & Remuneration Committee.

The Board reviews the remuneration philosophies, structures and practices to ensure they are in line with the Law, enhance performance and promote sustainability of the business.

In determining the remuneration of employees, the Board reviews markets and considers the Company's and individual performance.

Terms of Employment

The terms and conditions of employment of all managers and general employees are guided by local legislation and the Company's Human Resource Manual.

Structure of the Remuneration

Fixed pay

This is intended to attract and retain employees by ensuring competitive positioning in the local market. The Nominations & Remuneration Committee reviews the fixed pay at the end of every financial year to ensure it remains competitive and is aligned to the remuneration philosophy of the organisation.

Benefits

The Company provides medical cover and death benefits for staff and dependants. Other benefits like contribution to the staff retirement scheme are also provided.

Variable Pay: Annual Incentive

Annual incentives are provided to ensure appropriate reward for performance. Performance bonuses are determined basing on personal performance and the overall Company performance. A standard mechanism for computation of annual incentives is determined and communicated to staff at the beginning if every financial year.

The Company also provides an Employee Stock Appreciation Right (ESAR) to its eligible employees for their contribution in improving the share price of the Company. The pay-out amount is dependent on the percentage of increase in the share price.

Severance Payments

Severance payments are determined by legislation, market practice and the Human Resources Manual. The Company does not pay severance payments beyond the provisions of the Employment Act 2006.

Restrictive Covenants

Some executive employment contracts include restrictive covenants on the poaching of customers, disclosure of Company information to a third party and use of Company information for personal gain. No other restrictions are included in contracts at present.

Directors' Remuneration

Remuneration of Executive Directors

The remuneration for Executive Directors is determined in the same manner as that of other employees and using the same qualifying criteria.

Remuneration of Non-Executive Directors and Terms of Engagement

All Non-Executive Directors are provided with a letter of appointment setting out the terms of engagement. Directors are appointed by shareholders at the AGM. Between AGMs interim appointments may be made by the Board. These interim appointees are required to retire at the following AGM where they then offer themselves for re-election by shareholders. In addition, one -third of Non-Executive Directors are required to retire at each AGM and may offer themselves for re-election.

Currently, the Company only remunerates its independent non-executive directors. In determining the remuneration of the Independent Non-Executive Directors, the Board considers the extent and nature of their responsibilities, and benchmarks with other organisations of a nature similar to that of CiplaQCIL.

The table below shows the breakdown of Directors' emoluments for the year ended March 31, 2023.

	Fixed Pay (UShs) '000	Pension (UShs) '000	Other Benefits (UShs) '000	Performance Incentive (UShs) '000	Quarterly Fees (UShs) '000	Committees Sitting Allowance (UShs) '000
Executive Directors	4,216,253	533,234	145,444	255,590		
Non-Executive Directors					151,600	202,534

Report of the Audit and
Risk Committee

The Audit and Risk Committee assists the Board with discharging its responsibility to develop and maintain effective internal control and risk management systems, safeguard the Company's assets and maintain adequate accounting records. It provides an oversight role, and reviews, evaluates and makes recommendations to the Board on the effectiveness of the internal controls, risk and compliance management framework in place.

Joseph Baliddawa
Chairperson, ARC

The Committee is comprised of six members: one Independent Non-Executive Director who also acts as the Chairman, two Non-Executive Directors and three members from outside the Board.
During the year, membership of the Committee was as follows:

Joseph Baliddawa
Chairperson

Mark Daly
Member

Stevens Mwanje
Member

Christine Nabiryo
Member

Timothy Basiimampora
Member

Oscar Manuga
Member

The Audit and Risk Committee (ARC) in implementing its mandate is guided by the Companies Act, 2012, the Uganda Securities Exchange (USE) Listing Rules 2021 and the Audit & Risk Committee Terms of Reference.

There was 100% attendance of meetings by members of the Audit and Risk Committee who are not members of the Board. They include Christine Nabiryo, Timothy Basiimampora and Oscar Manuga.

During the period under review, the Committee, among other matters, considered the following:

a. In respect of Financial Statements, the Committee:

i. Received and reviewed the interim and annual financial statements presented by Management prior to submission and approval by the Board.

ii. Obtained assurance from the External Auditor that the financial statements had been prepared in accordance with the Companies Act 2012, the USE Listing Rules 2021, International Financial Reporting Standards (IFRS) and other legal and regulatory requirements.

iii. Ensured that the annual financial statements fairly presented the financial position of the Company as at the end of the financial year and considered the basis on which the Company had been determined to be a going concern.

iv. Considered accounting treatment, significant unusual transactions and accounting judgements.

v. Considered the appropriateness of the accounting policies in place and recommended changes where necessary.

vi. Reviewed and discussed the Management Report and report of the External Auditor.

vii. Considered and made recommendations to the Board on the consolidated interim and final dividend payments to the shareholders.

viii. Noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, content of the annual financial statements, internal controls and related matters.

ix. Reviewed significant legal and tax matters that could have a material impact on the financial statements.

x. Reviewed the Company's financial position and made recommendations to the Board on financial matters, risks and controls. This included assessing the integrity and effectiveness of accounting, financial, compliance and control systems in place.

xi. Confirmed the going concern principle as the basis of preparation of the annual financial statements.

xii. After review, presented and recommended the Audited Financial Statements to the Board for approval. The External Auditor issued an unqualified audit opinion on the Company's financial statements for the year ended March 31, 2023.

b. In respect of External and Internal Audit, the Committee:

i. Approved the External Auditor's terms of engagement.

ii. Discussed with the External Auditor the external audit plan, the audit findings, financial reporting process and the overall quality of the financial reporting and compliance.

iii. Reviewed the audit process and evaluated the effectiveness of the audits.

iv. Obtained assurance from the External Auditor that their independence was not impaired and that no non-audit services were provided by the External Auditor.

v. Confirmed that no reportable irregularities were identified and reported by the External Auditor.

vi. Assessed the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory.

vii. Undertook a performance evaluation of the External Auditor and provided feedback to the External Auditor on findings of the evaluation.

viii. Recommended to the Board the re-appointment of Grant Thornton, Certified Public Accountants Uganda, as external auditors for the financial year ending March 31, 2024, in accordance with all applicable legal requirements.

ix. Considered reports of the Internal and External Auditor on the internal control, including internal financial controls and maintenance of effective internal control systems.

x. Discussed with the Internal Auditor the internal audit plan, the audit findings, financial reporting process and the overall quality of the financial reporting and compliance.

xi. Reviewed and approved the Internal Audit Charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit function.

xii. Reviewed significant issues raised by the internal audit processes and the adequacy of corrective actions in response to such findings.

xiii. Ensured that if any significant differences of opinion existed between the Internal Auditor and Management, these were appropriately resolved.

xiv. Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorized use or disposal.

xv. The Committee formed the opinion that there were no material breakdowns in internal control at the date of this report, including internal financial controls, resulting in any material loss to the Company.

xvi. Undertook a performance evaluation of the Internal Auditor and provided feedback to the Internal Auditor on findings of the evaluation.

xvii. Approved the renewal of the Contract of Mazars BRJ as Internal Auditor of the Company for the period ending 31 March 2024,

c. Independence of the External Auditor

The Audit Committee is satisfied with the independence of Grant Thornton.

This was determined, after taking into account the following factors:

i. The representations made by Grant Thornton to the Audit and Risk Committee in relation to their independence as external auditor

ii. The Auditor does not, except as external auditor receive any remuneration or other benefits from the Company.

iii. The Auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the firm.

iv. The Auditor's independence was not prejudiced as a result of any previous appointment as auditor.

d. In respect of Legal, Regulatory and Compliance Requirements, the Committee:

i. Monitored compliance applicable legislation and governance codes, and reviewed reports from Internal Audit, External Auditor and Management detailing the extent of this.

ii. Noted that no complaints were received through the Whistle blower Hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters.

e. In respect of Risk Management, the Committee:

i. Oversaw the implementation of the Enterprise Risk Management Framework.

ii. Considered risks as they pertained to the control environment, financial reporting and the going concern assessment.

iii. Considered and reviewed reports from Management on risk management, including reports on fraud and its bearing on financial reporting and the going concern assessment.

f. In respect of the Annual Report, the Committee:

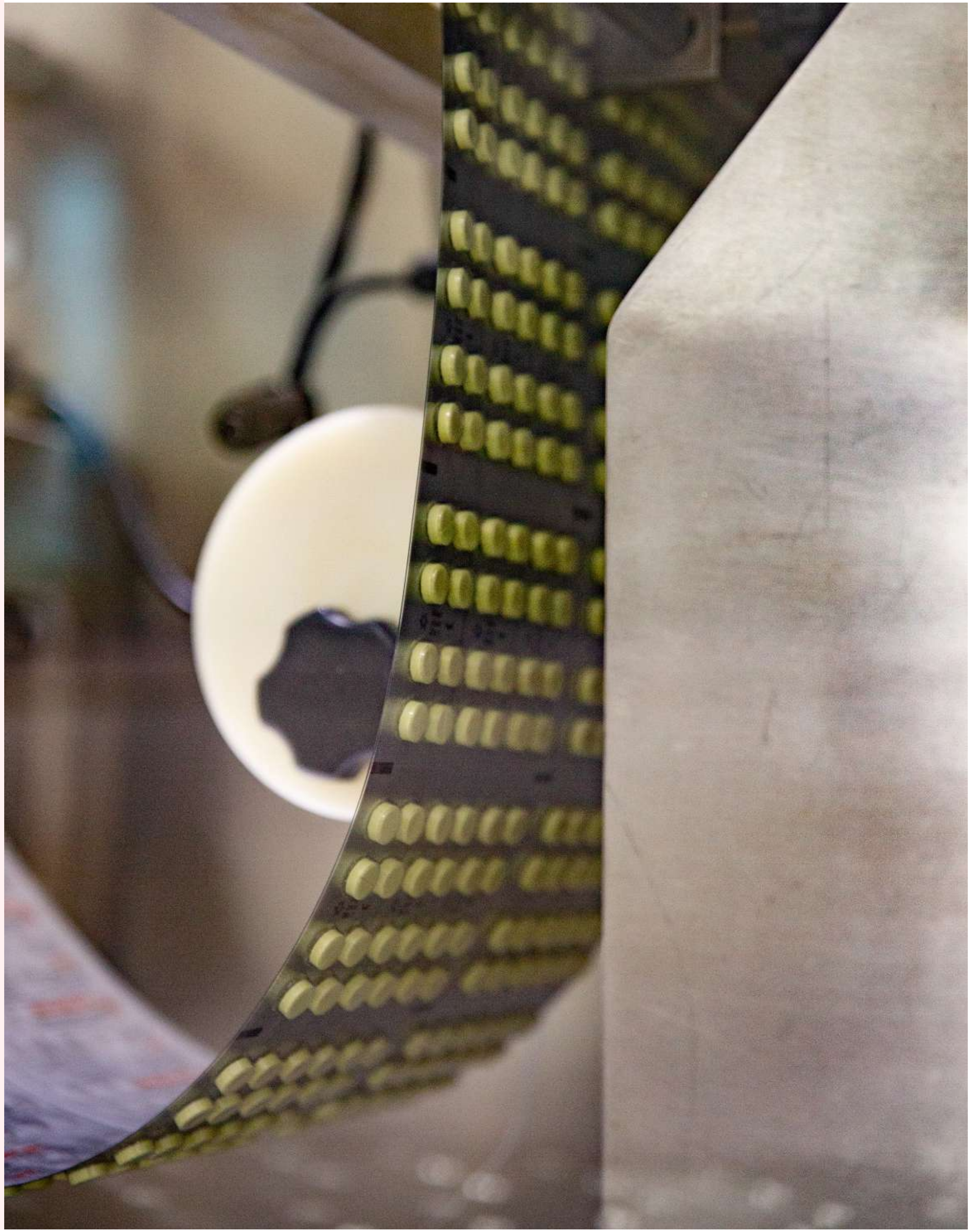
i. Ensured that all material disclosures were included in the Annual Report

ii. Reviewed forward-looking statements, financial and sustainability information in respect of internal controls and internal audit.

In conclusion, the Board Audit and Risk Committee has complied with its legal, regulatory and governance responsibilities as set out in its mandate.

On behalf of the Audit and Risk Committee

Joseph Baliddawa
Chairperson



07 Our Financial Statements

In This Section

DIRECTORS' REPORT
For The Year Ended March 31, 2023

The Directors submit their report together with the audited financial statements for the year ended March 31, 2023 which disclose the state of affairs of Cipla Quality Chemical Industries Limited ("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 CiplaQCIL Limited ('CiplaQCIL'), through its wholly owned subsidiary, Meditab Holdings Limited, a limited Company incorporated in Mauritius. CiplaQCIL subsequently acquired a controlling interest in the Company through its wholly owned subsidiaries, Meditab Holdings Limited and CiplaQCIL (EU) which held 51.05% and 11.25% of the Company's shares respectively until September 2018.

The Company converted to a public Company on October 7, 2016, and on September 17, 2018 the Company officially listed on the Uganda Securities Exchange, offering 18% of the shareholding to individual and institutional investors in an Initial Public Offering (IPO). During the IPO, CiplaQCIL (EU) reduced its shareholding from 11.25% to 0.13% and therefore, CiplaQCIL's interest in the Company reduced to 51.18%.

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).

On March 14, 2023, the Board of Directors was advised by Africa Capital Works SSA 3 of its intention to acquire 51.18% of the issued ordinary shares of the Company. 51.05% of these shares were to be acquired from Meditab Holdings Limited while 0.13% were to be acquired from CiplaQCIL (EU) Limited.

Both sellers are wholly owned by CiplaQCIL Limited, ultimate holding Company.

Capital Works SSA 3 has applied for approval of this transaction in line with the Capital Markets (Takeovers and Mergers) Regulations, 2012.

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 2.5 per share for the year ended March 31, 2023.

D. Directors

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

Directors	Nationality	Designation (Change)
Emmanuel Katongole	Ugandan	Executive Director (Board Chairperson)
Ajay Kumar Pal	Indian	Executive Director - CEO
George Baguma	Ugandan	Executive Director
John Kamili	Ugandan	Executive Director (Resigned on December 1, 2022)
Paul Miller	South African	Non-Executive Director
Dr. Ranjana Pathak	American	Non-Executive Director (Resigned on June 14, 2022)
Mark Warwick Daly	South African	Non-Executive Director
Geena Malhotra	Indian	Non-Executive Director
Stevens Mwanje	Ugandan	Non-Executive Director
Zain Latif	British	Alternate to George Baguma
Dr. Peter Mugyenyi	Ugandan	Independent Non-Executive Director
Joseph Baliddawa	Ugandan	Independent Non-Executive Director

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, 2023, 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
Stevens Mwanje	19,400	0.0005
Total	**203,885,484**	**5.5829**

F. Independent auditor

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

G. Subsequent events

Except for the above mentioned matter, the Directors are not aware of any other matter or circumstance which is material to the financial affairs of the Company, which has occurred between March 31, 2023 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,

Doreen Awanga
Company Secretary

May 19, 2023
Kampala, Uganda

STATEMENT OF DIRECTORS' RESPONSIBILITIES
For The Year Ended March 31, 2023

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, 2023, 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 twelve months from the date of this statement.

The financial statements on pages 113 to 148, which have been prepared on the going concern basis, were approved by the Board of Directors on **May 19, 2023** and signed on its behalf by:

Emmanuel Katongole
Director

Ajay Kumar Pal
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Cipla Quality Chemical Industries Limited
For The Year Ended March 31, 2023

Grant Thornton

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Cipla Quality Chemical Industries Limited ("the Company") set out on pages 1111 to 150, which comprise the statement of financial position as at March 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the acCompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and its financial performance and its 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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 judgement, 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 these matters.

Key audit matters	How the matter was addressed in our audit
Loss allowance on trade receivables The Company recognises a loss allowance for Expected Credit Loss ('ECL') on its financial assets measured at amortised cost mainly trade receivables stated at UShs 60,561,966 thousand (gross) as at March 31, 2023 (2022: UShs 100,335,106 thousand). The cumulative impairment allowance as at that date is UShs 11,825,673 thousand (2022: UShs 26,776,910 thousand) against this trade receivable. ECL model require significant management judgement and assumptions in deriving the impairment allowance and hence we have considered this audit area to be a key audit matter.	Our audit procedures included understanding and testing of the design and operating effectiveness of the key 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 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.

Key audit matters	How the matter was addressed in our audit
The Company makes use of a simplified approach in accounting for financial assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.	Our substantive audit procedures included the following: - for selected balances, we substantiated the recorded amounts by obtaining counterparty balance 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 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 data used in the ECL model; - 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.

GrantThornton

Key audit matters	How the matter was addressed in our audit
Valuation of inventory and related provisions Inventories, stated at UShs 66,335,779 thousand as at March 31, 2023 (2022: UShs 80,391,616 thousand), represent the second largest category of assets on the statements of financial position of the Company. There is a significant estimate involved in valuation of the inventories to its present condition and locations. This particularly relates to the assessment of direct costs and allocation of the manufacturing and production overheads. In addition, the valuation of the inventory is done at the lower of cost and net realisable value as per Company's accounting policy. Thus, management's assessment of percentage of write down for inventories is based on the historical experience and judgement.	Our audit procedures included understanding and testing of the design, implementation and operating effectiveness of the key controls around; - physical verification of inventories; - valuation of inventories; and - valuation of provision for the obsolete, expired or slow-moving inventories. Our testing of the design 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;
Revenue recognition The Company's revenue for the year ended March 31, 2023 was UShs 221,466,376 thousand (2022: UShs 267,432,354 thousand). Given the significance of revenue as a key performance indicator, there is an increased risk of misstatement to meet performance targets. In this regard, revenue has been considered a key audit matter.	Our audit procedures included understanding and testing of the design, implementation, and operating effectiveness of the key controls around the revenue process. We obtained and reviewed sales contracts with key customers to understand 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 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 note has 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.

Other information

The Directors are responsible for the other information on page 81 to 82. Other information does not include the financial statements and our auditor's report thereon.

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.

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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.

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 judgement and maintain professional scepticism throughout the audit. We also:

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

- 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 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 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 Uday Bhalara – P0474.

Uday Bhalara - P0474
Partner

Grant Thornton
Certified Public Accountants

May 19, 2023,
Kampala, Uganda

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended March 31, 2023

	Notes	2023 UShs '000	2022 UShs '000
Revenue	3	221,466,376	267,432,354
Cost of sales	4	(154,457,788)	(196,723,381)
Gross profit		**67,008,588**	**70,708,973**
Other income	5	333,096	127,990
General and administrative expenses	6	(53,995,292)	(51,726,786)
Reversal of impairment allowance on trade receivable	17	15,661,237	20,207,101
Operating profit		**29,007,629**	**39,317,278**
Finance income	9	3,843,980	-
Finance costs	10	(1,068,230)	(1,543,062)
Profit before tax	11	**31,783,379**	**37,774,216**
Taxation	12	(12,796,661)	(13,723,615)
Profit for the year		**18,986,718**	**24,050,601**
Other comprehensive income		-	-
Total comprehensive profit for the year		**18,986,718**	**24,050,601**
Basic and diluted earnings per share (UShs)	19(d)	**5.20**	**6.59**

The notes on pages 115 to 150 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

For The Year Ended March 31, 2023

	Notes	2023 UShs '000	2022 UShs '000
ASSETS			
Non-current assets			
Property, plant, equipment and right-of-use assets	13	67,339,505	65,055,052
Capital work-in-progress	14	3,022,079	3,715,964
Intangible assets	15	901,412	1,332,567
Deferred tax asset	12(c)	-	5,139,094
		71,262,996	**75,242,677**
Current assets			
Inventories	16	66,335,779	80,391,616
Trade and other receivables	17	62,951,599	82,503,740
Income tax recoverable	12(d)	2,104,114	58,595
Cash and cash equivalents	18	10,812,571	8,486,203
		142,204,063	**171,440,154**
TOTAL ASSETS		**213,467,059**	**246,682,831**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19(a)	45,648,865	45,648,865
Capital grant	20	2,275,000	2,275,000
Proposed dividend	21	9,129,773	7,303,818
Retained earnings		114,358,827	104,501,882
		171,412,465	**159,729,565**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	12(c)	1,074,232	-
Term loan	22	-	18,888,375
Lease liabilities	23	67,462	137,536
		1,141,694	**19,025,911**
Current liabilities			
Term loan	22	5,400,750	6,868,500
Lease liabilities	23	49,816	109,850
Trade and other payables	24	35,462,334	60,949,005
		40,912,900	**67,927,355**
TOTAL LIABILITIES		**42,054,594**	**86,953,266**
TOTAL EQUITY AND LIABILITIES		**213,467,059**	**246,682,831**

The financial statements on pages 111 to 114 were approved by the Board of Directors on **May 19, 2023** and signed on its behalf by

Emmanuel Katongole
Director

Ajay Kumar Pal
Director

The notes on pages 115 to 150 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For The Year Ended March 31, 2023

	Share capital UShs '000	Capital grant UShs '000	Proposed dividend UShs '000	Retained earnings UShs '000	Total UShs '000
Balance as at April 1, 2021	**45,648,865**	**2,275,000**	**-**	**87,755,099**	**135,678,964**
Total comprehensive income for the year					
Profit for the year	-	-	-	24,050,601	24,050,601
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**45,648,865**	**2,275,000**	**-**	**111,805,700**	**159,729,565**
Transaction with owners of the Company					
Proposed dividend	-	-	7,303,818	(7,303,818)	-
Total distributions	**-**	**-**	**7,303,818**	**(7,303,818)**	**-**
Balance as at March 31, 2022	**45,648,865**	**2,275,000**	**7,303,818**	**104,501,882**	**159,729,565**
Balance as at April 1, 2022	**45,648,865**	**2,275,000**	**7,303,818**	**104,501,882**	**159,729,565**
Total comprehensive profit for the year					
Profit for the year	-	-	-	18,986,718	18,986,718
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**45,648,865**	**2,275,000**	**7,303,818**	**123,488,600**	**178,716,283**
Transaction with owners of the Company					
Proposed dividend	-	-	9,129,773	(9,129,773)	-
Dividend paid	-	-	(7,303,818)	-	(7,303,818)
Total distributions	**-**	**-**	**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**

The notes on pages 115 to 150 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For The Year Ended March 31, 2023

	Notes	2023 UShs '000	2022 UShs '000
Cash flows from operating activities			
Profit before tax		**31,783,379**	**37,774,216**
Adjustment for:			
- Impairment allowance on financial assets		(15,661,237)	(20,207,101)
- Depreciation	13	9,268,639	8,621,402
- Amortisation	15	474,448	449,770
- Movement in provision for obsolete stock		(1,209,486)	2,856,625
- Gain on sale of property, plant and equipment	5	(265,812)	(33,898)
- Finance costs		1,068,230	1,399,016
		25,458,161	**30,860,030**
Changes in:			
- Inventories		15,265,323	(14,440,157)
- Trade and other receivables		34,503,378	2,900,454
- Trade and other payables		(23,690,439)	4,280,112
Cash generated from operating activities		**51,536,423**	**23,600,439**
Interest paid on bank overdraft		(293,227)	(296,257)
Interest paid on term loan	22	(744,359)	(1,058,854)
Payment of interest on lease liabilities	23(c)	(30,644)	(43,905)
Tax paid		(8,628,854)	(6,301,922)
Net cash generated from operating activities		**41,839,339**	**15,899,501**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		303,434	33,898
Purchase of property, plant and equipment	13	(7,884,021)	(3,850,490)
Additions to capital work-in-progress	14	(3,012,808)	(3,652,294)
Purchase of intangible assets	15	(43,293)	(555,967)
Net cash used in investing activities		**(10,636,688)**	**(8,024,853)**
Cash flows from financing activities			
Dividends paid	21	(7,303,818)	-
Repayment of term loan	22	(21,424,375)	(6,811,500)
Repayment of lease liability	23(b)	(148,090)	(213,478)
Net cash used in financing activities		**(28,876,283)**	**(7,024,978)**
Net change in cash and cash equivalents		**2,326,368**	**849,670**
Cash and cash equivalents at start of year		**8,486,203**	**7,636,533**
Cash and cash equivalent at end of year	18	**10,812,571**	**8,486,203**

The notes on pages 115 to 150 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Company information

Cipla Quality Chemical Industries Limited ("the Company") was incorporated on June 10, 2005 as a joint venture between Quality Chemicals Limited (QCL) an entity incorporated in Uganda and CiplaQCIL Limited, an entity incorporated in India ("CiplaQCIL") through its wholly owned subsidiary, Meditab Holdings Limited, an entity incorporated in Mauritius ("Meditab") for the manufacture and sale of pharmaceutical drugs with emphasis on ARVs and ACTs.

On November 11, 2013 CiplaQCIL increased its effective stake (through Meditab) in the Company from 36.55% to 51.05% by acquiring an additional 14.5% of the Company from QCL. This restructuring made the Company a subsidiary of Meditab which in turn is an indirectly held, wholly owned subsidiary of CiplaQCIL Limited. The Company's name was subsequently changed from Quality Chemical Industries Limited to Cipla Quality Chemical Industries Limited effective March 24, 2014.

On August 6, 2015, CiplaQCIL acquired an additional 11.25% stake in the Company through its wholly owned subsidiary, CiplaQCIL (EU). The effective interest of CiplaQCIL in the Company as at March 31, 2018 was 62.3%. The Company converted to a public Company on October 7, 2016.

On September 16, 2018, the Company listed 657,179,319 of its shares on the Uganda Securities Exchange (USE) for individual and institutional shareholders. New shareholders held 17.78% of the Company's shareholding as at March 31, 2020. During the IPO, CiplaQCIL EU sold off 405,804,411 of its shares, effectively reducing CiplaQCIL's interest in the Company to 51%. Capital Works sold off 118,722,734 shares and other shareholders sold off 124,857,341 shares.

2. Significant 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 ('IFRSs') and presented in Uganda Shillings ('UShs') which is the Company's functional currency.

All financial amounts presented in Uganda Shillings 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.

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 International Financial Reporting Standards ('IFRSs') and in compliance with the requirements of the Companies Act, 2012.

These accounting policies have been applied consistently throughout the current period and in all periods presented.

c) New standards, interpretations and amendments to standards

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the accounting periods beginning on or after 1 January 2023 or later periods:

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.	Unlikely there will be a material impact.
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.	Unlikely there will be a material impact.
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.	Unlikely there will be a material impact.
IFRS 17 Insurance contracts	January 1, 2023	The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	Unlikely there will be a material impact.

2. Significant accounting policies (continued)

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

Standard/ amendment	Effective date - Year beginning on or after	Key requirements	Impact
Lease Liability in a Sale 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.	Unlikely there will be a material impact.
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: a. 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; b. stating that management's expectations around whether they will defer settlement or not does not impact the classification of the liability. c. adding guidance about lending conditions and how these can impact classification d. including requirements for liabilities that can be settled using an entity's own instruments.	Unlikely there will be a material impact.
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.	Unlikely there will be a material impact.

2. Significant accounting policies (continued)

d) Use of significant judgement 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 within the next financial year are:

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 provision for obsolescence should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, provision for obsolescence is made where the net realizable 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 income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies. The Company considers (i) timing differences that are expected to reverse during the tax holiday period and are not recognised because they are offset against the government grant; and (ii) timing differences which reverse after the tax holiday period, and should be recognized in the financial statements.

Income taxes

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

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. Sometimes 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 judgements 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 ECL 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 expected credit losses (ECL) scenarios and the relevant inputs used. The Company has made a number of assumptions in calculating expected credit losses for its various financial assets; the Company has elected to apply a 12-month credit loss to derive expected credit losses 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 judgements as to whether there are any conditions that indicate potential impairment of such assets.

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)

Measurement categories of financial assets and liabilities

The Company classifies and measures 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 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 and 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.

Level 2 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 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.

e) Financial instruments (Continued)

Receivables and financial investments

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- 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.

The details of these conditions are outlined below:

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:

- 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.
- 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)
- 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.

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 judgement 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.

e) Financial instruments (Continued)

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 recipients; 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.

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.

e) Financial instruments (Continued)

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 more forward-looking information to recognise expected credit losses – the expected credit loss (ECL) model. 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 expected credit losses, 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 expected credit losses. 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 expected credit losses 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 fair value through profit or loss. 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 and effective as hedging instruments).

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 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, 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 it's carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised

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

Buildings Lower of 4% and lease period of land the building stands

Motor vehicles	4 years
Tools and equipment	4 years
Computers	3 years
Furniture and fittings	4 years
Plant and machinery	10 years
Right-of-use assets	3-5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the 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.

2. Significant accounting policies (continued)

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 to six years; and
- Patents, which are amortised over a period of 10 years.

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 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 (the "cash-generating unit, or 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 that the 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 and 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.

2. Significant accounting policies (continued)

j) Employee benefits

Short term employee benefits

A majority of the Company`s employees are eligible for annual leave. The Company also contributes for its employees to the National Social Security Fund (NSSF). Provisions for annual leave and 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 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 plan

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 for the year they relate.

The Company and all its' employees contribute to the National Social Security Fund, 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 employees the 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 to 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 taxation 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 except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

j) Employee Benefits (Continued)

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.

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) Government grants

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.

n) Revenue from contracts with customers

Revenue arises mainly from the sale of antiretroviral (ARVs), antimalarial (ACT) and other pharmaceutical combinations. To determine whether to recognise revenue, the Company follows a 5-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, 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 by the customer.

When such items are either customized or sold together with 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 passage of title to the customer, which generally coincides with their delivery and acceptance. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, 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 the corporate laws in Uganda, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. The approved dividend is recognised as liability until paid. Interim dividend is charged to equity when paid.

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.

2. Significant accounting policies (continued)

p) Fair Value Assessment (Continued)

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 at fair 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 Cost model
- Financial instruments (including those carried at amortized cost)
- Contingent consideration

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 assess 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 balance sheet. 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 the lease 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.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), 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 of the Company to pay. Proposed dividends are disclosed in the notes.

3. Revenue

	2023 UShs '000	2022 UShs '000
Local sales	171,873,381	187,490,106
Exports	49,592,995	79,942,248
	221,466,376	**267,432,354**

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

	2023 UShs '000	2022 UShs '000
ARVs	160,450,821	201,234,766
ACTs	56,617,591	57,152,888
Others	4,397,964	9,044,700
	221,466,376	**267,432,354**

4. Cost of sales

	2023 UShs '000	2022 UShs '000
Material consumed	121,363,523	160,156,601
Other production overheads	10,816,199	11,231,544
Staff expenses (note 7)	8,519,190	8,866,599
Depreciation (note 8)	8,031,980	7,481,503
Technical service	6,255,191	6,104,198
Stock write-off	681,191	26,311
Movement in provision for obsolete stock	(1,209,486)	2,856,625
	154,457,788	**196,723,381**

5. Other income

	2023 UShs '000	2022 UShs '000
Sale of scrap	67,285	94,092
Gain on disposal of property, plant and equipment	265,811	33,898
	333,096	**127,990**

6. General and administrative expenses

	2023 UShs '000	2022 UShs '000
Staff expenses (note 7)	25,371,248	22,623,387
Advertising and promotions	11,187,915	10,651,594
Other administration expenses	11,499,693	12,254,383
Office expenses	3,093,106	3,569,213
Depreciation (note 8)	1,236,659	1,139,899
Amortisation (note 15)	474,448	449,770
Bank charges	272,691	368,356
Professional fees	739,918	561,735
Auditor's remuneration	119,614	108,449
	53,995,292	**51,726,786**

7. Staff expenses

	2023 UShs '000	2022 UShs '000
Salaries and wages	20,693,887	19,171,827
Medical	2,046,377	2,140,334
NSSF contribution	2,128,225	2,013,728
Staff welfare	1,285,448	1,473,324
Catering	1,633,668	1,391,986
Provision of staff bonus - net	1,731,267	1,547,983
Provident fund	3,858,236	3,667,883
Leave provision charge/(release)	157,703	(102,171)
Training costs	339,356	86,586
Staff recruitment costs	16,271	98,506
	33,890,438	**31,489,986**
Staff costs are allocated as follows:		
Cost of sales (note 4)	8,519,190	8,866,599
General and administrative expenses (note 6)	25,371,248	22,623,387
	33,890,438	**31,489,986**

8.Depreciation expense

	2023 UShs '000	2022 UShs '000
Depreciation allocated as follows:		
Cost of sales (note 4)	8,031,980	7,481,503
General and administrative expenses (note 6)	1,236,659	1,139,899
	9,268,639	**8,621,402**

9. Finance income

	2023 UShs '000	2022 UShs '000
Interest received on bank deposits	625,317	-
Net foreign exchange gain	3,218,663	-
	3,843,980	**-**

10. Finance costs

	2023 UShs '000	2022 UShs '000
Interest on term loans	744,359	1,058,854
Interest on bank overdraft	293,227	296,257
Net foreign exchange loss	-	144,046
Interest on finance lease liabilities	30,644	43,905
	1,068,230	**1,543,062**

11. Profit before tax

Profit before tax is stated after charging:

	2023 UShs '000	2022 UShs '000
Depreciation	9,268,639	8,621,402
Net foreign exchange (gains)/losses	(3,218,663)	144,046
Amortisation	474,448	449,770
Directors' remuneration	6,520,313	5,498,251
Auditor's remuneration	119,614	108,449
Gain on disposal of property, plant and equipment	**265,811**	**33,898**

12. Taxation

a. Amounts recognised in the statement of profit or loss

	2023 UShs '000	2022 UShs '000
Current income tax charge	6,583,335	7,681,868
Deferred tax charge	6,213,326	6,041,747
	12,796,661	**13,723,615**

b. Reconciliation of tax expense to tax as per accounting profit

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:

	2023 UShs '000	2022 UShs '000
Profit before tax	31,783,379	37,774,216
Tax calculated at the statutory income tax rate of 30%	9,535,014	11,332,265
Tax effect of:		
Expenses not deductible for tax purposes	3,261,647	2,391,350
	12,796,661	**13,723,615**

c. Deferred tax (liability)/asset

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:

	2023 UShs '000	2022 UShs '000
At the start of the year	5,139,094	11,180,841
Charged to statement of profit or loss	(6,213,326)	(6,041,747)
	(1,074,232)	**5,139,094**

d. Income tax recoverable

	2023 UShs '000	2022 UShs '000
Income tax receivable	**2,104,114**	**58,595**

As at March 31, 2023, UShs 2,104 million (2022: UShs 59 million) 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 the year. The amount will be offset against future income tax obligations.

13. Property, plant, equipment, and right-of-use assets

	Right-of-use asset UShs '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 as at April 1, 2021	**3,585,171**	**33,219,076**	**73,308,868**	**1,718,274**	**2,747,925**	**3,494,048**	**5,791,392**	**123,864,754**
Additions	-	386,105	2,326,164	36,587	812,206	137,718	151,710	3,850,490
Transfer from CWIP (Note 14)	-	-	6,938,601	-	-	-	192,111	7,130,712
On disposals	-	-	-	-	(244,186)	-	-	(244,186)
Balance as at March 31, 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**
Balance as 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 14)	-	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 as 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**
ACCUMULATED DEPRECIATION								
Balance as at 1 April 1, 2021	**342,628**	**9,451,583**	**42,789,181**	**1,195,177**	**2,243,192**	**2,484,710**	**2,663,031**	**61,169,502**
Depreciation charge for the year	207,453	1,328,968	5,059,740	190,677	225,637	509,584	1,099,343	8,621,402
On disposals	-	-	-	-	(244,186)	-	-	(244,186)
Balance as at March 31, 2022	**550,081**	**10,780,551**	**47,848,921**	**1,385,854**	**2,224,643**	**2,994,294**	**3,762,374**	**69,546,718**
Balance as 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 as 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**
NET CARRYING VALUE								
Balance as 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**
Balance as at March 31, 2022	**3,035,090**	**22,824,630**	**34,724,712**	**369,007**	**1,091,302**	**637,472**	**2,372,839**	**65,055,052**

14 Capital work-in-progress

	Buildings UShs '000	Plant & machinery UShs '000	Furniture and fittings UShs '000	Computers UShs '000	Tools & equipment UShs '000	Total UShs '000
Balance as at April 1, 2021	**-**	**7,169,912**	**-**	**409**	**24,061**	**7,194,382**
Additions	229,054	2,379,232	-	10,824	1,033,184	3,652,294
Transfer to property, plant and equipment	-	(6,938,601)	-	-	(192,111)	(7,130,712)
Balance as at March 31, 2022	**229,054**	**2,610,543**	**-**	**11,233**	**865,134**	**3,715,964**
Balance as 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 as at March 31, 2023	**550,525**	**2,368,980**	**3,963**	**765**	**97,846**	**3,022,079**

The capital work-in-progress (CWIP) mainly represents the cost of the machinery under installation and progressing construction work at the Luzira factory.

15. Intangible assets

	2023 UShs '000	2022 UShs '000
COST		
At start of year	3,793,963	3,237,996
Additions	43,293	555,967
At end of year	**3,837,256**	**3,793,963**
ACCUMULATED AMORTISATION		
At start of year	2,461,396	2,011,626
Amortisation for the year	474,448	449,770
At end of year	**2,935,844**	**2,461,396**
NET CARRYING VALUE	**901,412**	**1,332,567**

Intangible asset mainly relates to SAP software currently used by the Company for its financial accounting.

16. Inventories

	2023 UShs '000	2022 UShs '000
Raw materials	19,147,916	41,853,760
Finished goods	20,339,370	8,434,786
Work-in-progress	14,788,111	11,679,659
Packing materials	8,019,137	8,733,872
Stocks in transit	8,549,869	14,727,170
Spares and consumables	1,035,093	1,715,572
	71,879,496	87,144,819
Less: provision for obsolete inventories	**(5,543,717)**	**(6,753,203)**
	66,335,779	**80,391,616**

In 2023, a net reversal of provision for obsolete inventories of UShs 1,209 million (2022: charge of UShs 2,883 million) was recognized in the statement of profit or loss and included in cost of sales.

17. Trade and other receivables

	2023 UShs '000	2022 UShs '000
Financial instruments		
Trade receivables	60,561,966	100,335,106
Less: expected credit losses	(11,825,673)	(26,776,910)
	48,736,293	**73,558,196**
Other receivables	1,717	534,537
Non-financial instruments		
Advance payments to suppliers	7,798,727	3,033,747
VAT recoverable	4,859,212	4,954,153
Prepayments	1,509,021	412,151
Staff advances	46,629	10,956
	62,951,599	**82,503,740**
Movement in expected credit losses		
Opening balance	26,776,910	46,984,011
Reversal of impairment allowance	(15,661,237)	(20,207,101)
Closing balance	**11,825,673**	**26,776,910**

Included in the reversal of the impairment allowance was an amount of UShs 14.7 billion (2022: UShs 19.2 billion) that was recorded on collection UShs 14.7 billion (2022: UShs 19.2 billion) from the Government of Zambia during the year. This receivable had been fully impaired in the earlier years.

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

	2023 UShs '000	2022 UShs '000
Grading of receivables		
High grade (0-90 days)	47,168,860	73,433,342
Standard grade (91-365 days)	1,500,332	132,177
Impaired over 365 days	3,328,761	3,557,961
Individually impaired and over 365 days	8,564,013	23,211,626
Total	**60,561,966**	**100,335,106**

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

	2023 UShs '000	2022 UShs '000
Movement in gross trade receivables		
Opening balance	100,335,106	100,998,956
Sales during the year	221,466,376	267,432,354
Write-off during the year	-	(222,137)
Receipts	(261,239,516)	(267,874,067)
Closing balance	**60,561,966**	**100,335,106**

Expected credit loss assessment for customers

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

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
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 past due	97.46%	11,910,135	11,607,198	Yes
		60,561,966	**11,825,673**	
As at March 31, 2022				
Current (not past due)	0.45%	63,367,147	285,565	No
1-30 days past due	22.25%	423,500	94,208	No
31-60 days past due	0.65%	9,328,599	60,395	No
61-90 days past due	58.74%	15,082	8,860	No
90 -180 days past due	61.88%	94,789	58,658	Yes
180 -365 days past due	45.68%	37,388	17,080	Yes
More than 365 past due	96.98%	27,068,601	26,252,144	Yes
		100,335,106	**26,776,910**	

18. Cash and cash equivalent

	2023 UShs '000	2022 UShs '000
Cash in hand	1,648	38
Cash at bank	10,810,923	8,486,165
	10,812,571	**8,486,203**

The cash and bank balances are held at Absa Bank Uganda Limited and Standard Chartered Bank (U) Limited and, to the extent that the Directors are able to measure any credit risk to these assets, it is deemed to be limited. Accordingly, the Company has not recognised an impairment allowance on bank balances as at March 31, 2023 (2022: Nil). The overdraft facilities were obtained from Absa Bank Uganda Limited (Absa) and Standard Chartered Bank (U) Limited (Standard Chartered) for cash management purposes. Both facilities have a limit of USD 10 million (2022: USD 10 million). The Absa overdraft interest rate is 4 % p.a above 3 months SOFR while the Standard Chartered interest rate is 3.5% p.a. above 3 months SOFR.

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

	2023 UShs '000	2022 UShs '000
US dollar	4,466,185	7,285,348
Uganda Shilling	6,344,738	1,200,817
	10,810,923	**8,486,165**

19. 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 shareholders in the Company are shown in the table below:

	2023		2022	
	Shares	Percentage	Shares	Percentage
Meditab Holdings Limited	1,864,299,646	51.05%	1,864,299,646	51.05%
AMISTAD	420,402,713	11.51%	420,402,713	11.51%
Capital Works SSA1	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%
Baguma George William	101,933,042	2.79%	101,933,042	2.79%
CiplaQCIL EU Limited	4,871,038	0.13%	4,871,038	0.13%
Yiga Joseph	4,000,000	0.11%	4,000,000	0.11%
Others	64,023,100	1.76%	64,023,100	1.76%
	3,651,909,200	**100%**	**3,651,909,200**	**100%**

c. Spread of shares

	No. of investors	No. of shares held	Percentage holding
Holding as 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	0.08%
Between 5,001 and 10,000 Shares	402	3,424,200	0.10%
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%**
Holding as at March 31, 2022			
Between 0 and 1,000 Shares	450	394,575	0.01%
Between 1,001 and 5,000 Shares	965	2,686,262	0.07%
Between 5,001 and 10,000 Shares	403	3,441,429	0.09%
Between 10,001 and 1,000,000 Shares	752	49,188,734	1.35%
Above 1,000,001 Shares	15	3,596,198,200	98.48%
	2,585	**3,651,909,200**	**100.00%**

d. Basic and diluted earnings per share

	2023 USHs '000	2022 USHs '000
Profit attributable to ordinary shareholders of the Company	18,986,718	24,050,601
Weighted average number of ordinary shares in issue during the year	3,651,909,200	3,651,909,200
Basic and diluted earnings per share (UShs '000)	**5.20**	**6.59**

Diluted earnings per share amounts are 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.

20. Capital grant

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 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 have it appropriated into a separate reserve under equity.

21. Dividends

The Board of Directors have recommended the declaration of a dividend of UShs 2.5 per share for the year ended March 31, 2023 (2022: Final dividend of UShs 2.0 per share).

22. Term loan

	2023 UShs '000	2022 UShs '000
Current portion	5,400,750	6,868,500
Non-current portion	-	18,888,375
	5,400,750	**25,756,875**

The Company obtained a term loan from Standard Chartered Bank (U) Limited of $ 9,500,000 at weighted average interest rate of 5.87% in November 2020 to refinance the capital expenditure originally financed using short term funds. The loan is unsecured and is repayable by September 2025 and no penalties are applicable on early repayments of the loan.

The movement in bank borrowings is as follows:

	Term loan UShs '000	Bank overdraft UShs '000	Total UShs '000
Year ended March 31, 2023			
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**
Year ended March 31, 2022			
At start of year	33,212,000	(354,164)	32,857,836
Interest charged to profit or loss	1,058,854	296,257	1,355,111
Foreign exchange loss	(643,625)	-	(643,625)
Cash flows:			
Interest paid	(1,058,854)	(296,257)	(1,355,111)
Repayment of bank borrowings	(6,811,500)	354,164	(6,457,336)
At end of year	**25,756,875**	**-**	**25,756,875**

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

	2023 UShs '000	2022 UShs '000
6 months or less	3,600,500	3,434,250
6 - 12 months	1,800,250	3,434,250
1 - 5 years	-	18,888,375
	5,400,750	**25,756,875**

23. Right-of-use assets and lease liabilities

	Leasehold land UShs '000	Leased motor vehicles UShs '000	Leased warehouse UShs '000	Total UShs '000
a) Right-of-use assets				
As at March 31, 2022				
At start of year	2,776,233	370,308	96,002	3,242,543
Depreciation	-	(111,451)	(96,002)	(207,453)
At end of year	**2,776,233**	**258,857**	**-**	**3,035,090**
As at 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**
b) Lease liabilities				
As at March 31, 2023				
Current	-	49,816	-	49,816
Non-current	-	67,462	-	67,462
At end of year	**-**	**117,278**	**-**	**117,278**
Cash outflow for leases in year was:				
Payment for principal portion of lease liability	-	148,090	-	148,090
Payment of interest on lease liabilities	-	30,644	-	30,644
	-	**178,734**	**-**	**178,734**
As at March 31, 2022				
Current	-	109,850	-	109,850
Non-current	-	137,536	-	137,536
At end of year	**-**	**247,386**	**-**	**247,386**
Cash outflow for leases in year was:				
Payment for principal portion of lease liability	-	107,704	105,774	213,478
Payment of interest on lease liabilities	-	26,115	17,790	43,905
	-	**133,819**	**123,564**	**257,383**
c) Reconciliation of lease liabilities arising from financing activities:				
At start of year	**-**	**247,386**	**-**	**247,386**
Charged to statement of profit or loss:				
Interest on finance lease liabilities	-	30,644	-	30,644
Foreign exchange loss	-	17,982	-	17,982
Cash flows:				
Operating activities	-	(30,644)	-	(30,644)
Cash flows from financing activities	-	(148,090)	-	(148,090)
At end of year	**-**	**117,278**	**-**	**117,278**

The Company leases land, warehouses and motor vehicles. The leases for the land and warehouse are for 99 years and 3 years respectively. The leases for the motor vehicles are for periods of 3 and 4 years. All these leases have no option for renewal.

None of the leases contains any restrictions or convents other than protective rights of the lessor or carries a residual value guarantee

24. Trade and other payables

	2023 UShs '000	2022 UShs '000
Trade payables	14,866,274	45,138,423
Accruals	8,917,848	8,219,675
Withholding tax payable	17,923	995,923
Due to related parties	11,660,289	6,594,984
	35,462,334	**60,949,005**

25. Related parties

The Company is controlled by Meditab Holdings Limited incorporated in Mauritius which owns 51.05% of the Company's shares. The remaining 48.95% are widely held. The ultimate parent Company is CiplaQCIL Limited incorporated in India.

The following are the key related parties:

Name	Nature of relationship
Quality Chemicals Limited, Uganda	Common Directorship
Meditab Holdings Limited, Mauritius	Parent Company
Meditab Specialties Private Limited, India	Holding Company of Meditab Holdings Limited
Sitec Labs Private Limited, India	Subsidiary of Meditab Specialties Private Limited, India
CiplaQCIL Kenya Limited	Subsidiary of CiplaQCIL Limited
CiplaQCIL Medpro South Africa (Pty) Limited	Subsidiary of CiplaQCIL Limited
CiplaQCIL Limited, India	Ultimate Holding Company

The values and nature of transactions with related parties during the year were as follows:

Related parties	Nature of transactions	2023	2022
		UShs '000	UShs '000
CiplaQCIL Limited	Purchase of raw materials	1,691,745	5,002,020
	Technical services fees	6,255,191	6,104,198
	Sale of goods	-	34,625
	IT services	667,448	440,135
	Purchase of machinery	-	60,716
CiplaQCIL Kenya Limited	Purchase of finished goods	10,008	122,607
	Sale of goods	-	62,188
Sitec Labs Private Limited	Laboratory services	232	10,337
CiplaQCIL Medpro South Africa (Pty) Limited	Sale of ARVs	27,101,518	54,598,076
	Purchase of machinery	103,411	-
Total transactions with related parties		**35,829,553**	**66,434,902**

The following were balances as at March 31:

Due from related parties	2023	2022
	UShs '000	UShs'000
CiplaQCIL Medpro South Africa (Pty) Limited	1,879,721	12,157,364
CiplaQCIL Limited	2,254,865	832,198
	4,134,586	**12,989,562**
Due to related parties		
CiplaQCIL Limited	11,642,246	6,591,105
CiplaQCIL Medpro South Africa (Pty) Limited	17,797	3,681
Sitec Labs Private Limited	246	198
	11,660,289	**6,594,984**

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

Key management compensations

	2023 UShs '000	2022 UShs '000
Short-term employee benefits	6,166,179	5,270,494

26. 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.

27. 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 oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables and finance lease liabilities.

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

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and price 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 (Uganda Shillings). 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 US Dollars. 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
As at March 31, 2023		
Financial assets		
Cash at bank	1,178,413	4,466,185
Trade and other receivables	14,061,706	53,293,864
Due from related parties	**728,922**	**2,762,613**
	15,969,041	**60,522,662**
Financial liabilities		
Trade and other payables	2,782,912	10,547,237
Lease liabilities	30,944	117,278
Due to related parties	3,071,898	11,642,492
	5,885,754	**22,307,007**
Net currency exposure - Assets	**10,083,287**	**38,215,655**
As at March 31, 2022		
Financial assets		
Cash at bank	2,015,310	7,285,348
Trade and other receivables	23,043,694	83,302,954
Due from related parties	3,612,049	13,057,557
	28,671,053	**103,645,859**
Financial liabilities		
Trade and other payables	10,032,775	36,268,482
Lease liabilities	186,645	674,722
Due to related parties	1,556,196	5,625,649
	11,775,616	**42,568,853**
Net currency exposure - Assets	**16,895,437**	**61,077,006**

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 US dollar, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated assets and liabilities with all other variables held constant.

	2023 UShs '000	2022 UShs '000
+1	(267,510)	(427,539)
-1	267,510	427,539

ii) Interest rate risk

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

The analysis below summarises the post tax effect on profit/(loss) and components of equity, if interest rates on Uganda Shilling 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.

	2023 UShs '000	2022 UShs '000
+1	(152,773)	(326,867)
-1	152,773	326,867

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:

	2023 UShs '000	2022 UShs '000
Trade receivables (note 17)	48,738,010	74,092,733
Cash at bank (note 18)	10,810,923	8,486,165
	59,548,933	**82,578,898**

The Company's major customers are National Medical Stores (Government of Uganda), Other sovereign customers, Multilateral agencies, Private market customers and InterCompany customers. The concentration of credit risk of the Company's major customers is as follows:

	2023 UShs '000	2022 UShs '000
National Medical Stores (Government of Uganda)	29,010,264	44,282,110
Other sovereign customers	13,498,292	23,231,414
Multilateral agencies	7,201,534	12,553,211
Private market customers	6,716,492	7,278,808
InterCompany customers	4,135,384	12,989,563
	60,561,966	**100,335,106**

Expected credit losses 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 uses an overlay of measuring and forecasting the level of defaults. The Company does not hold collateral as security.

The expected credit losses 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 expected credit losses 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 considered to be in default (2022: None).

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

	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
	60,561,966	**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**

	2022			
	Gross carrying amount UShs '000	Weighted average loss rates	Expected Credit Loss UShs '000	Net carrying amount UShs '000
Trade receivables				
Sovereign customers	67,513,524	34.38%	23,211,627	44,301,897
InterCompany customers	12,989,563	0.00%	-	12,989,563
Multilateral agencies	12,553,211	0.00%	-	12,553,211
Private market customers	7,278,808	48.98%	3,565,283	3,713,525
	100,335,106	**26.69%**	**26,776,910**	**73,558,196**
Other financial assets				
Advance payments to suppliers	6,308,834	51.91%	3,275,087	3,033,747
VAT recoverable	5,664,153	12.53%	710,000	4,954,153
Staff advances	10,956	0.00%	-	10,956
Other receivables	534,537	0.00%	-	534,537
Cash at bank	8,486,165	0.00%	-	8,486,165
	21,004,645	**18.97%**	**3,985,087**	**17,019,558**
Total financial assets	**121,339,751**	**25.35%**	**30,761,997**	**90,577,754**

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 maturity 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 can be required to pay.

	Up to 3 months UShs '000	3 to 12 months UShs '000	Above 12 months UShs '000	Total UShs '000
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**
As at March 31, 2022				
Lease liabilities	29,324	80,526	137,536	247,386
Trade and other payables	60,949,005	-	-	60,949,005
Term loan	1,717,125	5,151,375	18,888,375	25,756,875
	62,695,454	**5,231,901**	**19,025,911**	**86,953,266**

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, 2022 and March 31, 2023.

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 judgement 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.

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, 2023 the Company did not hold any financial assets, or financial liabilities, at fair value. The carrying amounts of the financial assets and liabilities are held at amortised cost on the statement of financial position.

28. Subsequent events

Africa Capitalworks SSA 3 expressed intention to acquire 51.18% of the issued ordinary shares of the Company from Meditab Holdings Limited and CiplaQCIL (EU) Limited. Since both sellers are wholly owned by CiplaQCIL Limited, the transaction will lead to a change in the ultimate shareholder.

The transaction has not been concluded at the date of this report.

29. Comparatives

Except 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.

08 Supplementary Information

In This Section

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (AGM) of Cipla Quality Chemical Industries Limited ("the Company") for the year ended March 31, 2023, will be held via electronic means on Thursday, August 24, 2023 at 11:00 am to conduct the following business:

ORDINARY BUSINESS

1. To receive, consider and if deemed fit pass an ordinary resolution to adopt the Company's annual financial statements for the year ended 31 March 2023 including the reports of the Directors and External Auditor.
2. To receive, consider and if deemed fit pass an ordinary resolution to adopt the recommendation of the Directors on the declaration of a final dividend of UShs 2.5 per share less withholding tax for the year ended 31 March 2023.
3. To consider and if deemed fit, pass an ordinary resolution to confirm the appointment and re-election of directors in accordance with the provisions of the Company's Articles of Association.
4. To consider and if deemed fit, pass an ordinary resolution to approve the re-appointment of Grant Thornton as External Auditor of the Company for Financial Year 2023/24 and authorise the Board of Directors to set their remuneration.
5. To consider and if deemed fit, pass an ordinary resolution to receive and approve fees payable to Non-Executive Directors for the year 2023/24.
6. To conduct any other business for which due notice will have been duly received.

By Order of the Board

3rd August 2023

Doreen Awanga
Company SECRETARY

Notes:

AGM Registration

1. The AGM shall be held electronically.
2. Registration shall commence on 4th August 2023, at 8:00 am and will close on 22nd August 2023, at 5:00 pm.
3. Shareholders are advised to use any of the options below to register for the AGM:
   i. Dial *284*31# (Uganda mobile networks) or *483*809# (Kenya mobile networks) and follow the prompts or,
   ii. Send a registration email request to CiplaQCILagm@image.co.ke or shareholder@CiplaQCIL.co.ug.
   iii. The registration link circulated to shareholders whose valid email addresses we possess.
4. A shareholder wishing to attend the AGM must submit a valid national identification card or, in the case of a non-Ugandan, a passport or SCD account number in order to facilitate verification.
5. Duly registered shareholders and proxies will be able to follow the AGM proceedings, participate and ask questions using the live stream platform.
6. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers 24 hours before the AGM with a reminder of the AGM and a link to the live stream. A second SMS/USSD prompt shall be sent one hour before the AGM. By registering to attend the AGM, shareholders consent to receive all messages about the AGM.
7. Shareholders may obtain registration support by dialling the helpline number: +256 762 260 804, +254 709170012 between 9:00 a.m. and 5:00 p.m. from Monday to Friday or sending an email to CiplaQCILagm@image.co.ke.

Proxies

8. Shareholders unable to attend the AGM are encouraged to fill in and return a proxy form which can be found in the Annual Report or downloaded from the Company website www.CiplaQCIL.co.ug.
9. Duly completed proxy forms should be delivered to the Company Secretary at the Company's physical address or emailed to CiplaQCILagm@image.co.ke or shareholder@CiplaQCIL.co.ug at least 48 hours before the scheduled time for the meeting. In default of this, it shall be treated as invalid.

Voting

10. Shareholders will receive an SMS prompt with instructions on their registered mobile phone number, alerting them to propose and second the resolutions indicated in the AGM Notice.
11. Voting shall be done electronically using the 'Vote' tab on the live stream link and via USSD. All registered shareholders and proxies may vote (when prompted to) using the live stream link or the USSD prompts.
12. A poll shall be conducted for all the resolutions indicated in the AGM notice. Results of the resolutions voted on will be announced at the end of the meeting and published on the Company's website at www.CiplaQCIL.co.ug and on the Uganda Securities Exchange website at www.use.or.ug.

Shareholder Questions

13. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by sending their written questions by 22nd August 2023 at 11:00 am through the following means:

    a. By dialling the USSD codes *284*31# (Uganda mobile networks) or *483*809# (Kenya mobile networks) and selecting the "Ask Question" option,

    b. by email to CiplaQCILagm@image.co.ke or shareholder@CiplaQCIL.co.ug,

    c. to the extent possible, by physical delivery or registered post, with a return physical address or email address.

    Shareholders must provide their full details (full names, ID/Passport Number/SCD Account Number) when submitting their questions.

14. Although some questions shall be addressed during the AGM, all responses to the questions raised shall be responded to and published on the Company's website following the conclusion of the AGM.

AGM Information

15. The Notice of the AGM, annual report, audited financial statements, proxy form and notes to Agenda 3 & 5 will be uploaded onto the Company website at www.CiplaQCIL.co.ug. The reports may also be accessed via the live stream link or the USSD codes *284*31# or *483*809# under the 'Reports' option.

Dividends

16. Dividend, if approved at the AGM, will be paid on or about September 28, 2023, to shareholders whose names appear on the share register at the close of business on September 7, 2023

17. Shareholders are urged to contact the Share Registrar or their preferred stockbroker to update their contact details for ease of communication and receipt of dividends.

18. Shareholders who have not received 2021/22 dividends are requested to contact the Share Registrar or email shareholder@CiplaQCIL.co.ug.

Contact Details

Company's Registered Office
Cipla Quality Chemical Industries Ltd
Plot 1-7, 1st Ring Road, Luzira Industrial Park
P.O Box 34871, Kampala

Share Registrar
SCD Registrars,
4th Floor, Block A, UAP Nakawa Business Park,
Plot 3-5 New Port-Bell Road.

Proxy**Form**

A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote on his/her stead. A proxy need not be a member of the Company.

I/We...(Name in block letters)

of .... (address in block letters),

being a shareholder(s) and holder(s) of ______ ordinary shares and entitled to vote hereby appoint,

1. ....

   or failing him/her

2. ....

   or failing him/her

3. **The Chairman of the Annual General Meeting**

   as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held via electronic communication on the 24th day of August 2023 starting at 11am and at any adjournment thereof as follows:

AGENDA	VOTES		
	For*	Against*	Withheld*
1. To adopt the Company annual audited financial statements for the financial year ended 31st March 2023 together with the reports of the Directors and External Auditor.			
2. To consider, and if deemed fit, pass an ordinary resolution to declare a final dividend of Ushs 2.5 per ordinary share for the year ended 31st March 2023.			
3. To consider and if deemed fit, pass an ordinary resolution to confirm the appointment and re-election of directors in accordance with the provisions of the Company's Articles of Association.			
3a. To confirm the appointment of Vusi Raseroka as Non-Executive Director			
3b. To confirm the re-election of Mark Daly as Non – Executive Director			
3c. To confirm the re-election of Joseph Baliddawa as Non – Executive Director			
4. To consider, and if deemed fit, pass an ordinary resolution to approve the re-appointment of Grant Thornton as External Auditor of the Company for Financial Year 2023/24 and authorise the Board of Directors to set their remuneration.			
5. To consider, and if deemed fit, pass an ordinary resolution to receive and approve the fees payable to the Non-Executive Directors for the year 2023/24.			

****** Please indicate a cross or tick for each resolution above how you wish your votes to be cast. The 'abstain' option above is provided to enable you to withhold your vote on any resolution. However, it should be noted that a vote abstained is not a vote and will not be counted in the calculation of the proportion of the votes 'for' and 'against' a resolution.*

** If no options are marked, the proxy can vote as deemed fit.*

Signature: ____________________________

Name: ____________________________

Dated this ____ day of _________, 2023

Address: ____________________________

Top 10
Local Shareholders
As at March 31, 2023

Investor Name	Shares Held	% Holding
NATIONAL SOCIAL SECURITY FUND	269,361,386	7.38
BAGUMA GEORGE WILLY	101,933,042	2.79
KATONGOLE EMMANUEL	101,933,042	2.79
MUTEBI FREDERICK KITAKA	101,933,042	2.79
IGA JOSEPH	4,000,000	0.11
HOUSING FINANCE BANK/ UAP INSURANCE- GEN LIFE FUND	2,731,000	0.07
UAP INSURANCE UGANDA LTD	1,923,000	0.05
WILLIAM SAMSON KALEMA	1,442,400	0.03
MUTEBILE TIMOTHY SABITI	1,019,600	0.03
MUTIMBA PATRICK	1,005,000	0.03
Total	**585,358,512**	**16.05**

Top 10
International Shareholders
As at March 31, 2023

Investor Name	Shares Held	% Holding
MEDITAB HOLDINGS LIMITED	1,864,299,646	51.05
AMISTAD LIMITED	420,402,713	11.51
SCB MAURITIUS A/C CAPITALWORKS SSA 1	407,152,191	11.15
GOVERNMENT EMPLOYEES PENSION FUND	312,000,000	8.54
Cipla (EU) LIMITED	4,871,038	0.13
RENAISSANCE SECURITIES(CYPRUS) LIMITED	812,200	0.02
RAJNISH JAIN	779,726	0.02
PATEL NIRAV JASHVANTKUMAR	738,400	0.02
PATEL NAMRATA NIRAV	306,000	0.01
PATEL RAJESHKUMAR ARVINDBHAI	200,000	0.01
Total	**3,011,561,914**	**82.46**

Summary Of
Shareholders
As at March 31, 2023

Nationality	Category	No. of members	No. of shares	Percent holding
Local Investors				
	Corporate	81	280,910,487	7.7%
	Individual	2,382	355,805,956	9.75%
		2,463	**636,716,443**	**17.45%**
Foreign				
	Corporate	6	3,009,537,788	82.41%
	Individual	112	5,654,969	0.16%
		118	**3,015,192,757**	**82.57%**
Grand Totals:		**2,581**	**3,651,909,200**	**100.00%**

Prepared by SCD Registrars

Our
Share Distribution
As at March 31, 2023

Range ID	Description	No. of investors	No. of shares held	Percent holding
1	Between 0 and 1,000 Shares	457	398,126	0.01%
2	Between 1,001 and 5,000 Shares	960	2,673,679	0.08%
3	Between 5,001 and 10,000 Shares	402	3,424,200	0.10%
4	Between 10,001 and 100,000 Shares	747	49,406,095	1.36%
5	Above 100,001 Shares	15	3,596,007,100	98.47%
		2,581	**3,651,909,200**	**100.00%**

CiplaQCIL Integrated Annual Report 2022/23

Company Information

Principal Place of Business

Cipla 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 6061
Kampala, Uganda.

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

Company Secretary

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

Independent Auditor

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

ACCESS TO AFFORDABLE QUALITY MEDICINES

HQs: Plot 1-7, 1st Ring Road, Luzira Industrial Park,
P. O. Box 34871 Kampala-Uganda
Tel: +256 312 341 100
www.CiplaQCIL.co.ug

@CiplaQCILUganda