



**CiplaQCi**

ACCESS TO AFFORDABLE QUALITY MEDICINES

Cipla Quality Chemical Industries Limited

**ANNUAL REPORT**

**2021 - 2022**

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# INTRODUCTION

This is the Cipla Quality Chemical Industries Ltd (“the Company” or “CiplaQCIL”) Annual Report. This report is prepared for CiplaQCIL’s stakeholders.

It contains financial and non-financial information.

It also provides insights into our strategy, financial and operational performance and future outlook in context of the environment we operate in. It presents an assessment of opportunities and risks influencing our ability to address the needs of our stakeholders and create long-term value. As the world has changed and faced numerous challenges over the past few years, what has remained constant is our unwavering commitment to providing equitable access to quality, affordable medicine.

At CiplaQCIL, our focus on people, plant and purpose remains fundamental to our existence. We are proud to be part of an industry that can make a tangible difference in line with our ethos of “**Caring for Life**”.

#### Reporting Period

1 April 2021 - 31 March 2022

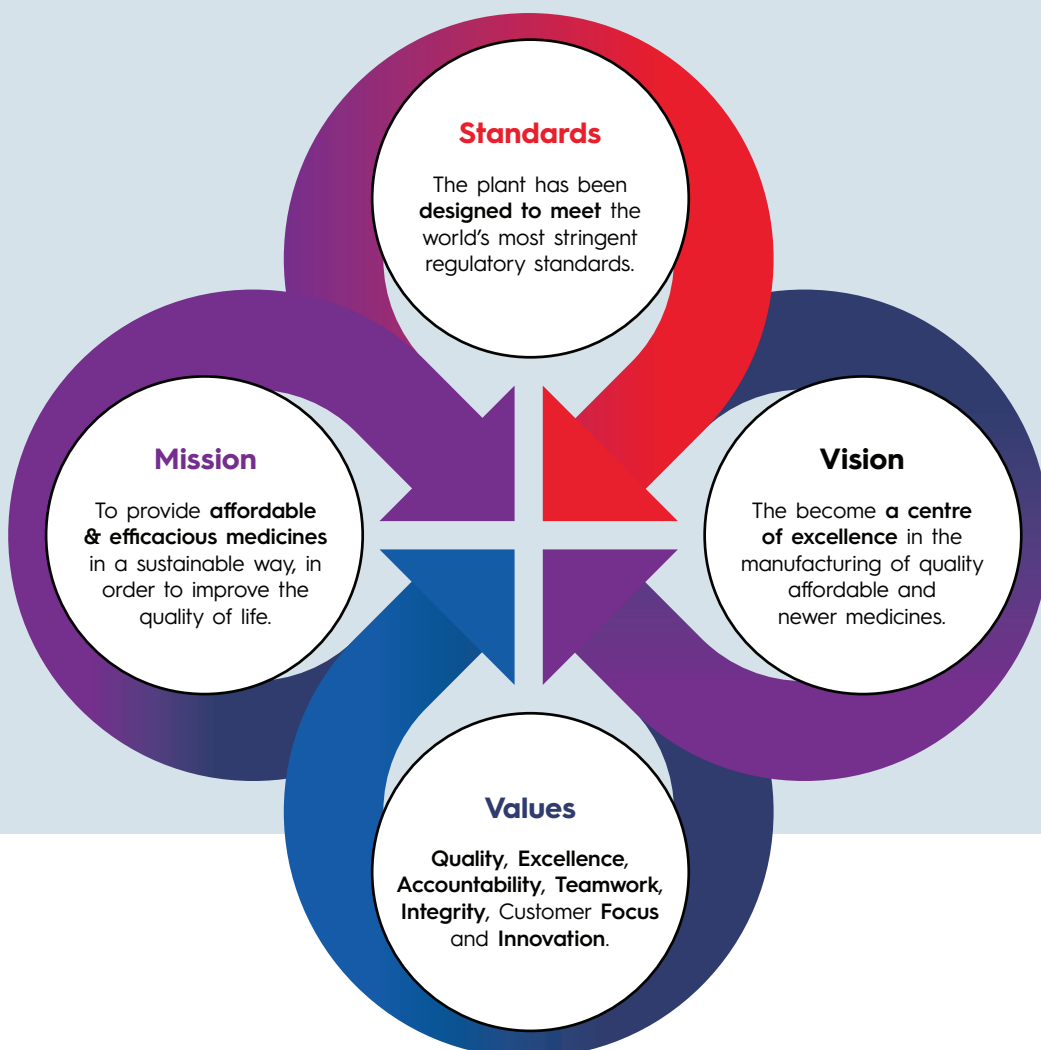
#### Responsibility Statement

Our Board acknowledges the contents of this report which are prepared under the guidance of senior management. We believe that this report is a fair representation of the Company’s overall financial and operational performance for FY 2021-22.

#### Feedback

Feedback, concerns or insights on this Annual Report should be addressed to: [shareholder@ciplaqcil.co.ug](mailto:shareholder@ciplaqcil.co.ug).

CIPLAQCIL'S GOAL IS TO PRODUCE PHARMACEUTICAL PRODUCTS OF THE HIGHEST QUALITY THAT HAVE ZERO ENVIRONMENTAL IMPACT, ADHERE TO CURRENT GOOD MANUFACTURING PRACTICES (CGMP) AND GOOD LABORATORY PRACTICES (GLP), ALL CONSISTENT WITH GLOBAL AND REGIONAL REGULATORY STANDARDS.



OUR GUIDING PRINCIPLES

## HIV / AIDS

At CiplaQCIL, we stand by our motto that everyone should have access to lifesaving medication. In the crusade against HIV, CiplaQCIL has manufactured medication that has revolutionised HIV treatment, changing it from something which was previously considered a death sentence, to something which can be managed like any other chronic condition.

**In 2001, Cipla introduced the world's first ever recommended 3-in-1 fixed dose combination (Stavudine + Lamivudine + Nevirapine) to fight AIDS.**

It was made available at less than \$1 per day compared to over \$12,000 per patient per year prevailing in Uganda and most countries around the world. It's not surprising that today millions of patients worldwide are on our antiretrovirals, and with regular therapy they can live for years and lead a near normal life.

DESCRIPTION	SIZE	DOSAGE
Dolutegravir Sodium / Lamivudine / Tenofovir Disoproxil Fumarate 50 / 300 / 300 mg	<b>1*30</b> <b>1*90</b>	tablets
Efavirenz / Lamivudine / Tenofovir Disoproxil Fumarate 600 / 300 / 300 mg	<b>1*30</b>	tablets
Efavirenz 600 mg	<b>1*30</b>	tablets
Tenofovir Disoproxil Fumarate 300 mg	<b>1*30</b>	tablets
Lamivudine / Zidovudine 150 / 300 mg	<b>1*60</b>	tablets
Efavirenz / Lamivudine / Tenofovir Disoproxil Fumarate 400 / 300 / 300 mg	<b>1*30</b> <b>1*90</b>	tablets
Tenofovir / Lamivudine 300 / 300 mg	<b>1*30</b>	tablets
Tenofovir / Efavirenz / Emtricitabine 300 / 600 / 200 mg	<b>1*30</b>	tablets

# ANTI-MALARIALS

In 2020, the World Health Organisation (WHO) estimated that there were a staggering 241 million malaria cases and 627,000 fatalities in the world. Africa accounted for up to 95% of cases and 96% of malaria fatalities.

Artemisinin based Combination Therapy (ACT) is the best available treatment particularly for Plasmodium Falciparum

**'Caring for Life' is an integral part of our ethos at CiplaQCIL. We are firmly grounded in the belief that no life should be lost, especially not to a treatable disease.**

DESCRIPTION	SIZE	DOSAGE
Artemether / Lumefantrine 20 / 120 mg	1*24	tablets
	1*18	
	1*12	
	1*6	
	30*6	
	30*18	
	30*24	
	30*12	

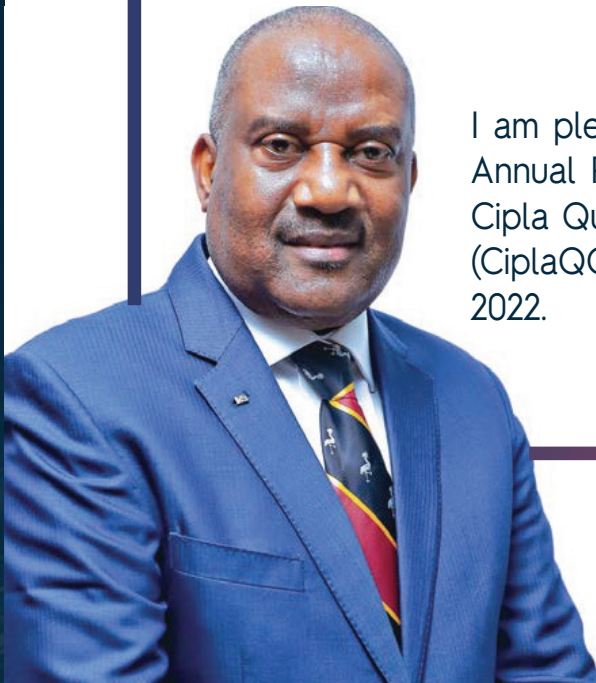
# HEPATITIS B

We believe in continued access to the highest quality medicines at affordable prices - whether a disease affects millions or a few hundred. We have embraced this belief and have made it a part of our **'none shall be denied'** ideology.

We have played a significant role in the management of Hepatitis B with our quality, affordable medication.

DESCRIPTION	SIZE	DOSAGE
Tenofovir Disoproxil Fumarate 300 mg	1*30	tablets
Entecavir Monohydrate 0.5 / 1 mg	1*10	tablets

**Our role in healthcare goes beyond providing the best drugs for diseases to equipping doctors and their patients with the latest information available, aimed at creating greater awareness to fight against the disease.**



I am pleased to present to you the Annual Report and Financial Statements of Cipla Quality Chemical Industries Limited (CiplaQCIL) for the year ended 31 March 2022.

As I reflect on the past years since listing on the Uganda Securities Exchange, it is the power of purpose, that clearly understood sense of direction for our work and our lives that created resilience in response to the challenges we have faced. We continue to be guided by our ethos of "Caring for Life" which propelled us onwards, to help make a difference in people's lives and subsequently put us in a profitable position. This was achieved amidst the challenges of the COVID-19 pandemic. The Company remained resilient and ensured the continued supply of effective and affordable medicines to sustain lives.

## BUSINESS OVERVIEW

We continued to implement our diversification strategy aimed at boosting sales growth by expanding our product portfolio while tapping into new business opportunities in the private market. Our private market growth strategy led to 100% growth in Lumartem sales, our flagship product for the treatment of malaria. Our product portfolio also grew through the introduction of an antibiotic (Azicip - 500), an anti-tuberculosis prophylactic for people living with HIV (Q-TIB), and an analgesic (Cipladon+). We are committed to expanding this portfolio further by introducing 20 more products which are currently in the pipeline. We commercialized our regulatory approvals in various regions, and for

the first time, the Company supplied medicines to the Democratic Republic of the Congo (DRC) and Malawi, in addition to the other countries we have been doing business with. We have maintained our current Good Manufacturing Practices (cGMP) compliance across all territories where we currently have approval. We shall undergo the fourth World Health Organization (WHO) GMP inspection in the upcoming financial year and we are confident that our approval shall be renewed for another three-year cycle.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The Board remains committed to ensuring sustainability of our business and the environment in which we operate. Our business is anchored on doing business the right way so as to save lives. To this end, we remained vigilant in terms of compliance with approved standards. Our plant adheres to various local and international regulatory standards, current Good Manufacturing Practices (cGMP) and Good Laboratory Practices (GLP). This ensures the quality of our products and their efficiency. We believe that doing business the right way is pivotal to ensuring business sustainability.

As a business we measure our success not only by our profitability but also by the impact we have on our environment and the community. In this regard, we made significant milestones by obtaining 3 ISO certifications: for Quality Management Systems (ISO 9001:2015), for Occupational Health and Safety (ISO 45001:2018) and Environmental Management Systems (ISO 14001:2015). We are proud of this achievement as they are a testament to our unrelenting efforts to ensure our business systems and processes are sustainable. During the COVID-19

pandemic, we supported our stakeholders with efforts aimed at sustaining livelihoods.

The Company has set strict sustainability targets to reduce water and energy usage, as well as waste and carbon emissions. Some of these targets include: to be carbon neutral by 2030 and to have zero waste being sent to the landfill by 2030. These targets will be continually monitored by the Board. The Board's Communications Committee was during the past financial year assigned the responsibility of overseeing the implementation of Environmental, Social and Governance (ESG) targets, including tracking the impact of these activities.

The COVID-19 pandemic has proven that organizations succeed best when they are driven by their purpose; a purpose that is beyond profit but ensuring creation of value to all stakeholders. We also believe that by delivering on our purpose, the greatest contribution we make is to improve the health of people around the world. We remain committed to our pursuit of ensuring equitable access to lifesaving, affordable medicines.

Good governance is an important part of the Company's success, and we continue to embrace best practice principles of corporate governance and strive to ensure compliance with all laws and regulations. The Board is committed to ensuring that the long-term interests of stakeholders are protected. In this regard, it performed its oversight role to ensure transparency and accountability.

The Board continued to hold meetings where key decisions were made. To ensure continuous learning and development, the Board completed the Board Excellence Program by Strathmore Business School. The lessons learnt during these training sessions are being implemented in the business.

During the past year, the Board appointed a new CEO Mr Ajay Kumar Pal. He brings a wealth of experience in pharmaceutical manufacturing and as a Board, we look forward to seeing the vision he has for our Company come to fruition.

## STAKEHOLDER ENGAGEMENT

We shall continue to engage all our stakeholders as we believe their support and confidence are key to the success of our Company. We continuously engaged our stakeholders to address any concerns, explore new market opportunities and to obtain their support for our initiatives.

During the year, our team held frequent engagements with various regulators and provided input to the East African Pharmaceuticals Bill. This Bill aims to promote access to locally produced medicines, good manufacturing practices and quality standards. We also remain focused on ensuring shareholder participation in the business.

Amidst the restrictions imposed on physical gathering due to COVID-19, we provided shareholders with a

platform and opportunity to engage with the Board and management team, to ask questions and provide feedback through a virtual Annual General Meeting (AGM). We ensured that the platform selected for the virtual AGM was one that promoted the equal participation of shareholders and protected their rights to vote on resolutions. Shareholders were provided with an opportunity to ask questions at the AGM and responses were submitted. Other avenues employed for engagement of the market were the facts behind the figures sessions held after release of the half year and end-of-year financial results, as well as quarterly newsletters. The Company's investor relations office is also available to address shareholder queries and can be reached through: [shareholder@ciplaqcil.co.ug](mailto:shareholder@ciplaqcil.co.ug).

We will continually create avenues for regular and constructive dialogue with our shareholders to align their interests with the Company objectives and to create shared value.

## DIVIDEND

Based on our performance, the Board has agreed to recommend a dividend of US\$ 2 per share to shareholders for approval. This is the first time since listing that the Company shall be paying dividend. The Board is confident that with better performance, the Company will continually pay dividends and provide return to its shareholders.

# FUTURE OUTLOOK

I look forward to seeing what our Company accomplishes by continuing to live our purpose of "Caring for Life". The past years have reinforced the power of a common purpose, and will continue to guide us into the next financial year. It will also be our drive to doing whatever we can to make a difference in addressing the most pressing needs of society. We will continue to collaborate with our regulators and the Government to ensure that we play our role in producing life-saving medicines. The construction of our oncology plant is expected to commence in the next financial year and we will hopefully be able to commence manufacturing of cancer, sickle cell and tuberculosis medicines in 2024. We shall also launch various products for the

treatment of communicable diseases in the near future. Despite the challenging and unpredictable geopolitical and economic environment across the globe, we shall remain committed to our purpose. We are confident that with the increased product portfolio we shall be able to meet the needs of our various stakeholders through the provision of life-saving medicines and also ensuring a decent return to shareholders.

## CONCLUSION

On behalf of the Board of Directors, I extend my sincere gratitude to the shareholders for their continued trust and support I wish to thank the Government of Uganda, our regulators, customers, partners and all other stakeholders for their unwavering support

I also extend my sincere gratitude to the CiplaQCIL management and staff for their resilience, hard work and dedication. Even at the heart of the COVID-19 pandemic, our plant continued to operate optimally, thanks to people's passion and commitment. Together, we shall become a centre of excellence in the manufacturing of quality, affordable and newer medicines. Finally, I express my gratitude to my colleagues on the Board for their diligence, leadership and guidance. We believe that the future is bright if we remain rooted in our collective purpose of **#CaringForLife**



**Emmanuel Katongole**

Board Chairman



Dear Shareholders

Greetings to you and your family.

Last year, which was my first year as CEO of the Company had challenges and opportunities.

We were driven by our purpose of unwavering commitment to making a difference in lives of many and building our strategy; keeping the customer at the centre, guided by our mission of access and affordability.

We will keep working on sustainable value creation  
**#Africa for Africa.**



## FINANCIAL RESULTS

We are pleased to present our Annual Report. FY22 was the year where the Company turned profitable after seeing red for the previous two years. The Company delivered 18% EBITDA (Earnings before interest, taxes, depreciation and amortization) growth. Although the revenue was down by 6%, adjusting for one-off orders, we grew by 3% on base business. The liquidity of the Company improved largely due to a recovery of \$5.3Mn from government of Zambia.

## CORPORATE ACHIEVEMENTS

The Company always aims at benchmarking its practices with the best globally and is constantly working towards being an employer of choice. External recognition and certifications in this regard are testimony to Company culture: The Company received the Prudential award for Best Human Resource (HR) Practices for remarkable employee rewards and recognition, and was a runner-up in the consumer and industrial products category for outstanding achievement in financial reporting.

The Company received 3 ISO certifications for Environmental Management System, Occupational Health and Safety Management System and Quality Management System. While we appreciate that our hard work and achievements have been formally acknowledged, we are not resting on our laurels and have set more aggressive targets for the future.

## FUTURE FOCUS

Our moral and ethical responsibility toward each other, future generations, and responsible environmental management, made us set some bold aspirations toward our environmental and social and governance journey. By 2025, we aim to achieve carbon and water neutrality and zero waste to landfill.

The company has embarked on long term sustainable growth strategy, which is underpinned by four strategic drivers, Growth and sustainability, Cost leadership, business development and balance profitability and investment for future.

Underpinned by strategic drivers, your Company has signed MoU with Ministry of Health to manufacture Cancer, Sickle cells and Tuberculosis medicines. This is after the Board had approved investment in anti-cancer & sickle cell drug manufacturing facility.

With the launch of new products like Azee500, Cipladon+ QTIB, the Company plans to diversify its portfolio in therapeutic area like cardiovascular, diabetes, pain and anti-infectives. The Company plans to launch 9 new products during the year.

Third area of priority will be accelerating our digital roadmap. Adopting to digitalization across all aspect of our business operation will help us deeply connected with and add value to our partners.

Your Company will continue to work towards our mission of providing access to affordable quality medicine to the people of Africa.

## CHALLENGES AND MITIGATION

Geopolitical concerns, increasing inflation and fluctuating currency remain some of the top challenges for the business in the new year. With strong risk management, we have implemented actions to mitigate the risk, for example alternate vendor development (AVD), long term contract with suppliers and freight agents, building a continuous improvement system for efficiencies.

We are building a strong portfolio of products which help to diversify our business beyond HIV, Malaria and Hep-B and it will de-risk growth challenges in the long term.

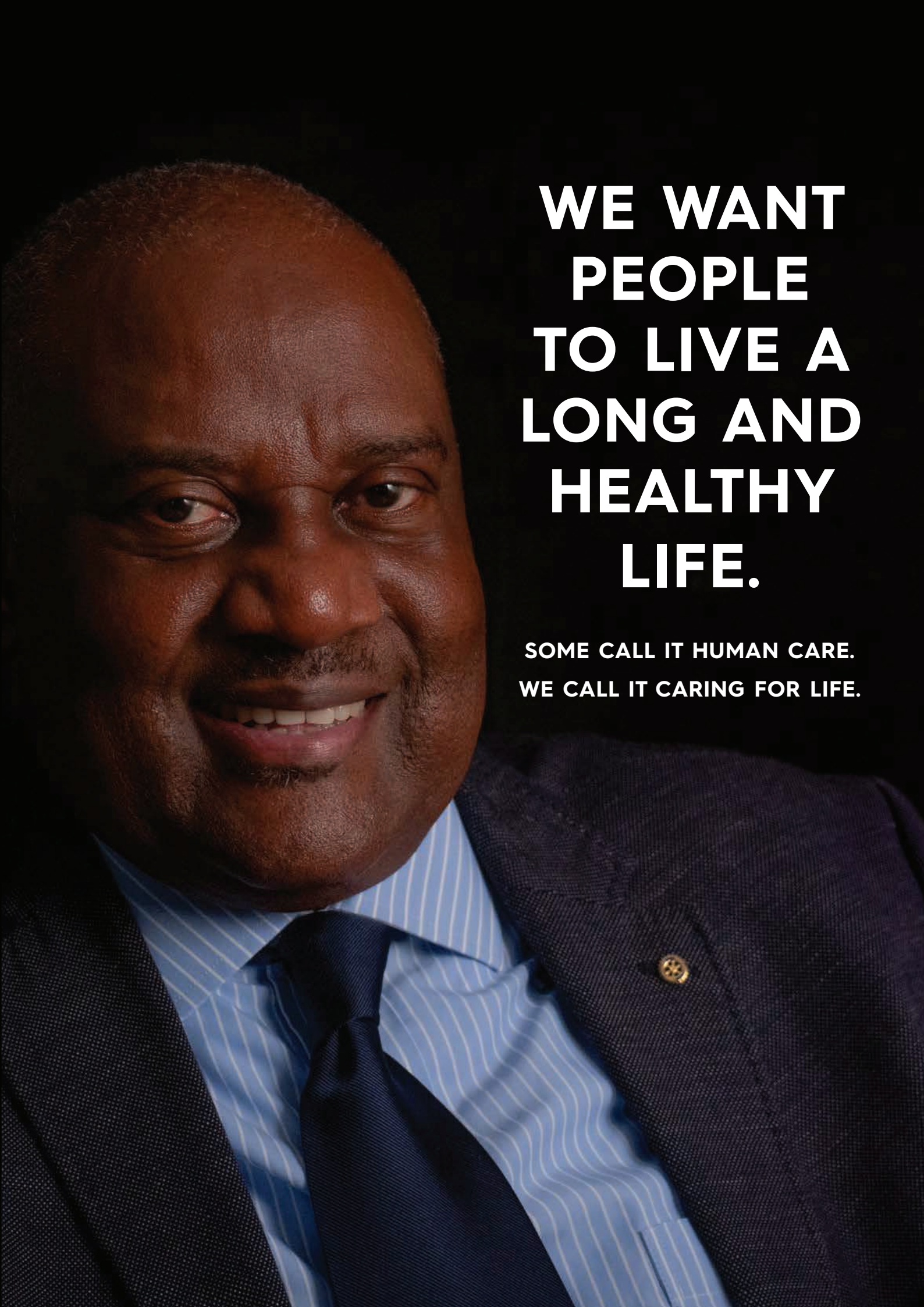
## CONCLUSION

The Company has an aggressive focus on sustainability, aimed at expanding our legacy and ethos of "caring for life" to include people and the planet. We had a strong year and will continue the momentum in the coming years. Our focus will remain on portfolio expansion which underpins our growth strategy of customer base penetration and market acceleration. I would like to express my gratitude to all our associates for their hard work, perseverance, and commitment. Appreciation to the CiplaQCIL Board for continued support and guidance. I thank you our shareholders for your trust and faith in us.



**Ajay Kumar Pal**

Chief Executive Officer



**WE WANT  
PEOPLE  
TO LIVE A  
LONG AND  
HEALTHY  
LIFE.**

**SOME CALL IT HUMAN CARE.  
WE CALL IT CARING FOR LIFE.**

# BOARD OF DIRECTORS



**Emmanuel Katongole**  
Board Chairman



**Ajay Pal**  
CEO / Executive Director



**George Baguma**  
Executive Director



**Dr John Kamili**  
Executive Director



**Paul Miller**  
Non-Executive Director



**Mark Daly**  
Non-Executive Director



**Geena Malhotra**  
Non-Executive Director



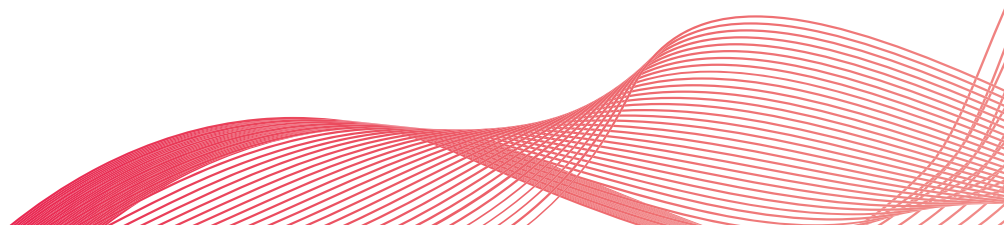
**Stevens Mwanje**  
Non-Executive Director



**Prof Peter Mugenyi**  
Independent  
Non-Executive Director



**Joseph Baliddawa**  
Independent  
Non-Executive Director





**Ajay Pal**  
CEO / Executive Director



**Frederick Andrew  
Kakooza**  
Chief Finance Officer



**Doreen Pachuto  
Awanga**  
Company Secretary



**Harrison Kiggundu**  
Head of Human Resources



**Atul Vadepalli**  
Head of Quality Control /  
Quality Assurance



**Dr John Kamili**  
Company Pharmacist



# MANAGEMENT TEAM

Our manufacturing plant adheres to stringent local and international approvals from key regulatory authorities. We ensure that every product released from our manufacturing facility adheres to all applicable regulatory standards so that every patient is guaranteed medicine of the highest quality.

## 2 REGULATORY INSPECTIONS



ZAZIBONA



National Drug Authority

## 5 MANUFACTURING APPROVALS

In line with our goal of providing quality affordable medicines, we introduced several products and have obtained permission from the National Drug Authority - Uganda to manufacture:

- Albendazole 400 mg tablets
- Ciprofloxacin 500 mg tablets
- Dolutegravir 50 mg tablets,
- Empagliflozin and Metformin 5/1000, 10/1000, 12.5/1000, 25/1000 mg XR tablets,
- Molnupiravir 200 mg and 400 mg capsules,

## PHARMACOVIGILANCE

- We have a stringent global pharmacovigilance system to detect and assess any adverse effects of our medicines. A comprehensive approach covering redressal of drug safety-related complaints, and following standard operating processes assures the safety of our products beyond compliance. In case of any adverse effects, patients can approach us through several channels, including a dedicated phone line and mailbox.
- CiplaQCIL field teams are sensitised about the importance of patient health and safety. Our pharmacovigilance team monitors relevant trends and has access to the latest learning tools to stay informed about industry developments and to ensure our products have a favourable risk-benefit profile.
- In FY22, CiplaQCIL expanded the pharmacovigilance system to Rwanda and is in process to cover the East African Community. During the year under review, there was one regulatory inspection for pharmacovigilance. We achieved 99.9 % compliance towards reporting adverse event cases to the regulatory bodies.



# ENGAGEMENT WITH REGULATORY BODIES AND OTHER STAKEHOLDERS

- CiplaQCIL partners with regulatory authorities across the continent to align on innovative approaches, scientific discussions and prioritisation for filing and lifecycle management of Marketing Authorisations (MAs).

## Regulatory Bodies:

- National Drug Authority
- Rwanda Food and Drug Authority
- Namibia Medicines Regulatory Authority
- Tanzania Medicines and Medical Devices Authority
- Medicines Agency of Madagascar
- Kenya Pharmacy and Poisons Board



# SUCCESSFUL FILINGS IN FY22 INCLUDE

REGION	SUCCESSFUL FILINGS
East African Community	8
SADC	9
ECOWAS	6

COUNTRY	NAME OF AUTHORITIES	HARMONIZED REGISTRATIONS
Ghana	Food and Drug Authority (FDA-Ghana)	
Nigeria	National Agency for Food and Drug Administration and Control (NAFDAC)	
Sierra Leone	Pharmacy Board of Sierra Leone	
Ethiopia	Food, Medicine and Health Care Administration and Control Authority of Ethiopia (FMHACA)	
Kenya	Pharmacy and Poisons Board (PPB)	
South Sudan	Drug and Food Control Authority (DFCA)	
Burundi	Direction de la pharmacie, du Meicament et des Laboratoires; MoH	
Rwanda	Rwanda Food and Drug Authority (RFDA)	
Uganda	National Drug Authority, Uganda (NDA)	
Tanzania	Tanzania Medicines and Medical Devices Authority (TMDA)	
Malawi	Pharmacy and Medicines Regulatory Authority (PMRA)	
South Africa	South African Health Products Regulatory Authority (SAHPRA)	
Zimbabwe	Medicines Control Agency Zimbabwe	
Zambia	Zambia Medicines Regulatory Agency	ZAZIBONA
Botswana	Botswana Medicines Regulatory Authority (BOMRA)	
Namibia	National Medicines Regulatory Council (NMRC)	
DR Congo	Directorate of Pharmacy and Medicine (Direction de la Pharmacie et du Médicament (DPM))	
Mozambique	Departamento Farmacêutico, Ministério da Saúde; MoH	
Ivory Coast	MINISTÈRE DE LA SANTÉ ET DE L'HYGIENE PUBLIQUE DE LA CÔTE D'IVOIRE	
Burkina Faso	Abidjan, Cote d'ivoire	
Guinea Conakry	MINISTERE DE LA SANTE	
Mali	Ministère de la santé République de Guinée	
Guinea Bissau	MINISTÈRE DE LA SANTÉ ET DES AFFAIRES SOCIALES Mali	
Senegal	Ministerio Da Saude	West Africa Health Organization (WAHO)
Benin	Ministère de la santé et de l'action sociale.	
Togo	MONSIEUR LE DIRECTEUR DE L'Agence	
Gambia	MINISTERE DE LA SANTE	
Cape Verde	Medicines Control Agency Gambia	
Liberia	Agência de Regulação e Supervisão dos Produtos Farmacêuticos e Alimentares; MoH	
Niger	Liberia Medicines and Health Products Regulatory Authority; MoH	
Madagascar	A M. Le Ministre	
	Ministere-sante-publique	



**We are not sellers of drugs.**

Not mere manufacturers of medication.

**What we make are memories.**

Memories that may not have been there to be remembered, had a life not been lived.

**And we make time too.** Time we gladly give to those who have **learnt what so many of us have forgotten.**

**The value of every single day.**

The preciousness of every breath, of **every heartbeat.**

And we make tears. **Tears of thanks for the release from pain.**

**And then there's hope.** The hope parents have for the happiness of their children.

You see, we don't have a strategy, **we have a cause.**

We don't have a vision statement, **we have vision.**

**We see a future where good health is expected.**

Not for the few but for the many.

And we don't have consumers or a target market.

**We have Nakato, Edwine, Okello and Sarah.**

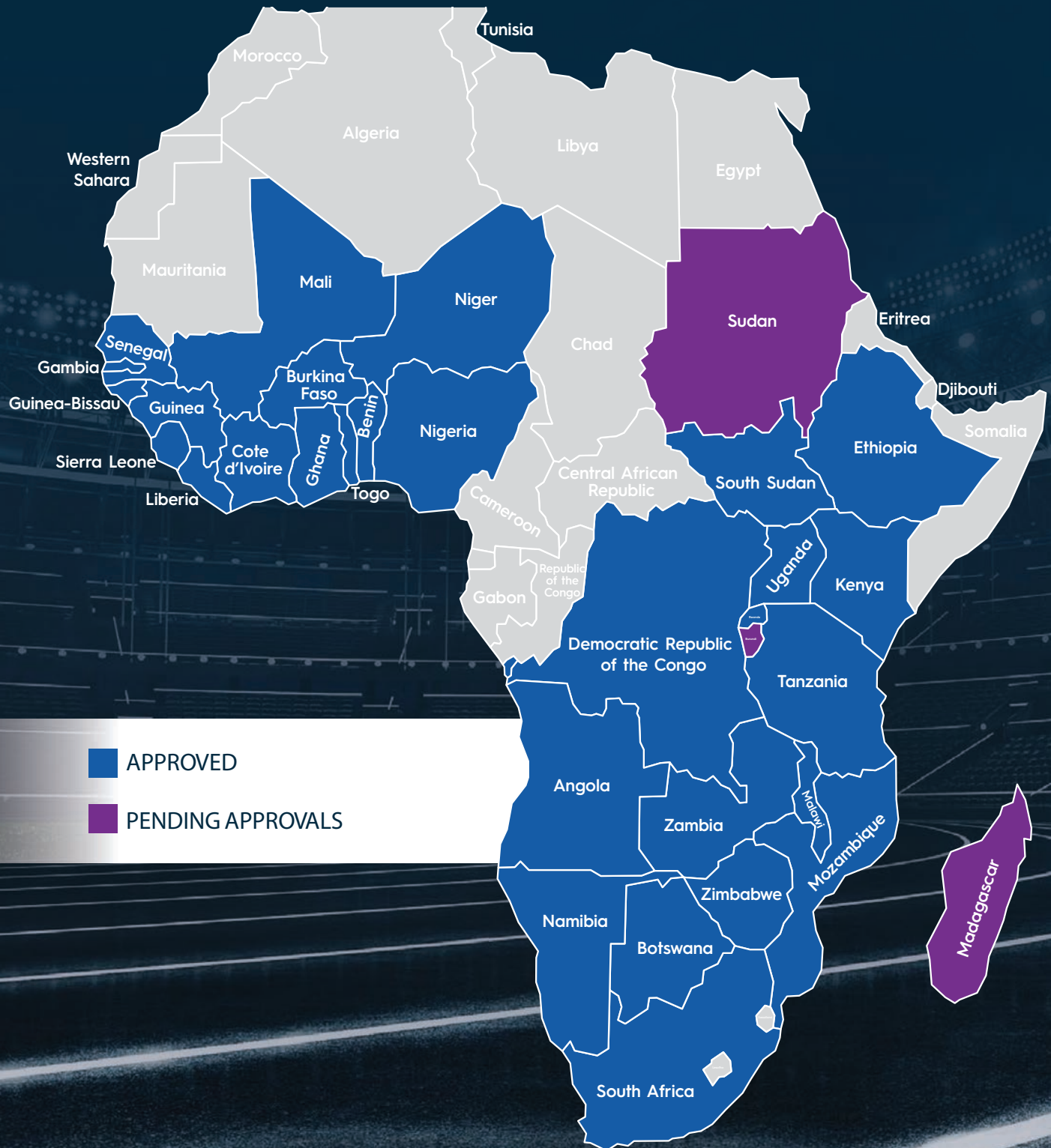
**And that,** that is why we are not a healthcare company.

**We want people to live a long and healthy life.**

**Some call it human care. We call it Caring for Life.**



# REGISTRATION STATUS OF KEY PRODUCTS



Our products are registered in 31 countries

Approved key products:

1. Artemether 20 mg + Lumefantrine 120 mg Tabs
2. Dolutegravir 50 mg + Lamivudine 300 mg + Tenofovir DF 300 mg Tabs
3. Efavirenz 600 mg + Lamivudine 300 mg + Tenofovir DF 300 mg Tabs

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

# AWARDS AND RECOGNITION

## RESULT & IMPACT ORIENTATION: AWARDS AND RECOGNITION

All our employees receive regular performance reviews and feedback as defined by our performance management process, MiDNA (Develop, Nature, Achieve), and talent mapping (Motivation and Proficiency).

We also recognize long-serving employees and deserving employees who help us deliver breakthrough results with the CEOs Award, Credo Awards, Employee of the Month Award, Idea Champions and Employee of the Year Award.

In addition, the Company was nominated and won the award in the **Best Practices in Reward and Recognition** category at the Prudential best HR Practices Survey 2021.



*CiplaQCIL staff pose for a photograph with the award which the Company recently won in the Prudential Best HR practice survey 2021. The Company won the Best Reward and Recognition Award.*



# ENGAGE WITH EMPATHY CORPORATE SOCIAL RESPONSIBILITY



CiplaQCIL is passionate about 'Caring for Life'. We have an on-site clinic to provide emergency medical attention and conduct annual medical examinations for staff. Additionally, the Company has engaged the services of a counselor to help employees and their immediate family members to cope with mental stress and challenges arising from work or life.

The Company also encourages staff to engage in community work to drive positive change in our society.



To address the growing blood deficit in Uganda, CiplaQCIL together with the Mengo Hospital Rotary Blood Bank, launched a blood donation drive under the theme "Hope in Every Drop " in January 2022, where CiplaQCIL staff donated 86 units of blood.

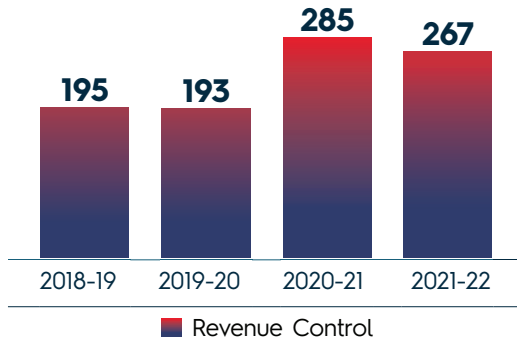
The drive continued during the month of February in the areas of Natete, Nakawuka, Nansana and Rubaga, and over 365 units of blood were collected.



## REVENUE

**6%** Y-oY Decline

(US\$ Billion)



Sales for FY 2021-22 were US\$ 267.4 billion compared to US\$ 284.5 billion in FY 2020-21.

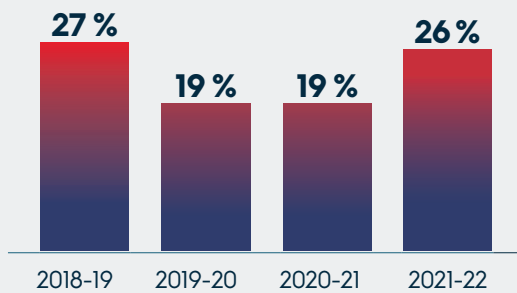
Reduction in sales was explained by non-recurrence of COVID-19 sale opportunities in the export segment after the pandemic came under control.

Excluding the impact of one-off COVID-19 sales, overall annual sales grew by 3% compared to FY 2020-21.

## GROSS PROFIT MARGIN

**7%** Y-oY Improvement

(%)

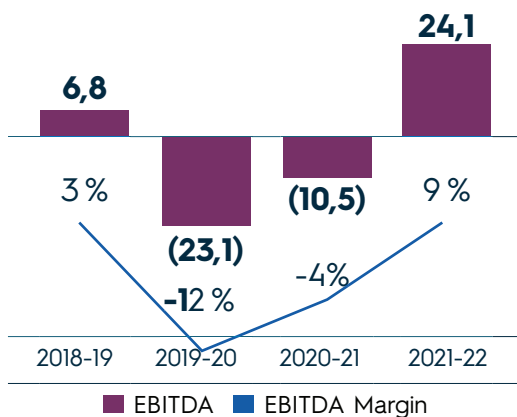


Gross profit margin increased to 26% in FY 2021-22 compared to 19% in FY 2020-21 partly due to the change in customer and product mix.

## NET PROFIT MARGIN

**13%** Y-oY Improvement

Net profit (US\$ billion) and Net profit margin (%)



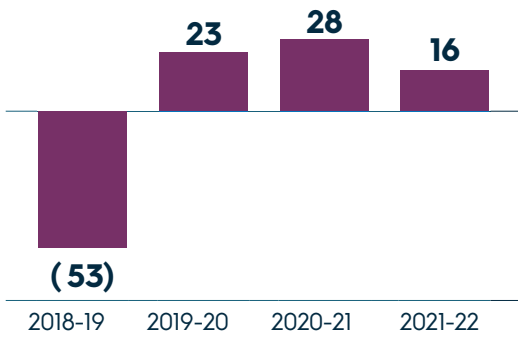
Net profit after tax leaped from a loss position in FY 2020-21 mainly due to improvement in gross margins. Lower financing costs resulting from part repayment of debt, part recovery of Zambia debt, and the full impact of cost reduction initiatives commissioned in FY 2020-21 further improved performance.



# CASH FLOW FROM OPERATIONS

**43 %** Y-oY  
Reduction

(UShs billion)



In FY 2021-22, cash flow was again positive, resulting from positive in cash flow from operations UShs 15.9 billion (FY 2020-21: UShs 27.5 billion).

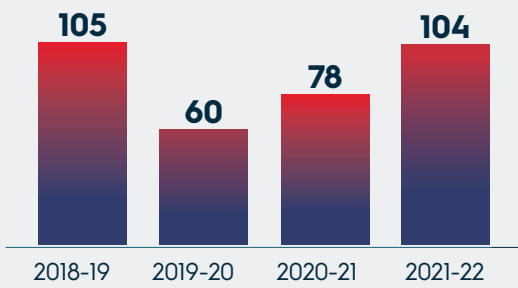
The positive cash flow position was after repaying interest bearing debt of UShs 6.8 billion (FY 2020-21: UShs 1.7 billion).

The positive in cash flow position was attributed to the operating profit during the year and prudent working capital management

# WORKING CAPITAL

**33 %** Y-oY  
Increase

(UShs Billion)



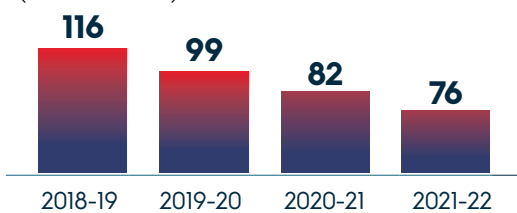
Over the years, the Company has maintained a strong focus on working capital management through initiatives targeted at the management of inventory, receivables and payables.

In FY 2021-22, to maintain adequate liquidity during the pandemic, the Company maintained a stringent control regime, kept higher stocks of critical raw materials and finished products, and supported suppliers and distributors so as to maintain uninterrupted supply and distribution of inputs.

# NET DEBT

**7 %** Y-oY  
Decrease

(UShs Billion)



Interest bearing debt was reduced by UShs 8.2 billion in line with the payment plan while supplier credit marginally increased to support adequate working capital levels.

**“We strongly believe in our purpose of ‘Caring for Life’ in strategy and action. Our conviction enables us to leverage and invest our manufactured capital in our facility that is cGMP compliant and in conformity with national and international standards. We strive to strengthen our manufacturing competencies with the highest standards of technical and quality specifications and improve operational excellence through our digital transformation”**

***Capacity 1.2Bn Tablets***

***New Capabilities: Hard Gelatin Capsule Filing Line***

***Digitization: Introduced Automated Learning Management System***

## **Process Improvement and Sustainability**

Recently we have completed a series of process improvements and eliminated solvents for four products. We have saved 10 000 solvents (Isopropyl Alcohol) from entering the environment and thus improving carbon neutrality.

## **Building a Quality Culture**

We endeavour to improve the quality and accessibility of our products by way of behavioral change, peer learning, engagement, and capability building.

## **Safe Product Destruction**

We follow well-established guidelines and SOPs for safe product destruction. Off specification and expired products are segregated, labelled, and stored separately as hazardous waste, under supervision.

Their records are maintained, manifests are documented, and product deactivations are done as per standard procedures under the superintendence of a designated officer and authority.

All expired or defective products are disposed off through incineration in an approved outside facility.

## **Counterfeiting of Medicines**

At CiplaQCIL, we are committed to prevent falsification and counterfeiting of medicinal products. Measures such as automated track and trace systems have been implemented. We have a strict destruction procedure guided by SoP for any printed packaging material.

## **Quality Management System (QMS)**

The Company operates a ‘Trackwise’ an internal software platform to digitise and automate QMS data. The Trackwise system is designed for Complaint Management, Deviation Management, Corrective Action and Preventive Action (CAPA), Laboratory Non-Conformance and Laboratory Incidence.

This system has improved operational robustness, increased transparency and risk management capability.

## Data Integrity and Security

We have implemented Information Security Management System Policies and Guidelines, including policies and guidelines on cyber security, data privacy, acceptable usage, incident management etc., covering the 'Dos and Don'ts' for a user, actions/measures to be taken in case of a cyber security incident as well as the actions that will be taken in case of any security policy violation.

## Ongoing Projects

- Oncology OSD project
- Warehouse capacity expansion project
- Compressor efficiency improvement through equalizer 4.0
- Chiller efficiency improvement through upgrading from step loading to visible frequency drive (VFD) loading
- New Granulation Suite

We continue to scale-up ongoing automation projects, including implementation of the SAP-based maintenance module. The deployment of these systems will increase efficiencies, reduce manual interventions and deliver real-time business insights.



# HUMAN CAPITAL



Best practices in  
**"Reward and Recognition"**  
- awarded the Prudential Best HR Practice Survey 2021



**95%** of staff fully vaccinated against COVID-19



**41 new recruits**  
566 associates



**18 Promotions**  
Cipla global promotional Cycle Leadership team



**1/3** staff members are **female**



**Zero** fatalities recorded

# REMUNERATION PHILOSOPHY

At CiplaQCIL, our people are our biggest assets. They are the constant enablers of the Company's purpose of 'Caring for Life'. Our people demonstrated unparalleled passion and commitment in combating the challenges posed by COVID-19 to provide an uninterrupted supply of life-saving medicines for patients and caring for communities, at a time when humanity faced its toughest challenge.

This relentless dedication demonstrated by our employees has enabled the Company to fulfill its purpose and achieve its goals this past year. We don't take our people for granted, so there's an intense focus on the well-being of our staff.

We offer a safe working environment that nurtures talent, maintains transparency, and fosters ownership and an impact-oriented mindset.

Along with strengthening our human capital and nurturing our talent through our Credo, CiplaQCIL promotes a culture that respects and celebrates the diversity and uniqueness of everyone.

## The gender ratio of our employees is as follows:

HEADCOUNT FY 2021-22	<30 YEARS		30 - 50 YEARS		> 50 YEARS		TOTAL
	MALE (NOS)	FEMALE (NOS)	MALE (NOS)	FEMALE (NOS)	MALE (NOS)	FEMALE (NOS)	
Senior Management	00	00	10	02	05	00	17
Middle Management	02	02	29	16	00	01	50
Junior Management	80	31	121	25	03	01	261
Total	82	33	160	43	08	02	328
Contract	132	28	50	28	00	00	238

-  PURPOSE - INSPIRED
-  RESPONSIBILITY - CENTERED
-  INNOVATION - DRIVEN
-  EXCELLENCE - FOCUSSED
-  INTEGRITY & TRUST - ANCHORED

## ENVIRONMENT, HEALTH & SAFETY (EHS) AND SUSTAINABILITY

CiplaQCIL acknowledges safety at the workplace as an internal priority and a regulatory requirement. We recognise the regulatory, reputational and business continuity risks of any Environmental Health and Safety (EHS) Management incident. CiplaQCIL is mindful of the impact of climate change on the environment and the communities where we operate.

### EHS

The Company implemented an EHS System (EHSMS) for timely identification of potential risks to ensure compliance with local regulations and adopt best-in-class safety standards with Hazard Identification and Risk Assessment (HIRA).

### Sustainability

The Company's sustainability programme aims to achieve carbon neutrality, water neutrality and zero waste to landfill by 2025. Sustainability team consisting of cross-functional team members were formed to monitor the progress and accomplishment of sustainability.

A plan for reduction in energy consumption and increase in renewable energy consumption, leading to reduction in GHG emissions has been made. Significant progress has been made on enhancing waste reduction, reuse & recycling across operations. External third-party audits are done on manufacturing of antibiotic products, to assess risks from waste water management associated with antimicrobial resistance.

CiplaQCIL has gone the extra mile to get ISO certifications for Environmental management systems (ISO 14001:2015). This helps CiplaQCIL to promote better and clear systems on environmental management and (ISO 45001:2018) Occupation health and safety management system. We take pride in holding ourselves accountable against international Environmental Health and Safety standards.



## OUR PLANET

At CiplaQCIL, we believe in living by our ethos of contributing towards a greener environment and sustainable value creation. We recognise the impact of our business activities on the environment, and consistently strive to ensure responsible environment management and conservation to encourage sustainable profits for people and the planet.

## 2025 GOALS

We have set bold targets for our sustainability journey.



### Carbon Neutrality

Reduce greenhouse gas emissions

Solar security lights installed



### Water Neutrality

Rainwater harvesting potential:  
**187 m<sup>3</sup>**



### Zero Waste to Landfill

**2 %** reduction on waste to landfill



### AMR Stewardship

A benchmark audit by the World Health Organization and NDA team was carried out to ascertain the level of compliance to the implementation of the AMR requirement and also act as a learning process for the regulatory inspectors. To further improve our AMR stewardship, we focussed on enhancing capacity of our effluent treatment plant. An moving bed bio reactor (MBBR) system was introduced, a new septic tank acquired, the sludge dry bed expanded and a hazardous waste storage facility constructed to reduce the risk of AMR. MBBR SYSTEM (moving bed bio reactor)

# RELATIONSHIP CAPITAL

Our purpose of 'Caring for Life' encompasses all our stakeholders since we consider them important partners in our long-term value-creation journey. We have established a stakeholder engagement process to foster and nurture relationships, which helps us enhance our strategy development and decision-making. We engage on issues that are important to us as a business as well as to the stakeholders, with the objective of addressing their concerns and identifying new opportunities to create value.

## Stakeholder Engagement

Our process of identification and classification of the stakeholders is defined by their interest, impact and participation in operations of the Company and engagement on various environmental, social and governance matters. Delivering on stakeholder needs, interests and expectations are integral to the way we operate. We keenly listen to our stakeholders and have established various touchpoints and tools for communication, advocacy and engagement.

Our stakeholder engagement plan is as follows:

Stakeholder	Whether regarded as vulnerable or marginalized group	Why they are important	Channel of Communication	Frequency of Engagement	Purpose and Scope of Engagement
Patients	Yes	End users of our products	Patient care campaigns Pharmacovigilance / Drug Safety helpline Websites	Event based Permanent Permanent	To understand the needs and expectations of our patients  To create awareness and break myths on managing various diseases  To address queries and feedback  To address any drug related concerns



Stakeholder	Whether regarded as vulnerable or marginalized group	Why they are important	Channel of Communication	Frequency of Engagement	Purpose and Scope of Engagement
Distributors	No	For effective distribution and ensuring accessibility of our products	Meetings In market visits	Periodic Event Based	To enhance access to our medicines To create strong partnership for uninterrupted supply of medicines To increase our market share through penetration into new markets To create awareness about new products To address any query / feedback
Suppliers	No	Providers of input materials, finished products and services critical to our operations	Supplier visits Supplier audits Grievance Mechanisms Engagements in compliance and QMS	Quarterly Annual Permanent Event Based	To ensure business continuity To address /prevent quality related challenges To identify and close gaps at supplier facilities related to cGMP practices To seek confirmation on compliance with our code of conduct To address any feedback or queries related to a product
Government and Regulators	No	Engage with them on policies and regulations that impact our business and operations	Panel Meetings Conferences Written communication Facility Visits Meetings	Event Based	To engage and provide opinions on various regulatory and policy issues To strengthen the operating environment through policy interventions Explore avenues for growth and market interventions Ensure timely access to medicines
Healthcare Professionals	No	Help us understand the Management of diseases and the need of patients	Conferences & seminars Visits by our sales teams One on one meetings	Event Based	To understand the need of patients and the market Knowledge exchange on our products and availability
Communities	Yes	Help us develop our business ecosystem and focus on creating shared value	Interaction through CSR initiatives	Periodic	Understanding areas for sustainable development To develop a sustainable ecosystem for our communities To understand the challenges of the local communities

Shareholders and Investors	No	Providers of financial resources for sustainable business growth	Meetings Facts behind the figures Annual General Meeting Shareholder Emails Financial Reports Annual reports Press Releases Website	Event Based Bi-Annual Annual Permanent Bi-Annual Annual Event Based Permanent	Understand shareholder expectations  Communicate the business and financial performance and overall strategy
B2B and Institutional Partners	No	Vital in the sale and marketing of our products	Meetings In market visits Industry Conferences	Periodic Event Based Event Based	To collaborate and provide vital medicines to patients by leveraging on their infrastructure capacities
Employees	Yes	They contribute towards productivity and efficiency	Town-halls Employee Engagement Surveys Appraisals awards ad recognitions Grievance Mechanisms One on One meetings with Managers/supervisors	Monthly Annual Bi-Annual & Annual Permanent Continuous	Performance and career development reviews  Build a safe, diverse and inclusive working environment  Communicate performance and strategy of the Company  Seek feedback on the workplace environment and culture







*A visit by a delegation of military Generals from the Burundian National Staff Training College to CiplaQCIL.*





*Dr Monica Musenero Masanza, The Minister for Science Technology and Innovation, during a visit to CiplaQCIL.*



*The National Drug Authority team visited CiplaQCIL for a bench-marking exercise.*



*World Aids Day: A photo of CiplaQCIL staff wearing their red ribbons to commemorate World Aids Day.*





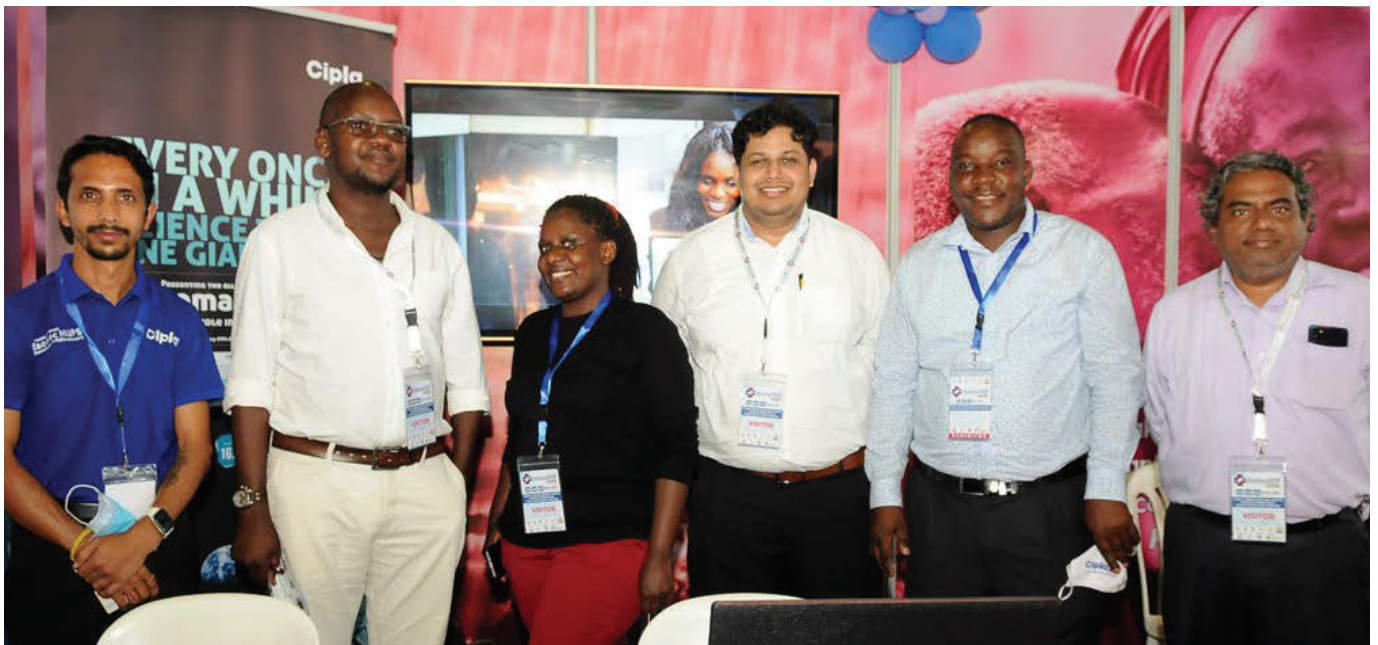
*CiplaQCIL has an internship programme in partnership with public universities across Africa with a bias towards science-related industrial training. Our internships are designed to give students practical experience by exposing them to the world of work and challenging them to solve problems and formulate ideas to help improve the business.*



*The chairman of CiplaQCIL, Emmanuel Katongole, poses for a photograph with the Permanent Secretary Ministry of Health Dr Diana Atwine, after signing the oncology contract.*



*In March 2022, CiplaQCIL joined other stakeholders in drug manufacturing, storage, regulatory and sales to participate in the East Africa Pharma-tech, Pharmaceutical and Healthcare Exhibition at the home of the Uganda Manufacturers Association (UMA) in Nakawa. The three-day exhibition focused on showcasing pharmaceutical products, medical and healthcare technology.*





*CiplaQCIL its annual staff day on 10 December. Among the festivities, long-service awards were handed out, and several employees across various departments within the business were recognised*





As the economy becomes more complex, an increasing array of risks that may affect businesses significantly emerge. This calls for the need for a continually improving risk management system as we strive to create stakeholder value and ensure sustainability of our business. Our risk governance framework is key to the identification, measurement, monitoring and controlling of risks. All employees are responsible for the management of risk, with the ultimate responsibility residing with the Board.

The Company made significant progress during the period in developing its risk management capabilities. Identification, analysis and evaluation of risks has been an effective tool used in decision making and shaping of the organisational culture in regard to risk management. Management is actively monitoring the impact of the war in Ukraine, the rising cyber security threats, the impact of the upcoming Kenyan Election and the rising cost of APIs to ensure our risk mitigation and response mechanisms can withstand any adverse conditions.

## **Risk Governance and Oversight**

CiplaQCIL's risk management approach is anchored on a set of governance frameworks, standards and processes. The framework is dependent on individual responsibility and collective oversight, supported by overall reporting.

Our governance framework is informed by the Ugandan laws. The framework provides for the identification, measurement, monitoring and controlling of risks. All employees are responsible for the management of risk, with the ultimate responsibility residing with the Board.

## **Board of Directors**

The Board plays a key role in ensuring CiplaQCIL has an effective risk management system. This mandate includes evaluating key risk areas and ensuring the process for risk management and systems of internal control are implemented. The Board has delegated its risk-related responsibilities primarily to the Board Audit and Risk Committee.

## **Board Audit and Risk Committee (BARC)**

The BARC reviews financial statements and makes recommendations to the Board on matters related to the integrity of financial reporting and the effectiveness of controls designed to protect assets. The Audit and Risk Committee has continued to provide oversight of the risk management framework to ensure that it protects and adds value to the organisation and its stakeholders.

## **Internal Audit**

Internal Audit reports to the Board Audit and Risk Committee. Its mandate is to provide independent and objective assurance on the effectiveness of governance practices, risk management and controls in place to mitigate risks.

## **Principal Risk Champion**

This is the overall person responsible for overseeing the management of risk at the department levels. The Principal Risk Champion reports to the BARC on the risk heat map, status of implementation of risk management controls in various departments and highlights any key emerging risks.

The Principal Risk Champion is under the compliance function and reports to the Board Audit and Risk Committee.

## Departments

Departments units own and manage the principal risks inherent in the activities they perform and are also responsible for deploying the appropriate controls to ensure risks are within acceptable tolerances. Each department has a Risk Champion that is responsible for the daily oversight of the risks emanating from their respective departments. During the past FY, risk Champions who were appointed from various departments within the organisation played a critical role in ensuring that risks were anticipated, detected, acknowledged and responded to effectively.

## Lines of Defence

1st: This is made up of business units that create risk and has responsibility for identifying, assessing, and controlling risks through the daily activities of the business within the governance framework.

2nd: This includes a principal risk management champion, legal, compliance and governance. This unit monitors implementation of governance standards, frameworks, and policies and report to the BARC. This function also provides an independent assessment of the risks created by the front line and oversees compliance with the defined risk appetite.

3rd: Internal Audit promotes assurance on the adequacy and effectiveness of the enterprise risk management framework.

## Key risks identified and monitored during the past FY are summarised as follows:

### 1) COVID-19 and Business Community

The COVID-19 pandemic brought with it a number of restrictions which required us to institute measures aimed at ensuring the safety of our workforce and reducing the transmission amongst our staff. The pandemic impacted on our supply chain activities, manufacturing operations and mobility of staff. Fortunately in FY 2020-21, all the employees who were affected by COVID-19 recovered and were able to resume work.

## Mitigation

### a) Workforce Safety Concerns

- The Company arranged for vaccination for all staff and to date 99% are fully vaccinated. The Company provided immune boosting medicines like VitaminC, Zinc and Iron to staff throughout the period of the pandemic.
- Appropriate personal protective equipment (PPE) were provided to all frontline staff and sanitization protocols defined for all activities.
- Transportation was provided to staff throughout and after the lock down period to curb transmission from use of public transportation.
- Quarantine assistance was offered to employees as well as medication and medical insurance for dependants.

### b) Supply Chain Disruption

- Prioritised supply strategy to prevent stock-outs of APIs and intermediates
- Development of alternate vendor sourcing for critical APIs and intermediates
- Close monitoring of import shipments to enable expedite customs clearance

### 2) Customer Default/ Delayed Payments from Customers

Customer default or delay in receipt of payments for goods supplied is a continuing risk to the operations and profitability of the business. The management of receivables which had been a significant risk in the prior reporting period has been mitigated to a large extent through rigorous focus on implementing controls in various processes.

## Mitigation

- Due diligence processes are followed in evaluating customer's ability to pay on a case-by-case basis through customer country risk profiling, customer financial statement reviews, adverse media scrutiny prior to engagement
- Payments for sales to new customers are made in advance or with supporting Letters of Credit
- Receivables ageing analysis, follow-up planning and reporting is undertaken with keen focus on the critical and high-risk default customer categories.
- Rigorous follow-up and tracking of outstanding receivables to ensure recoveries are made.

### 3) Rising API Prices and Freight Costs

The Company procures various types of APIs which come with their own individual risks and challenges such as failure of service providers to supply some APIs.

Major power outages in China were reported affecting almost 44% of the country's industrial activity and resulting in a directive by the Government of China requiring manufacturers to reduce energy usage during periods of peak demand or limit the number of days that they operated.

There was an overall escalation in costs due to rising costs of API (Active Pharmaceutical Ingredient), packing materials, excipient and solvent costs. This was driven by the rising prices of underlying commodities such as polymers, crude oil and aluminium prices.

There was significant increase in inbound freight costs as well as an increase in freight costs for importation of APIs.

#### Mitigation

- Alternate vendor development program ensures that we identify more than one supplier for all key ingredients which also alleviates cost pressures.
- We adopted longer term contract periods with freight contractors in awarding contracts which is an insurance mechanism aimed at safeguarding against volatile price fluctuations
- Alternative vendor sourcing for packaging material to provide backup in case core supplier faces operational challenges

### 4) Cyber Security

Cyber-attacks and cybercrime have been on the rise with multiple companies facing ransomware and phishing related attacks, resulting in financial losses and business interruptions

#### Mitigation

- Cyber incident readiness assessments and penetration tests are periodically carried out by Global Cipla IT teams.
- Cyber insurance coverage is in place
- Internal Audit Reviews by specialists are undertaken to provide assurance on internal controls and security measures

### 5) Quality

Failure to comply with GMP (Good Laboratory Practices, Good Clinical Practices, Good Manufacturing Practices) at any stage of product manufacturing can lead to sub-optimal product quality and pose a significant health hazard to patients.

#### Mitigation

- A dedicated Quality team to supervise and ensure the delivery of quality performance with the support of a robust Quality Management System which covers change management, internal and regulatory audits, deviations, validation and qualification, complaint and recall management.
- Internal audit reviews are conducted annually for each department to highlight any deficiencies in processes and ensure that they are corrected and prevented.
- Quarterly reviews of the Quality Management System are undertaken to provide assurance that the system in place is robust and comprehensive.
- Investigation procedures are in place to find out the root cause of failure and Corrective and Preventive Action (CAPA) are proposed to rectify and avoid reoccurrence.
- Batch/s are rejected in case failure is identified and is impacting the product quality.
- Harnessing information technology (IT) and digitalisation to enhance efficiencies and impact of quality assurance processes
- Continuous trainings are conducted to keep staff aware of changes made in manufacturing and quality policies especially in the area of CGMP and Data integrity.
- Quality management reviews are done every quarter to share quality trends with senior management team and continuous engagements conducted on improving quality at each stage.
- Adopting digital systems to improve quality performance such as the Learning Management System used for training, Track Wise System for managing deviations, CAPAs and laboratory to track non-conformance issues and an Electronic Signature system among others.

## 6) Non- Compliance with Laws and Regulations

The Company operates within a complex, dynamic and highly regulated environment and is subject to various legal, regulatory and governance requirements (compliance obligations) as well as standards of good corporate governance.

### Mitigation

A Compliance Manager Tool was implemented to provide an assurance mechanism for monitoring, tracking and reporting on compliance with all regulatory and statutory obligations.

- Regulations having significant consequences are marked for deeper reviews with trainings undertaken to raise awareness and implement controls to ensure compliance.
- Continuous identification of regulatory changes and updates and associated impact to stay abreast of compliance requirements is undertaken.
- Engagement with regulatory authorities and participating in the review of legislations that have an impact on the Company.

## 7) Environment, Health & Safety (EHS)

Safety at the workplace is acknowledged as an integral priority and we recognise the regulatory, reputational and business continuity risks of any EHS incident. CiplaQCIL is mindful of the impact of climate change on the environment and the community where we operate.

### Mitigation

#### EHS

- Implementation of an EHS Management System (EHSMS) which enables independent and timely identification of all EHS risks and prioritized implementation of mitigation measures.
- A robust EHS Policy with supporting Standard Operating Procedures (SOPs) are in place covering various aspects of safety, health and environment such as first aid, fire safety management, emergency management procedures, carbon and energy management, waste, water and spill management, physical, chemical and biological hazard management among others.
- All SOPs implemented within the year are in line with ISO management systems guidelines on managing environment, health and safety in our operations.
- Periodic internal audits along with Hazard Identification and Risk Assessment
- External regulatory audits to provide validation and assurance of internal controls
- Investigation and tracking of Loss Time Incidents (LTI) is undertaken with corrective and preventive actions for reported incidents being monitored for implementation.
- Periodic risk assessments and robust change management procedures to ensure safe operations

#### Sustainability

- Sustainability commitments have been embedded in our Corporate EHS Policy and various EHS SOPs at the site. The Company has set sustainability targets aimed at reducing energy consumption, waste to the landfill and reduce water consumption.

## 8) Geopolitical Volatility

In certain geographies, routine business activities and expansion plans are vulnerable to geopolitical risks, such as war, trade sanctions, foreign exchange volatility/restrictions, liquidity issues and receivables threat

### Mitigation

- Process of securing receivables in most cases through Letters of Credit, bank guarantee from a reputable bank or advance payments prior to supply are in place
- Engaging in-country Agents to advise on imminent impediments or disruptions to business

## 9) Product Portfolio Diversification-should be changed to growth uncertainty

The Company has historically placed heavy reliance on Anti-Retroviral, Anti-Malaria and Tuberculosis product lines. Diversification into new products comes with its own set of unique challenges and risks including significant upfront investment, competitor foray and difficulties in projecting product uptake

### Mitigation

- Securing government backing to ensure reliable uptake of new products
- Competitor analysis prior to launching of new products is undertaken to enhance product viability
- Leveraging Group capabilities and technology for product technology transfers

Cipla Quality Chemical Industry Ltd (“CiplaQCIL” or “the Company”) is a pharmaceutical Company listed on the Uganda Securities Exchange. Key shareholder information is covered on page **56** and **57** of this Annual Report. 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 to treat life-threatening diseases.

## GOVERNANCE PHILOSOPHY

The continued effects of the COVID-19 pandemic emphasized the importance of corporate governance in ensuring the delivery of our strategy and achievement of objectives in an agile environment. Despite the challenges resulting from the pandemic, the Board upheld the highest corporate governance standards and effectively provided oversight to management.

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 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

During the past financial year, the Board was composed of eleven (11) members. The structure of the Board ensures that there is independent judgement and diversity of views and opinions, thus protecting and preserving the best interests of the Company’s stakeholders.

No.	Director	Category	Committees Served	Nationality
1	Emmanuel Katongole	Board Chairman and ED	Finance Communications Business Development	Ugandan
2	Ajay Kumar Pal	CEO/ED	Finance Communications Business Development	Indian
3	George Baguma	ED	Communications Business Development	Ugandan
4	Joseph Baliddawa	INED	Audit & Risk Nomination & Remuneration	Ugandan
5	Mark Daly	NED	Audit & Risk Finance Communications	South African
6	Paul Miller	NED	Nomination & Remuneration Communications Business Development	South African
7	Geena Malhotra	NED	Nominations & Remuneration Business Development	Indian
8	Dr. Peter Mugenyi	INED	Nomination & Remuneration Business Development	Ugandan
9	Dr. Ranjana Pathak	NED	Business Development Finance	American
10	John Kamili	ED	Business Development	Ugandan
11	Stevens Mwanje	NED	Finance Audit & Risk	Ugandan

**Key:**

ED – Executive Director

NED – Non-Executive Director

INED – Independent Non-Executive Director

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.

To enhance the decision-making process, a diverse range of skills and experience exists on the Board. The Executive Directors, being the implementors of strategy, are equipped with the expertise required to provide sound governance oversight and make business decisions. Our Board is comprised of members with skills and experience in the following areas:

- Strategy
- Product Development
- Quality Control
- Compliance
- Health Administration & Research
- Corporate Finance & Accounting
- Risk Management
- Business Administration
- Business Sustainability

The Board is in the process of putting in place 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 will guide in selection of development programmes and appointment of directors on the Board.

The Non-Executive Directors bring their independent judgement on issues which challenges Independent Directors and promotes constructive discourse.

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 out 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:

- Dr Peter Mugenyi
- Paul Miller
- Geena Malhotra

## 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.

During the year, Nevin Bradford retired from his position of Chief Executive Officer and Executive Director and was replaced by Ajay Kumar Pal. John Kamili was also appointed Company Pharmacist and Executive Director upon the resignation of Sam Opi.

At each Annual General Meeting (AGM) of the Company, one-third of the Board, excluding Executive Directors are also required to retire from office and are eligible for re-election. Directors eligible for rotation will be presented for re-appointment at the upcoming AGM.

## 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.

The Board was satisfied that the Directors allocated sufficient time to discharge their responsibilities effectively during the year.

## BOARD INDUCTION & DEVELOPMENT

The Board ensures that Directors possess the skills, knowledge and experience necessary to fulfil their duties and adapt to changes in the business environment. Directors are kept abreast of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments, which could potentially impact the Company. Continuing board development remains an area of focus to ensure that the Directors possess the skills and knowledge necessary to respond to changes in the business environment.

During the year, the Board completed a Board Excellence program facilitated by Strathmore Business School. This training covered areas like risk management, understanding financial statements, 21<sup>st</sup> century Board, board evaluation and sustainability. The Directors were also kept abreast of applicable legislation and regulations, changes to rules, standards, codes, and relevant sector trends.

During the year, the newly appointed CEO Ajay Kumar Pal underwent a coaching programme aimed at providing insights and perspectives to guide him in his new role.

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

Board evaluation strengthens board effectiveness by identifying areas that require a change to steward the Company into the future effectively.

In the past Financial Year, the Board focused on implementing lessons from the previous evaluation, notably: need for a succession plan, the need for more focus on effective management of risks and deliberate focus on ESG.

Plans are currently underway to undertake another evaluation.

## DELEGATION OF AUTHORITY

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

The Board delegates day-to-day management to the Chief Executive who controls, oversees and accounts for operations of the Company. 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. The Board has put in place a delegation of authority matrix through which oversight on approval limits is provided.

## 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.

### (i) **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.

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

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

Joseph Baliddawa	Chairman
Mark Daly	Member
Stevens Mwanje	Member
Christine Nabiryo	Member
Timothy Basiimampora	Member
Oscar Manuga	Member

The Internal Auditor, Chief Executive Officer and Chief Finance Officer attend the Committee meetings to provide clarifications wherever necessary.

The Committee also reviewed the quality and integrity of the financial statements and satisfied itself that appropriate accounting principles had been adopted per the International Financial Reporting Standards. This Committee considered the robustness of internal financial and operational controls and systems, including internal controls over financial reporting to ensure the integrity of the qualitative and quantitative financial information presented in the financial statements.

The Board relies on this Committee to satisfy itself with the accuracy and integrity of financial information, including the annual audited and half year unaudited financial accounts.

The Committee oversees the relationship between the External Auditor and the rest of the Company, including recommendations to the Board on the re-appointment or rotation of external auditors, annually assessing and reporting to the Board on the qualification, expertise and independence of the external auditors, and the effectiveness of the audit process.

The Committee also reviews and assesses the integrity of the risk control systems and ensures that risks are effectively identified and managed to prevent business disruptions. The Committee continued to play a significant role in assessing the impact of the COVID-19 pandemic and the volatile business environment to the Company.

The Committee considers quarterly reports on gaps and weaknesses in controls, including financial controls. The Internal and External Auditors interact with the Committee Chairperson outside of the meetings to discuss audit matters and briefs the Chairperson on critical issues.

A detailed report on the activities of the Committees is on page **54** and **55**

### (ii) **Nomination and Remuneration Committee**

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.

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

Dr Peter Mugenyi	Chairperson	Independent Non - Executive
Joseph Baliddawa	Member	Independent Non - Executive
Paul Miller	Member	Non - Executive
Geena Malhotra	Member	Non - Executive

The Company Secretary acts as Secretary to the Committee. The Chairman of the Board and Chief Executive Officer are invited to the meetings of the Committee to provide clarification and provide input on relevant agenda items.

**(iii) 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 Business Development Committee was as follows:**

Dr Ranjana Pathak	Chairperson
Emmanuel Katongole	Member
Ajay Kumar Pal	Member
Dr Peter Mugenyi	Member
Geena Malhotra	Member
Paul Miller	Member
George Baguma	Member
John Kamili	Member

**(iv) 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 Finance Committee was as follows:**

Mark Daly	Chairperson
Stevens Mwanje	Member
Ajay Kumar Pal	Member
Emmanuel Katongole	Member
Dr Ranjana Pathak	Member

**(v) 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 Communications Committee was as follows:**

Paul Miller	Chairperson
Mark Daly	Member

Emmanuel Katongole	Member
George Baguma	Member
Ajay Kumar Pal	Member

## MEETINGS

Board meetings continue to be conducted virtually. Secure electronic meeting platforms were used to host the meetings and access the Board papers. In addition to the quarterly meetings, a special meeting of the Finance Committee and Board were held to discuss and approve the annual budget and retirement benefits respectively.

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 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 follows:

Director	Q1						Q2					
	ARC	BDC	FC	NRC	CC	Board	ARC	BDC	FC	NRC	CC	Board
	31 Aug	1 Sept	1 Sept	31 Aug	31 Aug	2 Sept	16 Nov	16 Nov	17 Nov	15 Nov	15 Nov	18 Nov
Emmanuel Katongole	N/A	√	√	N/A	√	√	N/A	√	√	N/A	A	√
Ajay Kumar Pal	N/A	√	√	N/A	√	√	N/A	√	√	N/A	√	√
Paul Miller	N/A	√	N/A	√	√	√	N/A	√	N/A	√	√	√
Dr. Ranjana Pathak	N/A	√	√	N/A	N/A	√	N/A	√	√	N/A	N/A	√
Dr. Peter Mugenyi	N/A	√	N/A	√	N/A	√	N/A	√	N/A	√	N/A	√
Stevens Mwanje	√	N/A	√	N/A	N/A	√	√	N/A	√	N/A	N/A	√
Geena Malhotra	N/A	√	N/A	√	N/A	√	N/A	√	N/A	√	N/A	√
Zain Latif (alternate for George Baguma)	N/A	√	N/A	N/A	√	√	N/A	√	N/A	N/A	√	√
Mark Daly	√	N/A	√	N/A	√	√	√	N/A	√	N/A	√	√
John Kamili	N/A	√	N/A	N/A	N/A	√	N/A	√	N/A	N/A	N/A	√
Joseph Baliddawa	√	N/A	N/A	√	N/A	√	√	N/A	N/A	√	N/A	√
Director	Q3						Q4					
	ARC	BDC	FC	NRC	CC	Board	ARC	BDC	FC	NRC	CC	Board
	8 Mar	9 Mar	9 Mar	8 Mar	8 Mar	10 Mar	4 May	4 May	5 May	4 May	3 May	5 May
Emmanuel Katongole	N/A	√	√	N/A	√	√	N/A	√	A	N/A	√	√
Ajay Kumar Pal	N/A	√	√	N/A	√	√	N/A	√	√	N/A	√	√
Paul Miller	N/A	√	N/A	√	√	√	N/A	√	N/A	√	A	√
Dr. Ranjana Pathak	N/A	A	A	N/A	N/A	√	N/A	√	√	N/A	N/A	√
Dr. Peter Mugenyi	N/A	√	N/A	√	N/A	√	N/A	√	N/A	√	N/A	√
Stevens Mwanje	√	N/A	√	N/A	N/A	√	A	N/A	A	N/A	N/A	A
Geena Malhotra	N/A	√	N/A	√	N/A	√	N/A	A	N/A	A	N/A	√
George Baguma	N/A	√	N/A	N/A	√	√						
Zain Latif (alternate to George Baguma)							N/A	√	N/A	N/A	√	√
Mark Daly	√	N/A	√	N/A	√	√	√	N/A	√	N/A	√	√
John Kamili	N/A	√	N/A	N/A	N/A	√	N/A	√	N/A	N/A	N/A	√
Joseph Baliddawa	√	N/A	N/A	√	N/A	√	√	N/A	N/A	√	N/A	√

**Key:**

**N/A: Not a Member of the Committee**

**A: Apology**

**-: Present**

**ARC: Audit & Risk**

**NRC: Nominations & Remuneration**

**CC: Communications Committee**

**FC: Finance Committee**

**BDC: Business Development Committee**

## 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.

## STAKEHOLDERS 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). The Board also approved the reconstitution of the mandate of the Communications Committee to include ensuring the Company remains committed to, and achieves, its ESG priorities.

The sustainability report on page **30** and **31** highlights the Company's interventions in line with our commitment to our ESG goals.

## 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.

## DEALING 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 ensure compliance with this rule, the Company communicates closed periods for trading in its shares to all employees and the Directors of the Board.

The Company's closed periods are in effect from 1<sup>st</sup> October to the publication of the interim results and from 1<sup>st</sup> 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 for compliance to management and monitors this through the compliance function. 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 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.

## 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 <https://ciplaqcil.co.ug/investors> for all stakeholder 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 Whistleblowing Policy and a Whistleblower hotline which provides a platform for employees and any stakeholder to raise concerns in respect of any suspected unethical conduct. Reporting of unethical conduct is highly encouraged.

## 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.

## 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.

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 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 and 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 the market landscape 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.

## REMUNERATION STRUCTURE

This is intended to attract and retain employees by ensuring competitive positioning in the local market. The Nominations and 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.

### Fixed Pay

This is intended to attract and retain employees by ensuring competitive positioning in the local market. The Nominations and 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 dependents. 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 based 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 of 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 31 March, 2022 in USD.

EXECUTIVE DIRECTORS	FIXED PAY (\$)	OTHER BENEFITS (\$)	PENSION CONTRIBUTION (\$)	QUARTERLY FEES (\$)	COMMITTEES SITTING ALLOWANCE (\$)
	1,140,872	246,243	783,876		
NON-EXECUTIVE DIRECTORS				25,716	37,677



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

The details on the membership and composition of the Committee and attendance of meetings are provided on Pages **47**, **48** and **49** respectively.

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. Undertook a performance evaluation of the External Auditor and provided feedback to the External Auditor on findings of the evaluation.
- viii. Considered and made recommendations to the Board on the consolidated interim and final dividend payments to the shareholders.
- ix. 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.
- x. Reviewed significant legal and tax matters that could have a material impact on the financial statements.
- xi. 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.
- xii. Confirmed the going concern principle as the basis of preparation of the annual financial statements.
- xiii. 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 31 March 2022.

**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. Recommended to the Board the re-appointment of Grant Thornton, Certified Public Accountants Uganda, as external auditors for the financial year ended 31 March 2022, in accordance with all applicable legal requirements.

- viii. Considered reports of the Internal and External Auditor on the internal control, including internal financial controls and maintenance of effective internal control systems.
- ix. 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.
- x. Reviewed and approved the Internal Audit Charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit function.
- xi. Reviewed significant issues raised by the internal audit processes and the adequacy of corrective actions in response to such findings.
- xii. Ensured that if any significant differences of opinion existed between the Internal Auditor and Management, these were appropriately resolved.
- xiii. Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorized use or disposal.
- xiv. 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.

### **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 Whistleblower 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:**

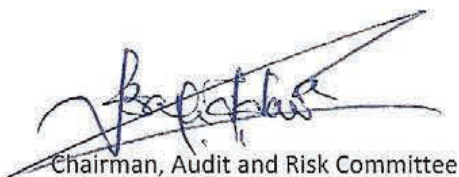
- i. Oversaw the roll out of an Enterprise Risk Management Framework.
- ii. Considered risks as they pertained to the control environment, financial reporting and the going concern assessment
- iii. Considered and reviewed reports from Management on risk management, including reports on fraud and its 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



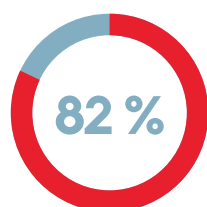
Chairman, Audit and Risk Committee

Mr Joseph Baliddawa

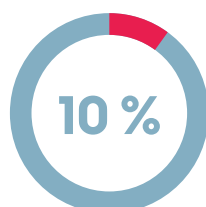
## SUMMARY OF RETURNS

AS AT THURSDAY 31 MARCH 2022

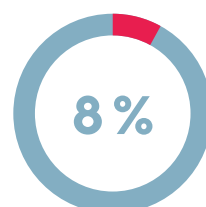
NATIONALITY	CATEGORY	NO. OF MEMBERS	NO. OF SHARES	% HOLDING
Local investors	Corporate	77	280,693,687	7.7
	Individual	2,390	355,584,223	9.7
Subtotal		2,467	636,277,910	17.4
Foreign	Corporate	6	3,009,921,688	82.4
	Individual	112	5,709,602	0.16
Subtotal		118	3,015,631,290	82.6
Totals		<b>2,585</b>	<b>3,651,909,200</b>	<b>100.00</b>



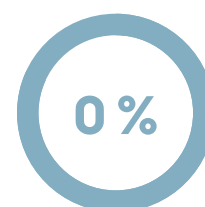
Foreign Corporate investors



Local Individual investors



Local Corporate investors



Foreign Individual investors

DESCRIPTION	NO. OF INVESTORS	NO. OF SHARES	% HOLDING
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	0.096
Between 10,001 and 1,000,000 Shares	752	49,188,734	1.35
Above 1,000,001 Shares	15	3,596,198,200	98.474
Totals	<b>2,585</b>	<b>3,651,909,200</b>	<b>100.00</b>



# TOP 20 SHAREHOLDERS

AS AT THURSDAY 31 MARCH 2022

	SHAREHOLDERS NAME	AMOUNT	%
1	MEDITAB HOLDINGS LIMITED	1,864,299,646	51.05
2	AMISTAD LIMITED	420,402,713	11.51
3	SCB MAURITIUS A/C CAPITALWORKS SSA 1	407,152,191	11.15
4	GOVERNMENT EMPLOYEES PENSION FUND	312,000,000	8.54
5	NATIONAL SOCIAL SECURITY FUNDS	269,361,386	7.38
6	KATONGOLE EMMANUEL	101,933,042	2.79
7	MUTEBI FREDERICK KITAKA	101,933,042	2.79
8	BAGUMA GEORGE WILLY	101,933,042	2.79
9	CIPLA (EU) LIMITED	4,871,038	0.13
10	YIGA JOSEPH	4,000,000	0.11
11	HOUSING FINANCE BANK/ UAP INSURANCE- GEN LIFE FUND	2,731,000	0.11
12	UAP INSURANCE UGANDA LTD	1,923,000	0.05
13	WILLIAM SAMSON KALEMA	1,442,400	0.04
14	RENAISSANCE SECURITIES(CYPRUS) LIMITED	1,196,100	0.04
15	MUTEBILE TIMOTHY SABIITI	1,019,600	0.03
16	PICFARE INDUSTRIES LIMITED	1,000,000	0.03
17	KANKUNDA MIRIAM TUMUKUNDE	1,000,000	0.03
18	MUGERWA KINOBE EMMANUEL	780,000	0.02
19	RAJNISH JAIN	779,726	0.02
20	NKAJA MILLIE	775,000	0.02
	TOTAL	3,600,532,926	98.63

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**CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**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

**SECRETARY**

Ms. Doreen Pachuto Awanga  
Cipla Quality Chemical Industries Limited  
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

## **DIRECTORS' REPORT**

The directors submit their report together with the audited financial statements for the year ended 31 March 2022, which disclose the state of affairs of Cipla Quality Chemical Industries Limited ("the Company").

### **A. INCORPORATION AND PRINCIPAL ACTIVITY**

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

The Company converted to a public company on 7 October 2016, and on 17 September 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, Cipla (EU) reduced its shareholding from 11.25% to 0.13% and therefore, Cipla'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).

### **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**

Subject to approval by shareholders, the Directors recommend payment of a dividend of US\$ 2.0 (FY 2020-21: Nil) per share for the financial year ended 31 March 2022. The dividend shall be paid to shareholders registered in the books of the Company at close of business on 31 August 2022 and will be paid on 21 September 2022.

### **D. DIRECTORS AND OFFICERS**

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

<b>Name (Nationality)</b>	<b>Designation</b>
Emmanuel Katongole (Ugandan)	Executive Director (Board Chairperson)
Nevin Bradford (British)	Executive Director - CEO (Retired on 30 September 2021)
Ajay Kumar Pal (Indian)	Executive Director - CEO (Appointed on 1 August 2021)
George Baguma (Ugandan)	Executive Director
Sam Opio (Ugandan)	Executive Director (Resigned on 30 April 2021)
John Kamili (Ugandan)	Executive Director (Appointed on 1 May 2021)
Paul Miller (South African)	Non-Executive Director
Dr. Ranjana Pathak (American)	Non-Executive Director
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 Mugenyi (Ugandan)	Independent Non-Executive Director
Joseph Baliddawa (Ugandan)	Independent Non-Executive Director

CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022

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**DIRECTORS' REPORT (continued)**

**E. DIRECTORS' INTEREST IN SHARES**

As at 31 March 2022, the following directors held a direct interest in the Company's share capital as reflected in the table below:

<b>Directors</b>	<b>Number of shares</b>	<b>% Holdings</b>
Emmanuel Katongole	101,933,042	2.7912
George William Baguma	101,933,042	2.7912
Stevens Mwanje	19,400	0.0005
	<u>203,885,484</u>	<u>5.5829</u>

**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**

The directors are not aware of any matter or circumstance which is material to the financial affairs of the Company, which has occurred between 31 March 2022 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 18, 2022

**Kampala, Uganda**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors accept responsibility for the financial statements for the year ended 31 March 2022, 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 68 to 105, which have been prepared on the going concern basis, were approved by the Board of Directors on May 18, 2022 and signed on its behalf by:



\_\_\_\_\_  
Director

Date: May 18, 2022



\_\_\_\_\_  
Director

Date: May 18, 2022



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED

#### 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 68 to 105 which comprise the statement of financial position as at 31 March 2022, 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 31 March 2022, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Uganda. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional 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 matter	How the matter was addressed in our audit
<p><b>Loss allowance on trade receivables</b> The Company recognises a loss allowance for Expected Credit Loss ('ECL') on its financial assets measured at amortised cost mainly trade receivables stated at US\$ 100,335,106 thousand (gross) as at 31 March 2022. The cumulative impairment allowance as at that date is US\$ 25,844,773 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.</p>	<p>Our audit procedures included understanding and testing of the design and operating effectiveness of the key controls around;</p> <ul style="list-style-type: none"> <li>- approving, recording and monitoring of sales and customer credit;</li> <li>- identifying impaired trade receivables; and</li> <li>- the governance process of continuous re-assessment of the appropriateness of assumptions and estimates used in determining the loss allowance.</li> </ul>
<p>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</p>	<p>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.</p> <p>Our substantive audit procedures included the following:</p>

Office: 3rd Floor, Lugogo One, Plot 23, Lugogo Bypass, PO Box 7158, Kampala, Uganda  
T +256 393 266850, +256 200 907323 E audit@ug.gt.com

Anil Patel (Indian), Jasmine Shah (Indian), Nilesh Patel (Indian), Uday Bhalara (Indian)

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**
**TO THE MEMBERS OF CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED (CONTINUED)**
**Report on the audit of the financial statements (continued)**
**Key audit matters (continued)**
**Key audit matter**

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.

**How the matter was addressed in our audit**

- 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 asset level data;
- reviewed the judgments and decisions made by management in estimating the ECL to identify whether indicators of possible management bias exist; and
- obtained relevant representations from the directors about whether the directors believe that significant assumptions used in estimating the ECL are reasonable.

**Valuation of inventory and related provisions**

Inventories, stated at US\$ 80,391,616 thousand as at 31 March 2022, 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 inventory 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 lower of costs of 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;

- issue of materials for production;
- physical inventories;
- valuation of the inventories; and
- valuation of the provision for the obsolete, expired or slow-moving inventories.

Our testing of the design 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;



**INDEPENDENT AUDITORS' REPORT (CONTINUED)**
**TO THE MEMBERS OF CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED (CONTINUED)**
**Report on the audit of the financial statements (continued)**
**Key audit matters (continued)**
**Key audit matter**
**How the matter was addressed in our audit**

- assessed the appropriateness and reasonableness of the inventory provision through evaluating;
  - historical inventory and sales data;
  - management's latest forecasts and trading plans; and
  - selling prices achieved subsequent to the year end.
- we recalculated the inventory provision using the verified data to test the calculations within management's workings;
- reviewed reconciliations of inventories to cost of goods sold;
- evaluated the methods of measurement and assumptions used in the systematic allocation of fixed and variable production overheads; and
- on sample basis tested the valuation of work-in-progress, raw materials, consumables, and finished goods for compliance with IAS 2 – Inventories.

**Revenue recognition**

The Company's revenue for the year ended 31 March 2022 was US\$ 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.

Also, there is a risk that revenue may not be recognised in accordance with IFRS 15: Revenue from contracts with customers, and that the cut-off point at which customers obtain control of goods may not be correctly reflected in the financial statements.

Our audit procedures included understanding and testing of the design, implementation and operating effectiveness of the key controls around the sales process.

We obtained and reviewed sales contracts held with major partners by the Company to understand and identify the performance obligations, transaction price and inspect the key terms and conditions of contracts and assess if there were any terms and conditions that may have affected the accounting treatment.

We performed sales cut-off testing immediately before and after the year 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.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)****TO THE MEMBERS OF CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED (CONTINUED)****Report on the audit of the financial statements (continued)****Other information**

The directors are responsible for the other information on pages 1 to 62. 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.

**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.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

**INDEPENDENT AUDITORS' REPORT (CONTINUED)****TO THE MEMBERS OF CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED (CONTINUED)****Report on the audit of the financial statements (continued)****Auditor's responsibility for the audit of the financial statements (continued)**

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.

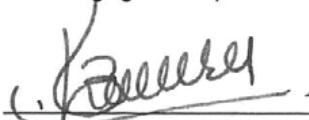
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure 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

18 May 2022  
Kampala, Uganda

**CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	2022 UShs '000	2021 UShs '000
Revenue	3	267,432,354	284,539,939
Cost of sales	4	(196,723,381)	(229,514,053)
<b>Gross profit</b>		<b>70,708,973</b>	55,025,886
Other income	5	127,990	149,887
General and administrative expenses	6	(51,726,786)	(51,646,048)
Reversal of impairment allowance / (impairment loss) on trade receivable	16	20,207,101	(9,061,502)
<b>Operating profit/(loss)</b>		<b>39,317,278</b>	(5,531,777)
Finance costs and finance income - net	9	(1,543,062)	(4,162,471)
<b>Profit/(loss) before tax</b>	10	<b>37,774,216</b>	(9,694,248)
Taxation	11	(13,723,615)	(843,995)
<b>Profit/(loss) for the year</b>		<b>24,050,601</b>	(10,538,243)
Other comprehensive income		-	-
<b>Total comprehensive profit/(loss) for the year</b>		<b>24,050,601</b>	(10,538,243)
<b>Basic and diluted earnings/(loss) per share (UShs)</b>	18(d)	<b>6.59</b>	(2.89)

The notes on pages 72 to 105 are an integral part of these financial statements.

CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022

STATEMENT OF FINANCIAL POSITION

	Notes	2022 UShs '000	2021 UShs '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, equipment and right-of-use assets	12	65,055,052	62,695,252
Capital work-in-progress	13	3,715,964	7,194,385
Intangible assets	14	1,332,567	1,226,370
Deferred tax asset	11(b)	5,139,094	11,180,841
		<u>75,242,677</u>	<u>82,296,848</u>
<b>Current assets</b>			
Inventories	15	80,391,616	68,808,084
Trade and other receivables	16	80,488,303	65,197,093
Current income tax recoverable	11(c)	58,595	859,240
Cash in hand and at bank	17	8,486,203	9,064,768
		<u>169,424,717</u>	<u>143,929,185</u>
<b>TOTAL ASSETS</b>		<u>244,667,394</u>	<u>226,226,033</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	18	45,648,865	45,648,865
Capital grant	19	2,275,000	2,275,000
Proposed dividend	20	7,303,818	-
Retained earnings		104,501,882	87,755,099
		<u>159,729,565</u>	<u>135,678,964</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Term loan	21	18,888,375	24,472,000
Lease liabilities	22	137,536	248,453
		<u>19,025,911</u>	<u>24,720,453</u>
<b>Current liabilities</b>			
Term loan	21	6,868,500	8,740,000
Lease liabilities	22	109,850	217,316
Trade and other payables	23	58,933,568	55,441,065
Bank overdraft	17	-	1,428,235
		<u>65,911,918</u>	<u>65,826,616</u>
<b>TOTAL LIABILITIES</b>		<u>84,937,829</u>	<u>90,547,069</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>244,667,394</u>	<u>226,226,033</u>

The financial statements on pages 68 to 105 were approved by the Board of Directors on May 18, 2022 and signed on its behalf by:

  
Director

  
Director

The notes on pages 72 to 105 are an integral part of these financial statements.

**CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**STATEMENT OF CHANGES IN EQUITY**

	Share capital UShs '000	Capital grant UShs '000	Proposed dividend UShs '000	Retained earnings UShs '000	Total equity UShs '000
<b>Balance at 1 April 2020</b>	45,648,865	2,275,000	-	97,313,531	145,237,396
<b>Total comprehensive loss for the year</b>					
Loss for the year	-	-	-	(10,538,243)	(10,538,243)
Gain on purchase of Quality Chemicals Limited human pharmaceutical distribution business	-	-	-	1,399,730	1,399,730
Tax on gain from purchase of Quality Chemicals Limited human pharmaceutical distribution business	-	-	-	(419,919)	(419,919)
Other comprehensive income	-	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>-</b>	<b>87,755,099</b>	<b>135,678,964</b>
<b>Balance at 1 April 2021</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>-</b>	<b>87,755,099</b>	<b>135,678,964</b>
<b>Total comprehensive profit for the year</b>					
Profit for the year	-	-	-	24,050,601	24,050,601
Proposed dividend	-	-	7,303,818	(7,303,818)	-
Other comprehensive income	-	-	-	-	-
<b>At 31 March 2022</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>7,303,818</b>	<b>104,501,882</b>	<b>159,729,565</b>

The notes on pages 72 to 105 are an integral part of these financial statements.

**CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**STATEMENT OF CASH FLOWS**

	Notes	2022 UShs '000	2021 UShs '000
<b>Operating activities</b>			
Profit/(loss) before tax		37,774,216	(9,694,248)
Adjustment for:			
- Impairment allowance on financial assets		(20,207,101)	9,061,502
- Depreciation	12	8,621,402	8,114,787
- Deferred factory costs written off	13	-	1,644,274
- Amortisation	14	449,770	296,215
- Provision for obsolete inventories		2,856,625	1,992,013
- Gain on sale of property, plant and equipment	5	(33,898)	(33,898)
- Interest expense		1,399,016	2,513,559
		<b>30,860,030</b>	<b>13,894,204</b>
Changes in:			
- Inventories		(14,440,157)	1,789,219
- Trade and other receivables		4,327,436	16,703,353
- Trade and other payables		2,853,127	(292,298)
<b>Cash generated from operating activities</b>		<b>23,600,436</b>	<b>32,094,478</b>
Interest paid on bank overdraft	21	(296,257)	(1,698,673)
Interest paid on term loan	21	(1,058,854)	(753,561)
Payment of interest on lease liabilities	22(c)	(43,905)	(61,325)
Tax paid		(6,301,922)	(2,043,427)
<b>Net cash generated from operating activities</b>		<b>15,899,498</b>	<b>27,537,492</b>
<b>Cash flows from Investing activities</b>			
Proceeds from sale of property, plant and equipment	5	33,898	33,898
Purchase of property, plant and equipment	12	(3,850,490)	(6,199,446)
Additions to capital work-in-progress	13	(3,652,291)	-
Purchase of intangible assets	14	(555,967)	(164,510)
Purchase of human drug business		-	(3,848,651)
<b>Net cash used in investing activities</b>		<b>(8,024,850)</b>	<b>(10,178,709)</b>
<b>Cash flows from Financing activities</b>			
Proceeds from term loan	21	-	35,245,000
Repayment of term loan	21	(6,811,500)	(1,743,250)
Repayment of lease liability	22(b)	(213,478)	(224,653)
<b>Net cash (used in)/from financing activities</b>		<b>(7,024,978)</b>	<b>33,277,097</b>
Net change in cash and cash equivalents		849,670	50,635,880
Cash and cash equivalents at start of year		7,636,533	(42,999,347)
<b>Cash and cash equivalents at end of year</b>		<b>8,486,203</b>	<b>7,636,533</b>

The notes on pages 72 to 105 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 10 June 2005 as a joint venture between Quality Chemicals Limited an entity incorporated in Uganda and Cipla Limited, an entity incorporated in India (“Cipla”) 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. The Company owns a pharmaceutical plant at Luzira Industrial Park.

On 11 November 2013, Cipla 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 Cipla Limited. The Company’s name was subsequently changed from Quality Chemical Industries Limited to Cipla Quality Chemical Industries Limited effective 24 March 2014.

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

On 17 September 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 31 March 2020. During the IPO, Cipla (EU) Limited sold off 405,804,411 of its shares, effectively reducing Cipla’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 are prepared under the historical cost convention, except where otherwise stated. The financial statements are presented in Uganda Shillings (UShs), the functional currency of the Company. All financial information has been rounded off to the nearest thousands unless otherwise stated.

#### **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.

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



c) **New standards, interpretations and amendments to standards**

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

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

<b>Standard/ amendment</b>	<b>Effective date - Year beginning on or after</b>	<b>Key requirements</b>	<b>Impact</b>
Interest rate benchmark reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021	The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark.	The impact of the amendment is not likely to be material.
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 January 2021	<p>In May 2020, the Board issued COVID-19-Related Rent Concessions (the 2020 amendments), which amended IFRS 16 Leases. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.</p> <p>The practical expedient introduced in the 2020 amendments only applies to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021. If the Board had taken no further action, the practical expedient would have expired in a few months.</p> <p>The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond 30 June 2021.</p> <p>The Board has therefore extended the practical expedient by 12 months – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.</p>	The impact of the amendment is not material.

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

**New standards, interpretations and amendments to standards not effective**

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 2021 or later periods:

Standard/amendment	Effective date - Year beginning on or after	Key requirements	Impact
Onerous contracts – Cost of fulfilling a contract (Amendment to IAS 37)	1 January 2022	The amendments clarify that the 'costs of fulfilling a contract' comprise both: the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	The impact of the amendment is not likely to be material.
Annual Improvements to IFRS Standards 2018–2020	1 January 2022	As part of its process to make non-urgent but necessary amendments to IFRS Standards, the International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRS Standards 2018–2020. This annual imporment includes update in IFRS 1, IFRS 9, IFRS 16 and IFRS 41.	The impact of the amendment is not likely to be material.
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022	Under the amendments: •Sale proceeds no longer deducted from the cost of property, plant and equipment (PPE) before its intended use •Testing the functioning of an item of property, plant and equipment means assessing its technical and physical performance rather than financial performance. •Additional disclosure requirements for sales proceeds and related production costs	The impact of the amendment is not likely to be material.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	The key amendments to IAS 1 include: a) requiring companies to disclose their material accounting policies rather than their significant accounting policies; b) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and c) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.	The impact of the amendment is not likely to be material.
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023	The amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.	The impact of the amendment is not likely to be material.
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	The impact of the amendment is not likely to be material.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.	The impact of the amendment is not likely to be material.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **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.

#### **Current income taxes**

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **d) Significant accounting judgements and estimates (continued)**

##### **Current income taxes (continued)**

There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of additional taxes due. 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 ECLs is a significant estimate.

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgments, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **e) Financial instruments**

##### **Initial measurement of financial instruments**

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

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

##### **Measurement categories of financial assets and liabilities**

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

Amortised cost

Fair value through other comprehensive income (FVOCI)

Fair value through profit or loss (FVTPL)

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **e) Financial instruments (continued)**

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.

#### **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.

#### **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.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **e) Financial instruments (continued)**

##### **Receivables and financial investments (continued)**

###### **The SPPI test**

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

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies 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.

###### **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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e) Financial instruments (continued)

##### Derecognition of financial assets and liabilities (continued)

A transfer only qualifies for derecognition if either:

The Company has transferred substantially all the risks and rewards of the asset; or

- The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

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

##### Financial liabilities

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

##### Impairment of financial assets

IFRS 9's impairment requirements use 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).



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**NOTES TO THE FINANCIAL STATEMENTS**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) Financial instruments (continued)**

**Classification and measurement of financial liabilities (continued)**

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

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

**Recognition and measurement**

Items of property 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 its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised. Refer item (i) below on leases for detailed policies for right of use assets.

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	25.00%
Tools and equipment	25.00%
Computers	33.30%
Furniture and fittings	25.00%
Plant and machinery	10.00%
Right-of-use assets	3–5years

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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h) Impairment of non-financial assets**

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

The recoverable amount of an asset or cash-generating unit 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

**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.

**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.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **j) Employee benefits (continued)**

##### **Defined contribution plans**

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### k) Tax (continued)

##### 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) Presentation currency and foreign currency transactions

The financial statements are presented in Ugandan Shillings ('UShs'), which is also the Company's functional currency. Transactions during the year are converted into Uganda Shillings at rates ruling at the transactions dates. Monetary assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Uganda Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

#### n) 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

#### o) 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **o) Revenue from contracts with customers (continued)**

##### **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.

#### **p) 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.

#### **q) Fair value measurement**

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

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

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

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

Fair-value related disclosures for financial instruments and non-financial assets that are measured 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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **r) 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.

#### **s) Segment information**

The major part of business of the Company, which is all within Uganda, falls under the category of Pharmaceuticals, with other income comprising less than 1% of the total income of the Company. No segment information is therefore provided.

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	<b>2022</b>	2021
	<b>UShs '000</b>	UShs '000
<b>3 Revenue</b>		
Local sales	<b>187,490,106</b>	157,841,047
Exports	<b>79,942,248</b>	126,698,892
	<b>267,432,354</b>	284,539,939

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

	<b>2022</b>	2021
	<b>UShs '000</b>	UShs '000
ARVs	<b>201,234,766</b>	209,375,051
ACTs	<b>57,152,888</b>	71,519,907
Others	<b>9,044,700</b>	3,644,981
	<b>267,432,354</b>	284,539,939

**4 Cost of sales**

Material costs	<b>159,667,126</b>	190,202,132
Other production overheads	<b>11,721,019</b>	15,558,669
Staff expenses (note 7)	<b>8,866,599</b>	10,028,458
Depreciation (note 8)	<b>7,481,503</b>	6,947,579
Royalties	<b>6,104,198</b>	5,483,494
Provision for obsolete stock	<b>2,882,936</b>	1,293,721
	<b>196,723,381</b>	229,514,053

**5 Other income**

Sale of scrap	<b>94,092</b>	115,989
Gain on disposal of property and equipment	<b>33,898</b>	33,898
	<b>127,990</b>	149,887

**6 General and administrative expenses**

Staff expenses (note 7)	<b>22,623,387</b>	20,288,139
Advertising	<b>10,651,594</b>	12,905,705
Other administration expenses	<b>12,254,383</b>	12,136,461
Office expenses	<b>3,569,213</b>	3,838,260
Depreciation (note 8)	<b>1,139,899</b>	1,167,208
Amortisation (note 8)	<b>449,770</b>	296,215
Bank charges	<b>368,356</b>	282,468
Professional fees	<b>561,735</b>	638,911
Auditor's remuneration	<b>108,449</b>	92,681
	<b>51,726,786</b>	51,646,048

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<b>2022</b>	2021
	<b>UShs '000</b>	UShs '000
<b>7 Staff expenses</b>		
Salaries and wages	<b>19,171,827</b>	21,975,463
Medical	<b>2,140,334</b>	1,923,551
NSSF contribution	<b>2,013,728</b>	1,992,477
Staff welfare	<b>1,473,324</b>	1,625,453
Catering	<b>1,391,986</b>	1,416,116
Provision of staff bonus - net	<b>1,547,983</b>	1,078,602
Provident fund	<b>3,667,883</b>	138,547
Leave provision (release)/charge	<b>(102,171)</b>	123,633
Training costs	<b>86,586</b>	40,891
Staff recruitment costs	<b>98,506</b>	1,864
	<b>31,489,986</b>	30,316,597
Staff costs are allocated as follows:		
Cost of sales (note 4)	<b>8,866,599</b>	10,028,458
General and administrative expenses (note 6)	<b>22,623,387</b>	20,288,139
	<b>31,489,986</b>	30,316,597
<p>Increase in the provident fund during the year is mainly on account of the Company's contribution of UShs 3,540,147 thousand to the provident fund scheme as per the settlement and release agreement signed with directors in the month of August 2021 and terminated the old employment contracts. This was done to align the understanding of retirement benefit with founding directors of the Company. Costs under the new contract are estimated and recorded in line with the requirement of IFRS Standards.</p>		
<b>8 Amortisation and depreciation</b>		
Depreciation*	<b>8,621,402</b>	8,114,787
Amortisation	<b>449,770</b>	296,215
	<b>9,071,172</b>	8,411,002
*Depreciation allocated as follows:		
Cost of sales (note 4)	<b>7,481,503</b>	6,947,579
General and administrative expenses (note 6)	<b>1,139,899</b>	1,167,208
	<b>8,621,402</b>	8,114,787
<b>9 Finance costs and finance income - net</b>		
Interest on bank overdraft	<b>296,257</b>	1,698,673
Interest on term loans	<b>1,058,854</b>	753,561
Interest on finance lease liabilities	<b>43,905</b>	61,325
Realised foreign exchange loss	<b>69,841</b>	3,718,222
Unrealised foreign exchange loss/(gain)	<b>74,205</b>	(2,069,310)
	<b>1,543,062</b>	4,162,471



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	2022 UShs '000	2021 UShs '000
<b>10 Profit/(loss) before tax</b>		
Profit/ (loss) before tax is after the following charges:		
Depreciation	8,621,402	8,114,787
Net foreign exchange losses	144,046	1,648,912
Amortisation	449,770	296,215
Auditor's remuneration	108,449	92,681
Gain on disposal of property, plant and equipment	33,898	33,898
	<u>8,621,402</u>	<u>8,114,787</u>

**11 Taxation**

**a) Income tax**

Tax is provided for in the financial statements on the basis of the results included therein, adjusted in accordance with the provisions of the Income Tax Act, (Cap 340) less any tax credits and withholding tax recoverable.

	2022 UShs '000	2021 UShs '000
Current income tax charge	7,681,868	1,942,771
Deferred tax charge/ (credit)	6,041,747	(1,098,776)
	<u>13,723,615</u>	<u>843,995</u>

**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:

	2022 UShs '000	2021 UShs '000
Profit/(loss) before tax	37,774,216	(9,694,248)
Tax calculated at the statutory income tax rate of 30%	11,332,265	(2,908,274)
<i>Tax effect of:</i>		
Under provision for prior years	-	(2,713)
Expenses not deductible for tax purposes	2,391,350	3,754,982
	<u>13,723,615</u>	<u>843,995</u>

**b) Deferred tax 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:

	2022 UShs '000	2021 UShs '000
At the start of the year	11,180,841	10,501,984
Charged to statement of changes in equity	-	(419,919)
(Charged)/credited to statement of profit or loss	(6,041,747)	1,098,776
	<u>5,139,094</u>	<u>11,180,841</u>

**c) Current income tax recoverable**

Income tax receivable	58,595	859,240
	<u>58,595</u>	<u>859,240</u>

As at 31 March 2022, the Company had tax receivable amount of UShs 59 million (2021: UShs 859 million) resulting from provisional income tax payments made during the year. The amount will be offset against future income tax obligations of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Property, plant, equipment and right-of-use assets	Right-of-use asset		Plant & machinery US\$'000	Furniture & fittings US\$'000		Motor vehicles US\$'000	Computers US\$'000	Tools & equipment US\$'000		Total US\$'000
	US\$'000	US\$'000		US\$'000	US\$'000			US\$'000	US\$'000	
<b>COST</b>										
Balance at 1 April 2020	3,605,435	28,945,607	64,505,020	1,365,656	2,476,132	2,645,729	3,893,673	107,437,252		
Adjustment	(20,264)	-	-	-	-	-	-	(20,264)		
Additions	-	-	2,636,228	352,618	464,562	848,319	1,897,719	6,199,446		
Transfer from CWIP	-	4,273,469	6,167,620	-	-	-	-	10,441,089		
On disposals	-	-	-	-	(192,769)	-	-	(192,769)		
Balance at 31 March 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		
Balance at 1 April 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	-	-	6,938,601	-	-	-	192,111	7,130,712		
Disposals	-	-	-	-	(244,186)	-	-	(244,186)		
Balance at 31 March 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		
<b>ACCUMULATED DEPRECIATION</b>										
Balance at 1 April 2020	184,270	8,210,446	37,965,561	1,030,824	2,049,795	2,032,927	1,773,661	53,247,484		
Depreciation charge for the year	158,358	1,241,137	4,823,620	164,353	386,166	451,783	889,370	8,114,787		
On disposals	-	-	-	-	(192,769)	-	-	(192,769)		
Balance at 31 March 2021	342,628	9,451,583	42,789,181	1,195,177	2,243,192	2,484,710	2,663,031	61,169,502		
Balance at 1 April 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 at 31 March 2022	550,081	10,780,551	47,848,921	1,385,854	2,224,643	2,994,294	3,762,374	69,546,718		
<b>NET CARRYING VALUE</b>										
Balance at 31 March 2022	3,035,090	22,824,630	34,724,712	369,007	1,091,302	637,472	2,372,839	65,055,052		
Balance at 31 March 2021	3,242,543	23,767,493	30,519,687	523,097	504,733	1,009,338	3,128,361	62,695,252		

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**13 Capital work-in-progress**

	<b>Buildings UShs '000</b>	<b>Other capital work in progress UShs '000</b>	<b>Deferred consultancy UShs '000</b>	<b>Total UShs '000</b>
Balance at 1 April 2020	4,287,182	13,348,292	1,644,274	19,279,748
Reclassified on capitalisation	(13,713)	13,713	-	-
Written off to profit or loss	-	-	(1,644,274)	(1,644,274)
Transfer to property, plant and equipment	(4,273,469)	(6,167,620)	-	(10,441,089)
Balance at 31 March 2021	-	7,194,385	-	7,194,385
Balance at 1 April 2021	-	<b>7,194,385</b>	-	<b>7,194,385</b>
Additions	-	<b>3,652,291</b>	-	<b>3,652,291</b>
Transfer to property, plant and equipment	-	<b>(7,130,712)</b>	-	<b>(7,130,712)</b>
Balance at 31 March 2022	-	<b>3,715,964</b>	-	<b>3,715,964</b>

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

The consultancy services related to design fees for phase 2 of the factory that had been planned to increase production capacity. The factory construction plans were revised and deferral of these costs was no longer appropriate. Accordingly, the amounts were written off to the profit or loss account during the year ended 31 March 2021.

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	2022 UShs '000	2021 UShs '000
<b>14 Intangible assets</b>		
<b>COST</b>		
At start of year	3,237,996	3,073,486
Additions	555,967	164,510
<b>At end of year</b>	<b>3,793,963</b>	3,237,996
<b>ACCUMULATED AMORTISATION</b>		
At start of year	2,011,626	1,715,411
Amortisation for the year	449,770	296,215
<b>At end of year</b>	<b>2,461,396</b>	2,011,626
<b>NET CARRYING VALUE</b>	<b>1,332,567</b>	1,226,370

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

	2022 UShs '000	2021 UShs '000
<b>15 Inventories</b>		
Raw materials	41,853,760	34,474,854
Finished goods	8,434,786	12,199,912
Work-in-progress	11,679,659	10,832,893
Packing materials	8,733,872	7,285,069
Stocks in transit	14,727,170	6,540,281
Spares and consumables	1,715,572	1,371,653
	<b>87,144,819</b>	72,704,662
Less: provision for obsolete inventories	<b>(6,753,203)</b>	(3,896,578)
	<b>80,391,616</b>	68,808,084

**16 Trade and other receivables**

<b>Financial instruments</b>		
Trade receivables	100,335,106	100,998,956
Less: expected credit losses	<b>(26,776,910)</b>	(46,984,011)
	<b>73,558,196</b>	54,014,945
Other receivables	534,537	217,827
<b>Non-financial instruments</b>		
Advance payments to suppliers	1,018,310	5,327,158
VAT recoverable	4,954,153	4,614,647
Withholding tax recoverable	-	356,352
Prepayments	412,151	665,524
Staff advances	10,956	640
	<b>80,488,303</b>	65,197,093
<b>Movement in expected credit losses</b>		
Opening balance	46,984,011	37,482,709
Acquired human drug business receivables provision	-	439,800
Reversal of (impairment allowance) / impairment loss on trade receivable	<b>(20,207,101)</b>	9,061,502
Closing balance	<b>26,776,910</b>	46,984,011

Reversal of the impairment allowance on trade receivable during the year is mainly on account of the collection of debt UShs 19.20 billion (2021: UShs 3.80 billion) from the Government of Zambia during the year, which was fully impaired in the earlier years.

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**16 Trade and other receivables (continued)**

The analysis below shows the credit quality and the maximum exposure to credit risk based on the Company's credit rating system. 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:

	2022	2021
	US\$ '000	US\$ '000
<b>Grading of receivables</b>		
High grade (0–90 days)	73,433,342	54,019,966
Standard grade (91–365 days)	132,177	312,213
Impaired over 365 days	3,557,961	3,719,638
Individually impaired and over 365 days	23,211,626	42,947,139
<b>Total</b>	<b>100,335,106</b>	<b>100,998,956</b>

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

	2022	2021
	US\$ '000	US\$ '000
<b>Movement in gross trade receivables</b>		
Opening balance	100,998,956	24,711,846
Sales during the year	267,432,354	284,539,939
Write-off during the year	(222,137)	-
Receipts	(267,874,067)	(208,252,829)
<b>Closing balance</b>	<b>100,335,106</b>	<b>100,998,956</b>

**Expected credit loss assessment for customers**

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

As at 31 March 2022	Weighted average loss rate	Gross carrying amount (US\$ '000)	Loss allowance (US\$ '000)	Credit impaired
Current (not past due)	0%	63,367,147	285,565	No
1-30 days past due	22%	423,500	94,208	No
31-60 days past due	1%	9,328,599	60,395	No
61-90 days past due	59%	15,082	8,860	No
90 -180 days past due	62%	94,789	58,658	Yes
180 -365 days past due	46%	37,388	17,080	Yes
More than 365 past due	97%	27,068,601	26,252,144	Yes
		<b>100,335,106</b>	<b>26,776,910</b>	
As at 31 March 2021	Weighted average loss rate	Gross carrying amount (US\$ '000)	Loss allowance (US\$ '000)	Credit impaired
Current (not past due)	0%	47,979,164	81,747	No
1-30 days past due	29%	1,389,238	396,093	No
31-60 days past due	36%	304,138	108,561	No
61-90 days past due	3%	4,347,426	116,226	No
90 -180 days past due	94%	10,083	9,430	Yes
180 -365 days past due	54%	302,131	162,139	Yes
More than 365 past due	99%	46,666,776	46,109,815	Yes
		<b>100,998,956</b>	<b>46,984,011</b>	

In the opinion of the directors, the carrying amount of trade and other receivables approximate to their fair values.

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	2022	2021
	US\$ '000	US\$ '000
<b>17 Cash in hand and at bank</b>		
Cash in hand	38	864
Cash at bank	<u>8,486,165</u>	<u>9,063,904</u>
<b>Cash and cash equivalents in the statements of financial position</b>	<b>8,486,203</b>	9,064,768
Bank overdraft	<u>-</u>	<u>(1,428,235)</u>
<b>Cash and cash equivalents in the statement of cash flows</b>	<b><u>8,486,203</u></b>	<b><u>7,636,533</u></b>

For the purpose of the statement of cash flows, cash and cash equivalents comprise the above balances.

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 31 March 2022 (2021: 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 (2021: 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 LIBOR.

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

	2022	2021
	US\$ '000	US\$ '000
US dollar	7,285,348	4,970,288
Uganda Shilling	<u>1,200,817</u>	<u>4,093,616</u>
	<b>8,486,165</b>	9,063,904

**18 Share capital**

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

	2022	2021
Number of shares	3,651,909,200	3,651,909,200
Nominal value per share (US\$)	12.5	12.5
Authorised and issued capital (US\$ '000)	<u>45,648,865</u>	<u>45,648,865</u>

On 5 October 2016, the shareholders pursuant to Section 71 of the Companies Act, 2012, 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 US\$ 5,000 to US\$ 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.

	2022		2021	
	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%
Cipla 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	<u>64,023,100</u>	<u>1.75%</u>	<u>64,023,100</u>	<u>1.75%</u>
	<b>3,651,909,200</b>	<b>100%</b>	<b>3,651,909,200</b>	<b>100%</b>

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**18 Share capital (continued)**

**c) Spread of shares**

<b>Holding at 31 March 2022</b>	<b>No. of investors</b>	<b>No of shares held</b>	<b>Percentage holding</b>
Between 0 and 1,000 Shares	450	394,575	0.0%
Between 1,001 and 5,000 Shares	965	2,686,262	0.1%
Between 5,001 and 10,000 Shares	403	3,441,429	0.1%
Between 10,001 and 1,000,000 Shares	752	49,188,734	1.3%
Above 1,000,001 Shares	15	3,596,198,200	98.5%
	<b>2,585</b>	<b>3,651,909,200</b>	<b>100%</b>

<b>Holding at 31 March 2021</b>	<b>No. of investors</b>	<b>No of shares held</b>	<b>Percentage holding</b>
Between 0 and 1,000 Shares	445	396,814	0.0%
Between 1,001 and 5,000 Shares	973	2,690,749	0.1%
Between 5,001 and 10,000 Shares	402	3,473,278	0.1%
Between 10,001 and 1,000,000 Shares	763	48,632,359	1.3%
Above 1,000,001 Shares	14	3,596,716,000	98.5%
	<b>2,597</b>	<b>3,651,909,200</b>	<b>100.0%</b>

**d) Earnings per share**

	<b>2022</b>	2021
Profit/(loss) attributable to ordinary equity holders of the Company (US\$ '000)	<b>24,050,601</b>	(10,538,243)
Weighted average number of ordinary shares in issue during the year	<b>3,651,909,200</b>	3,651,909,200
	<b>6.59</b>	(2.89)

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.

**19 Capital grant**

On 21 December 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 US\$ 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.

**20 Dividends**

After the reporting date 31 March 2022, the directors proposed the payment of a dividends of US\$ 2 (2021: Nil). The aggregate amount of proposed dividend is US\$ 7,303,818 thousand for the financial year ended 31 March 2022 (2021: Nil). As the distribution of dividends by the Company requires approval at the shareholders' meeting, no liability in this respect is recognised in the financial statements. No income tax consequences are expected to arise as a result of this transaction to the Company at 31 March 2022.

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	<b>2022</b>	2021
	<b>UShs '000</b>	UShs '000
<b>21 Term loan</b>		
Current portion	<b>6,868,500</b>	8,740,000
Non-current portion	<b>18,888,375</b>	24,472,000
	<b>25,756,875</b>	33,212,000

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.

The movement in bank borrowings is as follows:

	<b>Term loan</b>	<b>Bank overdraft</b>	<b>Total</b>
	<b>UShs '000</b>	<b>UShs '000</b>	<b>UShs '000</b>
<b>Year ended 31 March 2022</b>			
At start of year	<b>33,212,000</b>	<b>1,428,235</b>	<b>34,640,235</b>
Interest charged to profit or loss	<b>1,058,854</b>	<b>296,257</b>	<b>1,355,111</b>
Foreign exchange loss	<b>(643,625)</b>	-	<b>(643,625)</b>
Cash flows:			
Interest paid	<b>(1,058,854)</b>	<b>(296,257)</b>	<b>(1,355,111)</b>
Repayment of bank borrowings	<b>(6,811,500)</b>	<b>(1,428,235)</b>	<b>(8,239,735)</b>
At end of year	<b>25,756,875</b>	-	<b>25,756,875</b>
<b>Year ended 31 March 2021</b>			
At start of year	-	47,074,947	47,074,947
Interest charged to profit or loss	753,561	1,698,673	2,452,234
Foreign exchange loss	(289,750)	1,926,627	1,636,877
Cash flows:			
Interest paid	(753,561)	(1,698,673)	(2,452,234)
Proceeds from bank borrowings	35,245,000	-	35,245,000
Repayment of bank borrowings	(1,743,250)	(47,573,339)	(49,316,589)
At end of year	33,212,000	1,428,235	34,640,235

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

	<b>2022</b>	2021
	<b>UShs '000</b>	UShs '000
6 months or less	<b>3,434,250</b>	3,496,000
6 - 12 months	<b>3,434,250</b>	3,496,000
1 - 5 years	<b>18,888,375</b>	27,648,235
	<b>25,756,875</b>	34,640,235

In the opinion of the directors, the carrying amount of short term bank borrowings approximate to their fair value.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Right-of-use assets and lease liabilities

	Leasehold land UShs '000	Leased motor vehicles UShs '000	Leased warehouse UShs '000	Total UShs '000
<b>a) Right-of-use assets</b>				
<b>Year ended 31 March 2021</b>				
<b>At start of year</b>	2,776,233	425,951	218,981	3,421,165
Adjustment	-	(31)	(20,233)	(20,264)
Depreciation	-	(55,612)	(102,746)	(158,358)
<b>At end of year</b>	<b>2,776,233</b>	<b>370,308</b>	<b>96,002</b>	<b>3,242,543</b>
<b>Year ended 31 March 2022</b>				
At start of year	<b>2,776,233</b>	<b>370,308</b>	<b>96,002</b>	<b>3,242,543</b>
Adjustment	-	-	-	-
Depreciation	-	<b>(111,451)</b>	<b>(96,002)</b>	<b>(207,453)</b>
<b>At end of year</b>	<b>2,776,233</b>	<b>258,857</b>	<b>-</b>	<b>3,035,090</b>
<b>b) Lease liabilities</b>				
<b>At 31 March 2022</b>				
Current	-	<b>109,850</b>	-	<b>109,850</b>
Non-current	-	<b>137,536</b>	-	<b>137,536</b>
<b>At end of year</b>	<b>-</b>	<b>247,386</b>	<b>-</b>	<b>247,386</b>
Cash outflow for leases in year was:				
Payment for principal portion of lease liability	-	<b>107,704</b>	<b>105,774</b>	<b>213,478</b>
Payment of interest on lease liabilities	-	<b>26,115</b>	<b>17,790</b>	<b>43,905</b>
	<b>-</b>	<b>133,819</b>	<b>123,564</b>	<b>257,383</b>
<b>At 31 March 2021</b>				
Current	-	109,641	107,675	217,316
Non-current	-	248,453	-	248,453
<b>At end of year</b>	<b>-</b>	<b>358,094</b>	<b>107,675</b>	<b>465,769</b>
Cash outflow for leases in year was:				
Repayment of lease liability	-	124,148	100,505	224,653
Payment of interest on lease liabilities	-	53,726	7,599	61,325
	<b>-</b>	<b>177,874</b>	<b>108,104</b>	<b>285,978</b>
<b>c) Reconciliation of lease liabilities arising from financing activities:</b>				
<b>At start of year</b>	<b>-</b>	<b>358,094</b>	<b>107,675</b>	<b>465,769</b>
Charged to statement of profit or loss:				
Interest on finance lease liabilities	-	26,115	17,790	43,905
Foreign exchange loss	-	(3,004)	(1,901)	(4,905)
Cash flows:				
Operating activities	-	(26,115)	(17,790)	(43,905)
Cash flows from Financing activities	-	(107,704)	(105,774)	(213,478)
<b>At end of year</b>	<b>-</b>	<b>247,386</b>	<b>-</b>	<b>247,386</b>

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 covenants other than protective rights of the lessor or carries a residual value guarantee.

In the opinion of the directors, the carrying amount of the lease assets and liabilities approximate to their fair value.

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	2022 UShs '000	2021 UShs '000
<b>23 Trade and other payables</b>		
Trade payables	43,123,940	22,318,830
Accruals	8,218,721	10,745,196
Withholding tax payable	995,923	441,186
Due to related parties	6,594,984	21,935,853
	<u>58,933,568</u>	<u>55,441,065</u>

**24 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 Cipla Limited incorporated in India.

i) The following are the key related parties:

Name	Nature of relationship
Quality Chemicals Limited, Uganda	- Shareholder/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
Cipla Kenya Limited	- Subsidiary of Cipla Limited
Cipla Medpro South Africa (Pty) Limited	- Subsidiary of Cipla Limited
Cipla Limited, India	- Ultimate Holding Company

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

Related party	Nature of transactions	2022 UShs '000	2021 UShs '000
Cipla Limited	Purchase of raw materials	5,002,020	5,065,954
	Technical services fees	6,104,197	5,483,494
	Sale of goods	34,625	97,617
	IT services	440,135	310,382
	Purchase of machinery	60,716	12,685
Cipla Kenya Limited	Purchase of finished goods	122,607	-
	Sale of goods	62,188	-
Sitec Labs Private Limited	Analytical work on raw materials	10,337	17,818
Cipla Medpro South Africa (Pty) Limited	Sale of ARVs	54,598,076	54,802,913
	Purchase of raw material	-	2,887,164
Total transactions with related parties		<u>66,434,901</u>	<u>68,678,027</u>

The following were the balances as at 31 March:

	2022 UShs '000	2021 UShs '000
<b>a) Due from related parties</b>		
Cipla Medpro South Africa (Pty) Limited	12,157,364	-
Cipla Limited	832,198	997,443
	<u>12,989,562</u>	<u>997,443</u>

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

	2022 UShs '000	2021 UShs '000
<b>b) Due to related parties</b>		
Cipla Limited	6,591,105	21,914,957
Cipla Medpro South Africa (Pty) Limited	3,681	2,832
Sitec Labs Private Limited	198	18,064
	<u>6,594,984</u>	<u>21,935,853</u>

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

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	<b>2022</b>	2021
	<b>UShs '000</b>	UShs '000
<b>24 Related parties (continued)</b>		
<b>c) Key management compensation</b>		
Short-term employee benefits	<b>5,270,494</b>	4,849,988

**25 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.

**26 Financial risk management**

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, foreign currency risk and credit risk. The Company has policies for managing financial risks as summarized below:

**a) Market risk**

**i) Foreign currency risk**

The Company has transactional currency exposures. Such exposure arises from purchases by the Company in currencies other than its functional currency (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.

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**26 Financial risk management (continued)**

**a) Market risk (continued)**

i) Foreign currency risk(continued)

	US\$	US\$'000
<b>At 31 March 2022</b>		
<b>Financial assets</b>		
Bank balances	2,015,310	7,285,346
Trade and other receivables	23,043,694	83,302,954
Due from related parties	3,612,049	13,057,557
	<u>28,671,053</u>	<u>103,645,857</u>
<b>Financial liabilities</b>		
Trade and other payables	10,032,775	36,268,482
Bank overdraft	-	-
Lease liabilities	186,645	674,722
Due to related parties	1,556,196	5,625,649
	<u>11,775,616</u>	<u>42,568,853</u>
Net position (receivable)	<u>16,895,437</u>	<u>61,077,004</u>
<b>At 31 March 2021</b>		
<b>Financial assets</b>		
Bank balances	2,401,334	8,836,909
Trade and other receivables	26,496,377	97,506,666
Due from related parties	270,433	995,192
	<u>29,168,144</u>	<u>107,338,767</u>
<b>Financial liabilities</b>		
Trade and other payables	4,801,088	17,668,005
Bank overdraft	388,107	1,428,235
Lease liabilities	126,568	465,769
Due to related parties	5,960,830	21,935,853
	<u>11,276,593</u>	<u>41,497,862</u>
Net position (receivable)	<u>17,891,551</u>	<u>65,840,905</u>

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.

	2022	2021
	US\$'000	US\$'000
+1%	(427,539)	(460,886)
-1%	<u>427,539</u>	<u>460,886</u>

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**26 Financial risk management (continued)**

**a) Market risk (continued)**

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.

	<b>2022</b>	2021
	<b>UShs '000</b>	UShs '000
+1%	<b>(326,867)</b>	(474,831)
-1%	<b>326,867</b>	474,831

**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:

	<b>2022</b>	2021
	<b>UShs '000</b>	UShs '000
Trade and other receivables	<b>74,092,733</b>	54,232,772
Cash at bank	<b>8,486,165</b>	9,063,904
	<b>82,578,898</b>	63,296,676

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

	<b>2022</b>	2021
	<b>UShs '000</b>	UShs '000
National Medical Stores (Government of Uganda)	<b>150,849,773</b>	135,557,918
Global Fund to Fight AIDS, Tuberculosis and Malaria	<b>40,101,185</b>	32,884,762
Other sovereign customers	-	24,198,717
Presidential Malaria Initiative	<b>2,410,411</b>	16,114,983
	<b>193,361,369</b>	<b>208,756,380</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Financial risk management (continued)

b) Credit risk (continued)

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 (2021: None).

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

	<b>2022</b>			
	<b>Gross carrying amount US\$ '000</b>	<b>Weighted average loss rates</b>	<b>Expected Credit Loss US\$ '000</b>	<b>Net carrying amount US\$ '000</b>
<b>Trade receivables</b>				
Sovereign customers	23,231,414	100%	23,211,627	19,787
Intercompany customers	12,989,563	0%	-	12,989,563
Multilateral agencies	12,553,211	0%	-	12,553,211
Private market customers	51,560,918	7%	3,565,283	47,995,635
	<b>100,335,106</b>	<b>27%</b>	<b>26,776,910</b>	<b>73,558,196</b>
<b>Other financial assets</b>				
Advance payments to suppliers	4,293,397	76%	3,275,087	1,018,310
VAT recoverable	5,664,153	13%	710,000	4,954,153
Staff advances	10,956	0%	-	10,956
Other receivables	534,537	0%	-	534,537
Prepayments	412,151	0%	-	412,151
Cash at bank	8,486,165	0%	-	8,486,165
	<b>19,401,359</b>	<b>21%</b>	<b>3,985,087</b>	<b>15,416,272</b>
<b>Total financial assets</b>	<b>119,736,465</b>	<b>26%</b>	<b>30,761,997</b>	<b>88,974,468</b>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Financial risk management (continued)

b) Credit risk (continued)

	2021			
	Gross carrying amount UShs '000	Weighted average loss rates	Expected Credit Loss UShs '000	Net carrying amount UShs '000
<b>Trade receivables</b>				
Sovereign customers	78,971,712	54%	42,947,139	36,024,573
Intercompany customers	997,443	0%	-	997,443
Multilateral agencies	15,482,251	0%	-	15,482,251
Private market customers	5,547,550	73%	4,036,872	1,510,678
	<b>100,998,956</b>	<b>47%</b>	<b>46,984,011</b>	<b>54,014,945</b>
<b>Other financial assets</b>				
Advance payments to suppliers	5,327,158	0%	-	5,327,158
Withholding tax recoverable	356,352	0%	-	356,352
VAT recoverable	4,614,647	0%	-	4,614,647
Staff advances	640	0%	-	640
Other receivables	217,827	0%	-	217,827
Prepayments	665,524	0%	-	665,524
Cash at bank	7,635,669	0%	-	7,635,669
	<b>18,817,817</b>	<b>0%</b>	<b>-</b>	<b>18,817,817</b>
<b>Total financial assets</b>	<b>119,816,773</b>	<b>39%</b>	<b>46,984,011</b>	<b>72,832,762</b>

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.

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
<b>As at 31 March 2022</b>				
Finance lease liabilities	29,324	94,282	123,780	247,386
Trade and other payables	58,933,568	-	-	58,933,568
	<b>58,962,892</b>	<b>94,282</b>	<b>123,780</b>	<b>59,180,954</b>
<b>As at 31 March 2021</b>				
Bank overdraft	-	1,428,235	-	1,428,235
Finance lease liabilities	52,378	164,938	248,453	465,769
Trade and other payables	55,441,065	-	-	55,441,065
	<b>55,493,443</b>	<b>1,593,173</b>	<b>248,453</b>	<b>57,335,069</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26 Financial risk management (continued)**

**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 31 March 2021 and 31 March 2022.

**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 31 March 2022, the Company did not hold any financial assets, or financial liabilities, at fair value. The carrying amounts of the financial assets and liabilities, held at amortised cost on the statement of financial position, approximate their fair values as at that date.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27 Subsequent events**

The directors are not aware of any matter or circumstance which is material to the financial affairs of the Company, which has occurred between 31 March 2022 and the date of approval of the financial statements, that has not been otherwise dealt with in the financial statements.

**28 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.

**29 Presentation currency**

The financial statements are presented in Uganda Shillings ('UShs') rounded off to the nearest thousand, unless indicated otherwise.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of Cipla Quality Chemical Industries Limited for the year ended 31 March 2022 will be held via electronic means on Thursday, 18 August 2022 starting at 11:00 am to transact the following business:

### Ordinary Rules

1. To consider, and if deemed fit, pass an ordinary resolution to receive and adopt the Company's annual audited financial statements for the financial year ended 31 March 2022 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. 2.0 per ordinary share for the year ended 31 March 2022.
3. To consider, and if deemed fit, pass an ordinary resolution to re-elect directors in accordance with the provisions of the Company Articles of Association.
  - Ms Geena Malhotra
  - Dr Peter Mugenyi
  - Mr Paul Miller
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 2022/23 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 2022/23.
6. To conduct any other business for which due notice will have been duly received.

By Order of the Board  
27 July 2022



Doreen Awanga  
**COMPANY SECRETARY**

## AGM Registration and Meeting Access

- i. Shareholders are advised to register by either dialling \*284\*31# (Uganda mobile networks) or \*483\*852# (Kenya mobile networks) and follow the prompts or send an email request to Ciplaagm@image.co.ke. Shareholders with email addresses will receive a registration link via email through which they can use to register.
- ii. Registration commences on 29 July 2022 at 8:00 am and will close on 16 August 2022 at 5:00 pm. For assistance on the registration process, please call +254 709 170 000 from 9:00 am to 4:00 pm from Monday to Friday or send an email to Ciplaagm@image.co.ke or shareholder@ciplaqcil.co.ug.
- iii. In order to complete the registration process, shareholders will need to provide their National ID/Passport Numbers/SCD Account Number.
- iv. The AGM will be streamed live via a link which shall be provided to shareholders who will have registered to participate at the AGM. Duly registered shareholders and proxies will receive an SMS/USSD prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder. A second SMS/USSD code shall be sent at least 1 hour to the meeting providing a link to the live stream. By registering to attend the AGM, a shareholder consents to receiving these messages.
- v. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by sending their written questions by 16th August 2022 by 11:00 am through the following means:
  - a) By dialling the USSD codes \*284\*31# (Uganda mobile networks) or \*483\*852# (Kenya mobile networks) and selecting the "Ask Question" option,
  - b) by email to Ciplaagm@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, to the registered office of the Company at Plot 1-7, 1st Ring Road, Luzira Industrial Park, P.O. Box 34871, Kampala, Uganda. Shareholders must provide their full details (full names, ID/Passport Number/SCD Account Number) when submitting their questions. Responses shall be provided at the meeting. A list of all questions received, and the answers thereto will be published on the Company's website within 24 hours after conclusion of the AGM.
- vi. The following documents will be available and accessible on the Company's website [www.ciplaqcil.co.ug](http://www.ciplaqcil.co.ug). i) a copy of this Notice; ii) the proxy form; (iii) the Company's Annual Report and Audited Financial Statements for the year ended 31 March 2022. Shareholders who have provided their email addresses will receive these documents on their emails. The reports may also be accessed upon request by dialling the USSD code above and selecting the 'Reports' option. The reports and agenda can also be accessed on the livestream link.
- vii. Shareholders will receive an SMS prompt, with instructions, on their registered mobile phone number alerting them to Propose and Second the resolutions put forward in the notice.
- viii. Duly registered Shareholders and proxies may access the agenda and follow the proceedings of the AGM using the livestream platform. Duly registered Shareholders and proxies may vote (when prompted) on the USSD platform by following the SMS prompts or on the livestream link.
- ix. Voting shall be done electronically via USSD or through the web link shared upon successful registration. A poll shall be conducted for all the resolutions. All registered shareholders will receive a notification to vote once voting opens.
- x. Resolutions of the meeting will be announced before close of the meeting and thereafter published in a newspaper of national circulation and the Company Website within 24 hours after conclusion of the AGM. Shareholders who have provided their email addresses will also be notified via the same.

## Shareholder Rights

- xi. Shareholders are entitled to attend, speak and vote at the meeting. A shareholder may appoint a proxy if he/she is unable to attend the meeting. A proxy form is attached to the Notice of the Annual General Meeting or may be downloaded from the Company website ([www.ciplaqcil.co.ug](http://www.ciplaqcil.co.ug)). A completed form of proxy should be emailed to shareholder@ciplaqcil.co.ug or delivered to CiplaQCIL offices not later than 48 hours before the scheduled time for the meeting. In default of this, it shall be treated as invalid.

## Dividend

- xii. Subject to approval by shareholders, the Directors recommend that a dividend of Ushs. 2.0 per ordinary share for the financial year ended 31 March 2022 be paid subject to withholding tax deductions where applicable. The dividend if approved at the AGM, shall be paid to shareholders registered in the books of the Company at close of business on **31 August 2022** and will be paid on **21 September 2022**.

Shareholders are advised to contact their brokers to update their bank account details. Shareholders desiring to receive dividend via Mobile Money are encouraged to visit the Company's share registrar at 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 to be a member of the Company.

I/We,

(Name in block letters) \_\_\_\_\_

of

(Address) \_\_\_\_\_

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 \_\_\_\_\_

**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 18th day of August 2022 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 31 March 2022 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. 2.0 per ordinary share for the year ended 31 March 2022.			
3a.	To approve the re-election of Ms Geena Malhotra as Non - Executive Director.			
3b.	To approve the re-election of Dr Peter Mugenyi as Non - Executive Director.			
3c.	To approve the re-election of Mr Paul Miller 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 2022/23 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 2022/23.			

*\*insert a cross or tick, if no options are marked, the proxy can vote as he/she deems fit.*

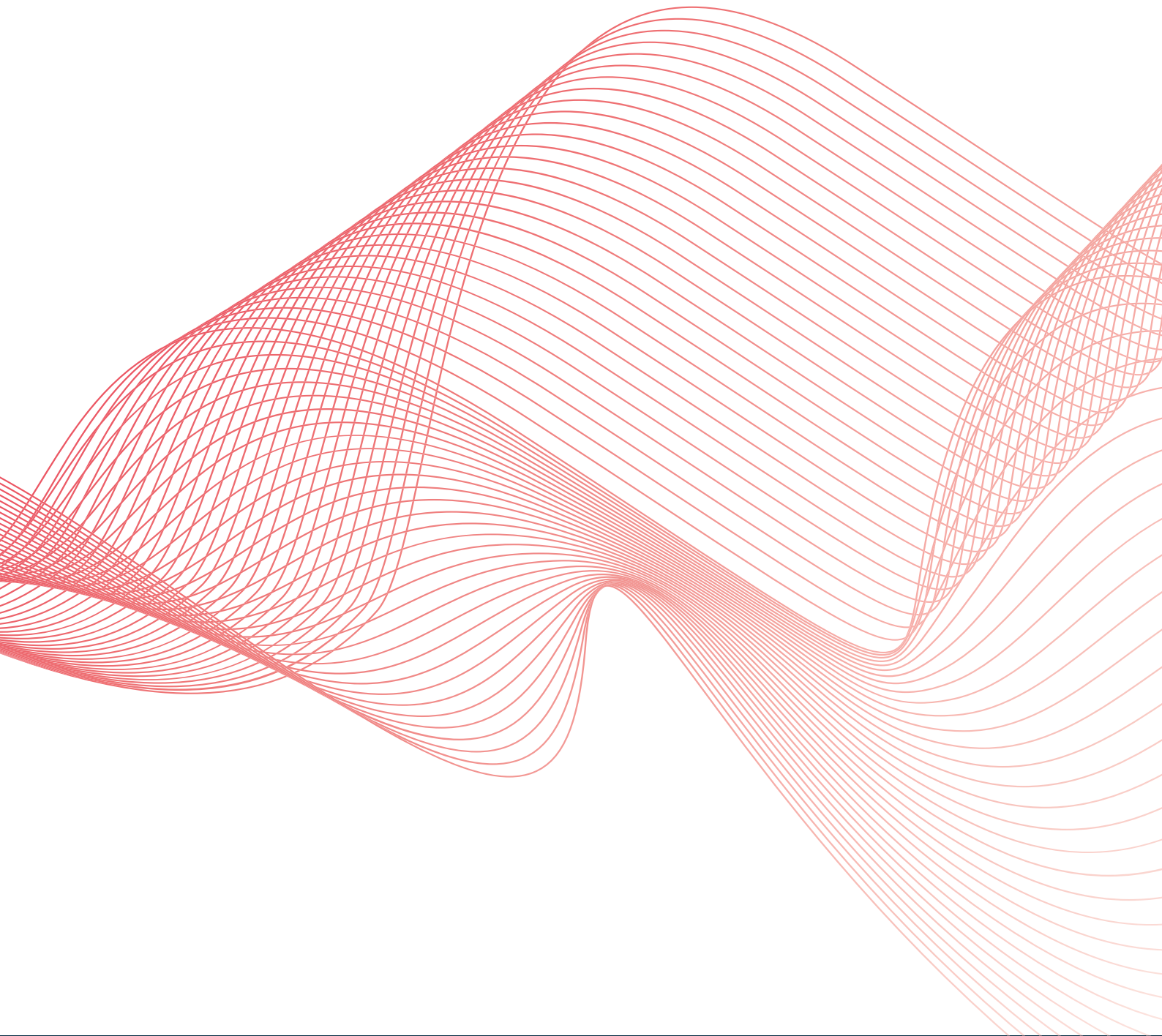
Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2022

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_





## Cipla Quality Chemical Industries Limited

Plot 1-7, 1<sup>st</sup> Ring Road, Luzira Industrial Park  
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To join the CiplaQCIL WhatsApp group,  
please contact **+256 780 999 996**.

[ciplaqcil.co.ug](http://ciplaqcil.co.ug)

