QUALITY CHEMICAL INDUSTRIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

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COMPANY INFORMATION

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

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

Stanbic Bank Uganda Limited
Plot 17, Hannington Road
P. O. Box 7131
Kampala, Uganda

SOLICITORS

K&K Advocates
K&K Chambers
Plot 5A2 Acacia Avenue Kololo
P. O. Box 606
Kampala, Uganda

MMAKS Advocates 4th
Floor, Redstone house
Plot 7 Bandali Rise – Bugolobi
P. O. Box 7166
Kampala, Uganda

BROKER

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

INDEPENDENT AUDITOR

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

DIRECTORS' REPORT

The Directors have the pleasure in submitting their report on the financial statements of Quality Chemical Industries Limited ("the Company") for the year ended March 31, 2025, which disclose the state of affairs of the Company.

A. INCORPORATION AND PRINCIPAL ACTIVITY

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).

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

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

On March 14, 2023, the Board of Directors was advised by Africa Capitalworks SSA 3 of its intention to acquire 51.18% of the issued ordinary shares of the Company. On November 14, 2023, Africa Capitalworks SSA 3 concluded the purchase of all the shareholdings of Meditab Holdings Limited and Cipla (EU) Limited being 51.05% and 0.13% respectively. On February 14, 2024, the Company reverted to its original name.

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 shareholders' approval, the Board of Directors has recommended a final dividend of UShs 6.0 per share, increasing the total dividend to UShs 13.5 per share for the financial year ended March 31, 2025 (2024: a dividend of UShs 5.7 per share). All dividend payments are subject to withholding tax, although the rate may vary, depending on the domicile and percentage shareholding of the shareholder.

D. DIRECTORS AND OFFICERS

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

Name (Nationality)	**Designation**
Emmanuel Katongole (Ugandan)	Co-Founder and Director (Board Chairman)
Ajay Kumar Pal (Indian)	Executive Director (Chief Executive Officer)
George Baguma (Ugandan)	Co-Founder and Director
Frederick Mutebi Kitaka (Ugandan)	Co-Founder and Director
Beth Lisa Mandel (American)	Non-Executive Director
Vusi Raseroka (South African)	Non-Executive Director
Stevens Mwanje (Ugandan)	Non-Executive Director
Zain Latif (British)	Alternate to George Baguma
Dr. Peter Mugyenyi (Ugandan)	Independent Non-Executive Director
Joseph Baliddawa (Ugandan)	Independent Non-Executive Director

DIRECTORS' REPORT (CONTINUED)

E. DIRECTORS' INTEREST IN SHARES

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

As at March 31, 2025, the following Directors held a direct interest in the Company's share capital as reflected in the table below:

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

As part of Africa Capitalworks SSA 3's majority acquisition on November 14, 2023, Emmanuel Katongole, George Baguma and Frederick Mutebi Kitaka indirectly acquired additional shareholding in the Company of 1.5% each.

F. APPROVED EXPANSION PLANS

The Company plans to construct a second factory as part of its future expansion initiatives, aimed at enhancing production capacity to meet the growing demand for its existing range of medicines. This expansion is also intended to support the Company's potential entry into new therapeutic areas, including tuberculosis and sickle cell anaemia.

In line with evolving patient treatment preferences, the Company will also introduce an injectable line. The Company will invest approximately UShs 147 billion in this expansion plan, financed through a term loan.

G. INDEPENDENT AUDITOR

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

H. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any matter or circumstance which is material to the financial affairs of the Company, which has occurred between March 31, 2025 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,

Ntahanga
Secretary

May, 12, **2025**
Kampala, Uganda

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors accept responsibility for the financial statements for the year ended March 31, 2025, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2012.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

The financial statements on pages 10 to 41, which have been prepared on the going concern basis, were approved by the Board of Directors on May, 12, 2025 and signed on its behalf by:

Emmanuel Katongole
Board Chairman

Date: May, 12, 2025

Kampala, Uganda

Ajay Kumar Pal
Chief Executive Officer

Date: May, 12, 2025

Kampala, Uganda

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUALITY CHEMICAL INDUSTRIES LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Quality Chemical Industries Limited ("the Company") set out on pages 10 to 41, which comprise the statement of financial position as at March 31, 2025 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2025 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2012.

Basis for opinion

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

Key audit matters

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

Key audit matter	How the matter was addressed in our audit
Expected credit losses on trade receivables The Company recognises expected credit loss ("ECL") on its financial assets measured at amortised cost mainly trade receivables which are stated at UShs 31,495,748 thousand as at March 31, 2025 (2024: UShs 31,848,677 thousand). The expected credit loss as at that date is UShs 9,117,445 thousand against the trade receivables (2024: UShs 12,367,841 thousand). The Company uses a simplified approach in accounting for expected credit losses on trade receivables basing on historical experience, external indicators, and forward-looking information. We noted that the ECL calculations requires significant judgment and assumptions and hence we have considered this to be a key audit matter.	Our audit procedures included understanding and testing of the design, implementation and operating effectiveness of the relevant controls around; - approving, recording and monitoring of sales and customer credit; - identifying impaired trade receivables; and - the governance process of continuous re-assessment of the appropriateness of assumptions and estimates used in determining the loss allowance. Our testing of the design, implementation and operating effectiveness of the controls provided a basis for us to continue with the planned nature, timing and extent of our substantive audit procedures. Our substantive audit procedures included the following: - for selected balances, we substantiated the recorded amounts by counterparty confirmation or by performing alternative procedures; - we performed a sensitivity analysis to determine which assumptions are significant (i.e., those that have a greater effect on the outcome of the ECL); - evaluated whether management's simplified modelling approach is appropriate. This included understanding whether the model methodology and logic meet all relevant requirements of IFRS 9 – Financial Instruments; - considered whether the individual inputs and assumptions appear reasonable. This included validation of individual assumptions to relevant supporting information and performing a retrospective review of the assumptions;

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Key audit matter	How the matter was addressed in our audit
	- considered whether the assumptions appropriately reflect current market information; - tested historical loss data to validate the completeness and accuracy of key parameters; - assessed whether the matrix is applied to appropriate groupings of assets which share credit risk characteristics; - evaluated the completeness and accuracy of asset level data; - reviewed the judgments and decisions made by management in estimating the ECL to identify whether indicators of possible management bias exist; and - obtained relevant representations from the Directors about whether the Directors believe that significant assumptions used in estimating the ECL are reasonable. Based on our review, we did not identify any exceptions that would result in material misstatement to the financial statements.

Valuation of inventories and related provisions
 	
Inventories, stated at UShs 90,525,972 thousand as at March 31, 2025 (2024: UShs 86,319,714 thousand) , represent the substantial proportion of assets on the statement of financial position of the Company.
 	
There are significant estimates involved in valuation of the inventories related to the assessment of direct costs and allocation of the manufacturing and production overheads.
 	
In addition, the valuation of the inventories is done at the lower of costs or net realisable value as per the Company's accounting policy and management's assessment of the percentage of write down for inventories is based on historical experience and judgment.
	Our audit procedures included understanding and testing of the design, implementation and operating effectiveness of the relevant controls around;
	
	- issue of materials for production;
	- physical inventories;
	- valuation of the inventories; and
	- valuation of the provision for the obsolete, expired or slow-moving inventories.
	
	Our testing of the design, implementation and operating effectiveness of the controls provided a basis for us to continue with the planned nature, timing and extent of our substantive audit procedures.
	
	Our substantive audit procedures included the following:
	- reviewed periodic reconciliations of perpetual physical counts;
	- assessed the appropriateness and reasonableness of the inventory provision through evaluating;
	  ➢ historical inventory and sales data;
	  ➢ management's latest forecasts and trading plans; and
	  ➢ selling prices achieved subsequent to the year-end.
	- we recalculated the inventory provision using the verified data to test the calculations within management's workings;
	- reviewed reconciliations of inventories to the cost of goods sold;
	- evaluated the methods of measurement and assumptions used in the systematic allocation of fixed and variable production overheads; and
	- on a sample basis tested the valuation of work-in-progress, raw materials, consumables, and finished goods for compliance with IAS 2 – Inventories.
	
	Based on our review, we did not identify any exceptions that would result in material misstatement to the financial statements.

Revenue recognition The Company's revenue for the year ended March 31, 2025 was UShs 267,129,934 thousand (2024: UShs 265,339,800 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	Our audit procedures included understanding and testing of the design, implementation, and operating effectiveness of the relevant controls around the sales process. We obtained and reviewed sales contracts held with major partners by the Company to understand and identify the performance obligations, transaction price and inspect the key terms and conditions of contracts and assess if there were any terms and conditions that may have affected the accounting treatment. We performed sales cut-off testing immediately before and after the year 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

Key audit matter	How the matter was addressed in our audit
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.	to confirm that the credit notes have been recognised in the appropriate accounting period; and Performed analytical procedures around revenue and gross profit margins. Checked reasonableness of revenues recognised by reconciling inventory movements for finished goods to the sales recorded. In addition, we tested significant manual journal entries posted to revenue, to identify and understand unusual or irregular items and obtained evidence to support their recognition. As a result of the procedures performed, we have been able to conclude that revenue has been recognised in accordance with the Company's revenue recognition policy and IFRS 15 – Revenue from Contracts with Customers.

Other information

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

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

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

Responsibilities of the Directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

N Patel

Nilesh Patel
P0374

Grant Thornton

Grant Thornton
Certified Public Accountants

12th May, **2025**
Kampala, Uganda

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2025**	2024
		UShs '000	UShs '000
Revenue	4	**267,129,934**	265,339,800
Cost of sales	5	**(158,642,358)**	(175,941,930)
Gross profit		**108,487,576**	89,397,870
Other income	6	**206,974**	72,864
General and administrative expenses	7	**(52,574,183)**	(45,769,305)
Reversal of impairment allowance/(impairment allowance)	18	**3,250,396**	(542,168)
Operating profit		**59,370,763**	43,159,261
Finance income	10	**4,563,153**	5,119,076
Finance costs	11	**(2,257,516)**	(432,848)
Profit before tax	12	**61,676,400**	47,845,489
Taxation	13(a)	**(21,023,488)**	(16,085,164)
Profit for the year		**40,652,912**	31,760,325
Other comprehensive income		**-**	-
Total comprehensive income for the year		**40,652,912**	31,760,325
Basic and diluted earnings per share (UShs)	20(d)	**11.13**	8.70

The notes on pages 14 to 41 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2025 UShs '000	2024 UShs '000
ASSETS			
Non-current assets			
Property, plant, equipment and right-of-use assets	14	**56,173,656**	61,317,371
Capital work-in-progress	15	**3,885,421**	3,059,294
Intangible assets	16	**1,054,870**	451,018
		61,113,947	64,827,683
Current assets			
Inventories	17	**90,525,972**	86,319,714
Trade and other receivables	18	**42,270,404**	27,098,634
Current tax recoverable	13(c)	**-**	287,392
Cash in hand and at bank	19	**34,989,806**	53,451,182
		167,786,182	167,156,922
TOTAL ASSETS		**228,900,129**	231,984,605
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20(a)	**45,648,865**	45,648,865
Reserves	21	**2,275,000**	2,275,000
Proposed dividends	22	**21,911,455**	14,972,828
Retained earnings		**116,655,407**	125,303,269
		186,490,727	188,199,962
LIABILITIES			
Non-current liabilities			
Deferred tax liability	13(b)	**1,136,000**	155,083
Lease liabilities	23	**175,596**	168,398
		1,311,596	323,481
Current liabilities			
Lease liabilities	23	**103,145**	109,328
Trade and other payables	24	**40,994,661**	43,351,834
		41,097,806	43,461,162
TOTAL LIABILITIES		**42,409,402**	43,784,643
TOTAL EQUITY AND LIABILITIES		**228,900,129**	231,984,605

The financial statements on pages 10 to 41 were approved by the Board of Directors on May, 12, 2025 and signed on its behalf by:

Emmanuel Katongole
Board Chairman

Ajay Kumar Pal
Chief Executive Officer

The notes on pages 14 to 41 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital UShs '000	Reserves UShs '000	Proposed dividends UShs '000	Retained earnings UShs '000	Total equity UShs '000
Balance as at April 1, 2023	45,648,865	2,275,000	9,129,773	114,358,827	171,412,465
Profit for the year	-	-	-	31,760,325	31,760,325
Other comprehensive income	-	-	-	-	-
	45,648,865	**2,275,000**	**9,129,773**	**146,119,152**	**203,172,790**
Proposed dividends (note 22)	-	-	20,815,883	(20,815,883)	-
Dividends paid	-	-	(14,972,828)	-	(14,972,828)
Transaction with owners of the Company	-	-	5,843,055	(20,815,883)	(14,972,828)
Balance as at March 31, 2024	**45,648,865**	**2,275,000**	**14,972,828**	**125,303,269**	**188,199,962**
Balance as at April 1, 2024	**45,648,865**	**2,275,000**	**14,972,828**	**125,303,269**	**188,199,962**
Profit for the year	**-**	**-**	-	**40,652,912**	**40,652,912**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
	45,648,865	**2,275,000**	**14,972,828**	**165,956,181**	**228,852,874**
Proposed dividends (note 22)	**-**	**-**	**49,300,774**	**(49,300,774)**	**-**
Dividends paid	**-**	**-**	**(42,362,147)**	**-**	**(42,362,147)**
Transaction with owners of the Company	**-**	**-**	**6,938,627**	**(49,300,774)**	**(42,362,147)**
Balance as at March 31, 2025	**45,648,865**	**2,275,000**	**21,911,455**	**116,655,407**	**186,490,727**

The notes on pages 14 to 41 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2025 UShs '000	2024 UShs '000
Operating activities			
Profit before tax		**61,676,400**	47,845,489
Adjustment for:			
- (Reversal of impairment allowance)/impairment allowance		**(3,250,396)**	542,168
- Depreciation of property, plant, equipment and right-of-use assets	14	**9,589,478**	10,113,645
- Amortisation of intangible asset	16	**489,750**	477,086
- Reversal of provision for obsolete stock		**(3,062,993)**	(2,573,544)
- Loss on disposal of property, plant, equipment and right-of-use assets	6	**62,548**	-
- Interest expense		**175,734**	301,007
		65,680,521	56,705,851
Changes in working capital:			
- Inventories		**(1,143,265)**	(17,410,391)
- Trade and other receivables		**(11,921,375)**	35,310,797
- Trade and other payables		**(2,380,926)**	7,926,958
Cash generated from operating activities		**50,234,955**	82,533,215
Interest paid on bank overdraft	11	**(140,404)**	(272,139)
Payment of interest on lease liabilities	23(c)	**(35,330)**	(28,868)
Tax paid	13(c)	**(19,755,178)**	(15,187,591)
Net cash generated from operating activities		**30,304,043**	67,044,617
Cash flows used in investing activities			
Purchase of property, plant, and equipment	14	**(2,754,258)**	(1,395,309)
Additions to capital work-in-progress	15	**(2,923,782)**	(2,462,337)
Purchase of intangible assets	16	**(633,852)**	(26,692)
Net cash used in investing activities		**(6,311,892)**	(3,884,338)
Cash flows used in financing activities			
Dividends paid		**(42,362,147)**	(14,972,828)
Repayment of term loan		**-**	(5,400,750)
Repayment of lease liability	23(b)	**(91,380)**	(148,090)
Net cash used in financing activities		**(42,453,527)**	(20,521,668)
Net change in cash in hand and at bank		**(18,461,376)**	42,638,611
Cash in hand and at bank at start of year		**53,451,182**	10,812,571
Cash in hand and at bank at end of year	19	**34,989,806**	53,451,182

The notes on pages 14 to 41 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY INFORMATION

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

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

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

On November 14, 2023, Africa Capitalworks SSA 3 acquired 51.18% of the issued ordinary shares of the Company from Cipla and on February 14, 2024, the Company reverted to its original name, Quality Chemical Industries Limited.

2. MATERIAL ACCOUNTING POLICIES

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

a) Basis of accounting

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and presented in Uganda Shillings ("UShs") which is the Company's functional currency.

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

b) Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the IASB and in compliance with the requirements of the Companies Act, 2012.

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) New standards, interpretations, and amendments to standards

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2025 or later periods:

Standard/amendment	Effective date - Year beginning on or after	Key requirements	Impact
Lack of exchangeability (Amendments to IAS 21)	January 1, 2025	The amendments include both updates to guidance to assist preparers in correctly accounting for foreign currency items and increase in the level of disclosure required to help users understand the impact of a lack of exchangeability on the financial statements. The amendments: - Introduce a definition of whether a currency is exchangeable, and the process by which an entity should assess this exchangeability. - Provide guidance on how an entity should estimate a spot exchange rate in cases where a currency is not exchangeable. - Require additional disclosures in cases where an entity has estimated a spot exchange rate due to a lack of exchangeability, including the nature and financial impact of the lack of exchangeability, and details of the spot exchange rate used and the estimation process. The additional disclosure requirements provide useful information about the additional level of estimation uncertainty and risks arising for the entity due to the lack of exchangeability.	The impact of the amendment is unlikely to be material.
Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	January 1, 2026	The amendment aims to enhance the consistency, transparency, and clarity of financial reporting by revising key aspects of how financial instruments are classified and measured under IFRS 9. These amendments respond to the evolving needs of stakeholders in the financial sector and address emerging complexities in financial markets.	The impact of the amendment is unlikely to be material.
IFRS 18 Presentation and Disclosure in Financial Statements	January 1, 2027	Under current IFRS Accounting Standards, entities use different formats to present their results, making it difficult for investors to compares financial performance across entities. IFRS 8 does not change an entity's net profit but promotes a more structured income statement. In particular its requires all entities to: - Classify all income and expenses into five categories, three of which are new, based on their main business activities; - Present a newly defined 'operating profit' and other subtotals on the face of the income statement; and - Present operating expenses either by function, by nature or on a mixed basis on the face of the income statement.	The impact of the amendment is likely to be material.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

Allowance for slow moving, damaged and obsolete inventory

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

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

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

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Determination of lease term and incremental borrowing rate

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

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 historically 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.

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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) Significant accounting judgments and estimates (continued)

Impairment of non-financial assets

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

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 may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

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

Financial assets

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

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

Business model assessment

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

i) The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed.
ii) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

Business model assessment (continued)

iii) The expected frequency, value and timing of sales are also important aspects of the Company' assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

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

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

Reclassification of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

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

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

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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

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

The Company considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

Write off

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

Classification and measurement of financial liabilities

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Recognition and measurement

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

Subsequent costs

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

Depreciation

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

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

Item	Depreciation method	Depreciation rates/Useful life
Buildings	Straight line	Lower of 4.00% and lease period of land the building stands on.
Motor vehicles	Straight line	25.00%
Tools and equipment	Straight line	25.00%
Computers	Straight line	33.30%
Furniture and fittings	Straight line	25.00%
Plant and machinery	Straight line	10.00%
Right-of-use assets	Straight line	3–5 years

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

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

g) Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets comprise of Computer software, which is amortised over its economic useful life of three years.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

h) Impairment of non-financial assets

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

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

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

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

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

i) Inventories

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

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

- Raw materials: purchase cost on a weighted average basis including transport costs, handling costs, duties and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work-in-progress: cost of direct raw 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

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

j) Employee benefits (continued)

Defined contribution plans

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

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

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

k) Cash-settled share-based payment arrangements

The Company operates a management incentive plan under which certain employees are granted performance share units ("PSUs") that are settled in cash based on the equity value of the Company at the time of vesting. These awards are subject to both service and performance conditions.

The plan is classified as a cash-settled share-based payment. Accordingly, a liability is recognised in the financial statements for the estimated fair value of the obligation at each reporting date. The liability is remeasured at fair value at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss.

The fair value of the awards is determined using the Company's equity valuation. Awards are subject to malus and clawback provisions and may vest early in cases of death, disability, or corporate transactions, subject to Remuneration Committee ("RemCom") discretion.

The cost of the awards is recognised over the vesting period, which includes both the performance period and the employment period, based on the best available estimate of the number of awards expected to vest.

l) Taxation

Current income tax

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

Deferred tax

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

l) Taxation (continued)

Deferred tax (continued)

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

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

Value added tax (“VAT”)

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

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

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

m) 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. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value for money and the risks specific to the obligation.

n) Revenue from contracts with customers

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

n) Revenue from contracts with customers (continued)

Sale of ARVs, ACTs, and other pharmaceutical products

Revenue from the sale of ARVs, ACTs and other pharmaceutical products is recognised when or as the Company transfers control of the goods to the customer. Invoices for goods or services transferred are due upon receipt of goods or services by the customer.

Revenue from the sale of goods is recognised upon the passage of title to the customer, which generally coincides with their delivery and acceptance. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due and associated costs or the possible return of goods.

o) Dividends

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

p) Leases

The Company as a lessee

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

p) Leases (continued)

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 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.

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

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

a) Market risk

i) Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

i) Foreign currency risk (continued)

	USD	UShs '000
At March 31, 2025		
Financial assets		
Cash at bank	**330,046**	**1,211,268**
Trade and other receivables	**7,805,245**	**28,645,249**
	8,135,291	**29,856,517**
Financial liabilities		
Trade and other payables	**4,559,223**	**16,732,349**
Lease liabilities	**75,951**	**278,740**
	4,635,174	**17,011,089**
Net currency exposure - Assets	**3,500,117**	**12,845,428**
At March 31, 2024		
Financial assets		
Cash at bank	3,370,572	13,111,525
Trade and other receivables	8,664,247	33,703,921
	12,034,819	46,815,446
Financial liabilities		
Trade and other payables	2,406,999	9,363,225
Lease liabilities	73,279	285,054
	2,480,278	9,648,279
Net currency exposure - Assets	9,554,541	37,167,167

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

		2025	2024
		UShs '000	UShs '000
	+1%	**(89,918)**	(260,170)
	-1%	**89,918**	260,170
Exchange rate		**3,670**	3,890

ii) Interest rate risk

The Company’s interest-bearing financial instruments include a bank overdraft. The overdraft interest rate is a floating rate with an additional margin for the bank, exposing the Company to cash flow interest rate risk. The Company regularly monitors available financing options to ensure optimum interest rates are obtained.

The overdraft facility was utilized during the year. However, as at March 31, 2025, although the facility was still available, there was no utilization. Consequently, the Company had no interest rate risk exposure due to fluctuations in interest rates at that date (2024: Nil).

3. FINANCIAL RISK MANAGEMENT (continued)

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:

	2025	2024
	UShs '000	UShs '000
Trade receivables (note 18)	**31,495,748**	31,848,667
Cash at bank (note 19)	**34,988,320**	53,449,967
	66,484,068	85,298,644

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

	2025	2024
	UShs '000	UShs '000
National Medical Stores (Government of Uganda)	**4,515,315**	17,849,869
Medpro Pharmaceutica (Pty) Limited	**5,145,395**	-
Other sovereign customers	**16,475,684**	8,941,924
Multilateral agencies	**1,084,567**	221,574
Private market customers	**4,274,787**	4,835,310
	31,495,748	31,848,677

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

The ECL for the other financial assets are generally determined using ECL rates derived from the prevailing credit ratings of the counter parties. The determination of ECL reflects the probability-weighted outcome, time value of money and reasonable and supportable information that is available atthe reporting date about past events, current conditions and expected future economic conditions. No other financial assets were in default (2024: None).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

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

	2025			
	Gross carrying amount UShs '000	Weighted average loss rates %	Expected credit loss UShs '000	Net carrying amount UShs '000
Trade receivables				
Sovereign customers	**20,990,999**	**21.30%**	**4,471,268**	**16,519,731**
Medpro Pharmaceutica (Pty) Limited	**5,145,395**	**9.03%**	**464,821**	**4,680,574**
Multilateral agencies	**1,084,567**	**0.00%**	**-**	**1,084,567**
Private market customers	**4,274,787**	**97.81%**	**4,181,356**	**93,431**
	31,495,748	**28.95%**	**9,117,445**	**22,378,303**
Other financial assets				
Cash at bank	**34,988,320**	**0.00%**	**-**	**34,988,320**
	34,988,320	**0.00%**	**-**	**34,988,320**
Total financial assets	**66,484,068**	**13.71%**	**9,117,445**	**57,366,623**

	2024			
	Gross carrying amount UShs '000	Weighted average loss rates %	Expected credit loss UShs '000	Net carrying amount UShs '000
Trade receivables				
Sovereign customers	26,791,793	33.70%	9,028,711	17,763,082
Multilateral agencies	221,574	0.00%	-	221,574
Private market customers	4,835,309	69.06%	3,339,130	1,496,179
	31,848,677	**38.83%**	**12,367,841**	**19,480,836**
Other financial assets				
Cash at bank	53,449,967	0.00%	-	53,449,967
	53,449,967	**0.00%**	**-**	**53,449,967**
Total financial assets	**85,298,644**	**14.50%**	**12,367,841**	**72,930,803**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

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

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. In addition, an unsecured USD 14.2 million overdraft facility is maintained.

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

	Up to 3 months UShs '000	3 to 12 months UShs '000	Above 12 months UShs '000	Total UShs '000
As at March 31, 2025				
Lease liabilities	**20,270**	**65,678**	**192,793**	**278,741**
Trade and other payables	**20,937,598**	**-**	**-**	**20,937,598**
	20,957,868	**65,678**	**192,793**	**21,216,339**
As at March 31, 2024				
Lease liabilities	61,141	48,187	168,398	277,726
Trade and other payables	36,039,440	-	-	36,039,440
	36,100,581	48,187	168,398	36,317,166

d) Capital management

Capital includes equity attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended March 31, 2024 and March 31, 2025.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025 USh s '000	2024 UShs '000
4. Revenue		
Local sales	**202,689,365**	169,815,780
Export sales	**64,440,569**	95,524,020
	267,129,934	265,339,800
Revenues mainly relate to the sale of ARVs and ACTs as shown in the table below:		
ARVs	**203,781,236**	158,841,994
ACTs	**57,709,006**	100,906,479
Other pharmaceutical products	**5,639,692**	5,591,327
	267,129,934	265,339,800
5. Cost of sales		
Materials consumed	**111,824,251**	130,739,655
Other overheads	**31,783,863**	24,760,543
Staff expenses (note 8)	**8,650,813**	8,495,112
Depreciation of property, plant, equipment and right-of-use assets (note 9)	**8,247,728**	8,587,253
Stock write-off	**1,145,064**	2,354,885
Royalties	**53,632**	3,578,026
Reversal of provision for obsolete inventories	**(3,062,993)**	(2,573,544)
	158,642,358	175,941,930
6. Other income		
Sale of scrap	**269,522**	72,864
Loss on disposal of property, plant, equipment and right-of-use assets	**(62,548)**	-
	206,974	72,864
7. General and administrative expenses		
Staff expenses (note 8)	**30,183,762**	27,376,682
Other administration expenses	**14,093,925**	11,019,896
Office expenses	**3,880,909**	3,186,409
Advertising and promotions	**1,441,302**	1,174,848
Depreciation of property, plant, equipment and right-of-use assets (note 9)	**1,341,750**	1,526,392
Professional fees	**648,479**	322,709
Amortisation of intangible assets (note 16)	**489,750**	477,086
Bank charges	**339,559**	571,745
Auditor's remuneration	**154,747**	113,538
	52,574,183	45,769,305

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025	2024
	UShs '000	UShs '000
8. Staff expenses		
Salaries and wages	**21,801,832**	21,890,675
Provident fund	**3,858,109**	3,915,655
Medical costs	**2,650,619**	2,139,539
NSSF contribution	**2,395,363**	2,405,699
Long-term employee benefits*	**2,269,953**	-
Catering	**2,252,250**	1,917,226
Provision for staff bonus	**1,990,962**	1,906,981
Staff welfare	**1,538,780**	1,484,514
Staff recruitment costs	**53,742**	14,829
Training costs	**28,447**	13,399
(Reversal of leave provision)/leave provision charge	**(5,482)**	183,277
	38,834,575	35,871,794
Staff costs are allocated as follows:		
Cost of sales (note 5)	**8,650,813**	**8,495,112**
General and administrative expenses (note 7)	**30,183,762**	27,376,682
	38,834,575	35,871,794

*The Directors approved a long-term incentive scheme, effective for the year ended March 31, 2025, for selected staff to align with the Company's growth objectives. Consequently, a one-time provision of UShs 2.2 billion was recorded in the financial statements to recognize this obligation. This provision will be reassessed based on Company performance and other metrics, and adjusted accordingly at each reporting date.

	2025	2024
	UShs '000	UShs '000
9. Depreciation of property, plant, equipment and right-of-use assets		
Depreciation is allocated as follows:		
Cost of sales (note 5)	**8,247,728**	8,587,253
General and administrative expenses (note 7)	**1,341,750**	1,526,392
	9,589,478	10,113,645
10. Finance income		
Interest income from bank deposits	**4,563,153**	2,596,882
Net foreign exchange gain	**-**	2,522,194
	4,563,153	5,119,076
11. Finance costs		
Net foreign exchange loss	**2,081,782**	-
Interest expense on bank overdraft	**140,404**	272,139
Interest expense on lease liabilities	**35,330**	28,868
Interest expense on term loans	**-**	131,841
	2,257,516	432,848

	2025	2024
	UShs '000	UShs '000

12. Profit before tax

Profit before tax is stated after charging:Depreciation of property, plant, equipment and right-of-use assets	**9,589,478**	10,113,645
Net foreign exchange gains	**2,081,782**	(2,522,194)
Amortisation of intangible assets	**489,750**	477,086
Auditor's remuneration	**154,747**	113,538
Loss on disposal of property, plant, equipment and right-of-use assets	**(62,548)**	-

13. Taxation

a) Amounts recognised in statement of profit or loss

Current tax	**20,042,570**	17,004,313
Deferred tax	**980,918**	(919,149)
	21,023,488	16,085,164

Reconciliation of tax expense

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

	2025	2024
	UShs '000	UShs '000
Profit before tax	**61,676,400**	47,845,489
Tax calculated at the statutory income tax rate of 30%	**18,502,920**	14,353,647
Tax effect on non-deductible expenses	**2,520,568**	1,734,347
Under provision	**-**	(2,830)
	21,023,488	16,085,164

b) Deferred tax liability	**(1,136,000)**	(155,083)

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:

	2025	2024
	UShs '000	UShs '000
Reconciliation of deferred tax		
At the beginning of year	**(155,083)**	(1,074,232)
Deductible temporary differences on property, plant, equipment and right-of-use assets	**137,511**	157,531
Deductible/(taxable) temporary difference on lease liabilities	**20,718**	(11,757)
(Taxable)/deductible temporary difference on provisions	**(1,222,211)**	389,445
(Taxable)/deductible temporary difference on forex	**(186,452)**	218,450
Deductible temporary differences on ECL	**269,516**	162,650
Under provision	**-**	2,830
	(1,136,000)	(155,083)

c) Current tax recoverable

Balance at beginning of the year	**287,392**	2,104,114
Current tax for the year recognised in profit or loss	**(20,042,570)**	(17,004,313)
Tax paid	**19,755,178**	15,187,591
Balance at end of the year	**-**	287,392

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

	Leasehold land* UShs '000	Right-of-use asset UShs '000	Buildings UShs '000	Plant & machinery UShs '000	Furniture & fittings UShs '000	Motor vehicles UShs '000	Computers UShs '000	Tools & equipment UShs '000	Total UShs '000
COST									
Balance at April 1, 2023	2,776,233	808,938	33,824,436	89,146,638	1,796,579	3,499,645	4,307,975	7,622,880	143,783,324
Additions	-	271,080	141,563	410,816	22,837	-	88,816	731,277	1,666,389
Transfer from CWIP (Note 15)	-	-	58,027	2,249,023	3,963	-	763	113,346	2,425,122
Balance at March 31, 2024	2,776,233	1,080,018	34,024,026	91,806,477	1,823,379	3,499,645	4,397,554	8,467,503	147,874,835
Balance at April 1, 2024	**2,776,233**	**1,080,018**	**34,024,026**	**91,806,477**	**1,823,379**	**3,499,645**	**4,397,554**	**8,467,503**	**147,874,835**
Additions	-	**116,148**	**561,128**	**804,664**	**125,384**	**257,115**	**251,218**	**754,750**	**2,870,407**
Transfer from CWIP (Note 15)	-	**-**	**85,495**	**1,347,475**	**2,733**	**-**	**131,605**	**70,597**	**1,637,905**
On retirement	-	**-**	**-**	**(2,383,606)**	**(268,083)**	**-**	**(409,817)**	**(415,155)**	**(3,476,661)**
Balance at March 31, 2025	**2,776,233**	**1,196,166**	**34,670,649**	**91,575,010**	**1,683,413**	**3,756,760**	**4,370,560**	**8,877,695**	**148,906,486**
ACCUMULATED DEPRECIATION									
Balance at April 1, 2024	-	723,559	12,131,870	52,616,947	1,547,388	879,071	3,426,660	5,118,324	76,443,819
Depreciation charge for the year	-	117,863	1,354,495	5,894,361	144,283	820,672	443,255	1,338,716	10,113,645
On disposals	-	-	-	-	-	-	-	-	-
Balance at March 31, 2024	-	841,422	13,486,365	58,511,308	1,691,671	1,699,743	3,869,915	6,457,040	86,557,464
Balance at April 1, 2024	-	**841,422**	**13,486,365**	**58,511,308**	**1,691,671**	**1,699,743**	**3,869,915**	**6,457,040**	**86,557,464**
Depreciation charge for the year	-	**95,092**	**1,367,707**	**5,890,347**	**94,877**	**827,773**	**324,008**	**989,674**	**9,589,478**
On retirement	-	**-**	**-**	**(2,321,464)**	**(268,082)**	**-**	**(409,745)**	**(414,821)**	**(3,414,112)**
Balance at March 31, 2025	-	**936,514**	**14,854,072**	**62,080,191**	**1,518,466**	**2,527,516**	**3,784,178**	**7,031,893**	**92,732,830**
NET CARRYING VALUE									
Balance at March 31, 2025	**2,776,233**	**259,652**	**19,816,577**	**29,494,819**	**164,947**	**1,229,244**	**586,382**	**1,845,802**	**56,173,656**
Balance at March 31, 2024	2,776,233	238,596	20,537,661	33,295,169	131,708	1,799,902	527,639	2,010,463	61,317,371

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

*Included in leasehold land is an amount of UShs 501,233 thousand that was incurred in regularising the lease on the land from Uganda Investment Authority.

15. Capital work-in-progress

	Buildings	Plant & machinery	Furniture and fittings	Computers	Tools & equipment	Software	Total
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Balance at April 1, 2023	550,525	2,368,980	3,963	765	97,846	-	3,022,079
Additions	397,213	903,117	2,733	131,603	169,009	858,662	2,462,337
Transfer to property, plant, equipment and right-of-use assets (note 14)	(58,027)	(2,249,023)	(3,963)	(763)	(113,346)	-	(2,425,122)
Balance at March 31, 2024	**889,711**	**1,023,074**	**2,773**	**131,605**	**153,509**	**858,662**	**3,059,294**
Balance at April 1, 2024	**889,711**	**1,023,074**	**2,773**	**131,605**	**153,509**	**858,662**	**3,059,294**
Additions	**-**	**1,487,498**	**-**	**-**	**-**	**1,436,284**	**2,923,782**
Reallocations	**(756,013)**	**1,057,751**	**-**	**-**	**(25,110)**	**(276,628)**	**-**
Transfer to property, plant, equipment and right-of-use assets (note 14)	**(85,495)**	**(1,347,475)**	**(2,733)**	**(131,603)**	**(70,597)**	**-**	**(1,637,905)**
Transfer to intangible assets (note 16)	**-**	**-**	**-**	**-**	**-**	**(459,750)**	**(459,750)**
Balance at March 31, 2025	**48,203**	**2,220,848**	**-**	**-**	**57,802**	**1,558,568**	**3,885,421**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025 UShs '000	2024 UShs '000
16. Intangible assets		
Cost		
At start of year	**3,863,948**	3,837,256
Transfer from CWIP (note 15)	**459,750**	-
Additions	**633,852**	26,692
At end of year	**4,957,550**	3,863,948
Accumulated amortisation		
At start of year	**3,412,930**	2,935,844
Amortisation for the year	**489,750**	477,086
At end of year	**3,902,680**	3,412,930
Net carrying value	**1,054,870**	451,018

The intangible asset mainly consists of various IT software applications.

17. Inventories		
Raw materials	**43,516,694**	21,806,083
Finished goods	**21,713,743**	26,623,171
Work-in-progress	**7,316,724**	12,008,154
Packing materials	**6,790,916**	7,269,158
Stocks in transit	**13,023,187**	23,959,216
Spares and consumables	**1,571,837**	1,124,054
	93,933,101	92,789,836
Less: provision for obsolete inventories	**(3,407,129)**	(6,470,122)
	90,525,972	86,319,714

18. Trade and other receivables		
Financial instruments		
Trade receivables	**31,495,748**	31,848,677
Less: expected credit losses	**(9,117,445)**	(12,367,841)
	22,378,303	19,480,836
Other receivables*	**4,515,027**	260,338
Non-financial instruments		
Advance payments to suppliers	**13,870,479**	4,251,510
VAT recoverable	**644,331**	2,415,294
Prepayments	**859,156**	687,953
Staff advances	**3,108**	2,703
	42,270,404	27,098,634
Movement in expected credit losses		
Opening balance	**12,367,841**	11,825,673
(Reversal of impairment allowance)/impairment allowance**	**(3,250,396)**	542,168
Closing balance	**9,117,445**	12,367,841

* Included in other receivables is an amount advanced to the Uganda Revenue Authority ("URA") as a requirement to appeal tax assessments made on the Company. The Company challenged URA's interpretation and application of the law concerning VAT on imported services and capital gains tax. To progress the appeals, the Company was required to pay 30% of the disputed tax in each case. Consequently, a total of UShs 3.2 billion was paid to progress both disputes, and this amount was recorded as a receivable from URA. Each of these deposits is recoverable if the respective appeal is successful.

18. Trade and other receivables (continued)

** Additionally, the reversal of the impairment allowance for the year ending March 31, 2025, included an amount of UShs 3.5 billion. This amount was recorded upon the collection of overdue amounts from the Government of Zambia. This receivable had been fully impaired in previous years.

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

	2025 UShs '000	2024 UShs '000
Grading of receivables		
High grade (0–90 days)	**22,906,628**	19,503,660
Standard grade (91–365 days)	**19,481**	62,172
Collectively impaired (over 365 days)	**4,098,371**	3,254,134
Individually impaired and over 365 days	**4,471,268**	9,028,711
Total	**31,495,748**	31,848,677

The movement in gross trade receivables is as follows:

Movement in trade receivables		
Opening balance	**31,848,677**	60,561,966
Sales during the year	**267,129,934**	265,339,800
Receipts	**(267,482,863)**	(294,053,089)
Closing balance	**31,495,748**	31,848,677

Expected credit loss assessment for customers

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

As at March 31, 2025	**Weighted average loss rate**	**Gross carrying amount UShs '000**	**Loss allowance UShs '000**	**Credit impaired**
Current (not past due)	2.08%	22,334,643	464,821	No
1-30 days past due	35.13%	24,432	8,583	No
61-90 days past due	1.30%	547,553	7,094	No
90 -180 days past due	83.72%	19,481	16,309	Yes
More than 365 days past due	100.00%	8,569,639	8,569,639	Yes
		31,495,748	**9,117,445**	
As at March 31, 2024				
Current (not past due)	0.10%	19,038,230	19,155	No
1-30 days past due	3.18%	207,561	6,597	No
31-60 days past due	1.35%	249,469	3,376	No
61-90 days past due	50.94%	8,400	4,279	No
90 -180 days past due	66.60%	29,766	19,824	No
180 -365 days past due	98.02%	32,406	31,765	Yes
More than 365 days past due	100.00%	12,282,845	12,282,845	Yes
		31,848,677	**12,367,841**	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025	2024
	UShs '000	UShs '000
19. Cash in hand and at bank		
Cash in hand	**1,486**	1,215
Cash at bank	**34,988,320**	53,449,967
	34,989,806	53,451,182

The cash and bank balances are held at Absa Bank Uganda Limited and Standard Chartered Bank (U) Limited and, to the extent that the Directors are able to measure any credit risk to these assets, it is deemed to be limited. Accordingly, the Company has not recognised an impairment allowance on bank balances as at March 31, 2025 (2024: UShs Nil).

The overdraft facilities were obtained from Absa Bank Uganda Limited (Absa) for cash management purposes. The facility has a limit of USD 14 million (2024: USD 20 million). The overdraft interest rate is 4.00% p.a above the 3-month Secured Overnight Financing Rate ("SOFR"). The utilised outstanding balance as at March 31, 2025 was UShs Nil (2024: UShs Nil)

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

	2025	2024
	UShs '000	UShs '000
USD	**1,211,268**	13,111,525
Uganda shilling	**33,777,052**	40,338,442
	34,988,320	53,449,967

20. Share capital

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

	2025	2024
Number of shares	**3,651,909,200**	3,651,909,200
Nominal value per share (UShs)	**12.5**	12.5
Authorised, issued and fully paid up capital (UShs '000)	**45,648,865**	45,648,865

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

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

b) Shareholding

The top ten direct shareholders in the Company are shown in the table below. As part of Africa Capitalworks SSA 3 majority acquisition on November 14, 2023, Emmanuel Katongole, George Baguma and Frederick Mutebi Kitaka indirectly acquired additional shareholdings in the Company of 1.5% each.

	2025		2024	
	Shares	**Percentage**	Shares	Percentage
Africa Capitalworks SSA 3	**1,869,170,684**	**51.18%**	1,869,170,684	51.18%
AMISTAD Limited	**420,402,713**	**11.51%**	420,402,713	11.51%
Africa 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%
National Social Security Fund	**269,361,386**	**7.38%**	269,361,386	7.38%
Emmanuel Katongole	**101,933,042**	**2.79%**	101,933,042	2.79%
Frederick Mutebi Kitaka	**101,933,042**	**2.79%**	101,933,042	2.79%
George Baguma	**101,933,042**	**2.79%**	101,933,042	2.79%
Joseph Yiga	**4,000,000**	**0.11%**	4,000,000	0.11%
Others	**64,023,100**	**1.76%**	64,023,100	1.76%
	3,651,909,200	**100.00%**	3,651,909,200	100.00%

20. Share capital (continued)

c) Spread of shares

Holding at March 31, 2025	No. of investors	No. of shares held	Percentage holding
Between 0 and 1,000 Shares	**442**	**384,298**	**0.01%**
Between 1,001 and 5,000 Shares	**946**	**2,637,104**	**0.07%**
Between 5,001 and 10,000 Shares	**398**	**3,393,357**	**0.09%**
Between 10,001 and 1,000,000 Shares	**734**	**49,071,262**	**1.34%**
Above 1,000,001 Shares	**14**	**3,596,423,179**	**98.48%**
	2,534	**3,651,909,200**	**100.00%**
Holding at March 31, 2024			
Between 0 and 1,000 Shares	451	391,316	0.01%
Between 1,001 and 5,000 Shares	957	2,668,238	0.07%
Between 5,001 and 10,000 Shares	402	3,424,533	0.09%
Between 10,001 and 1,000,000 Shares	738	46,418,013	1.27%
Above 1,000,001 Shares	17	3,599,007,100	98.55%
	2,565	3,651,909,200	100.00%

d) Earnings per share

	2025 USHs '000	2024 UShs '000
Profit attributable to ordinary equity holders of the Company (UShs '000)	**40,652,912**	31,760,325
Weighted average number of ordinary shares in issue during the year	**3,651,909,200**	3,651,909,200
	11.13	8.70

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

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

21. Reserves

On December 21, 2005, the Company leased land at Luzira Industrial Park from Uganda Investment Authority for an initial period of five years. The lease was subsequently extended to 99 years after notification by the Company to the lessor of its intention to renew the lease. The leasehold land was valued at an initial sum of UShs 2.2billion.

The cost of the lease was waived by the Government of Uganda and the valuation of the land was therefore recognised as a non-distributable reserve in line with the Company's accounting policy.

22. Proposed dividend

Subject to shareholders' approval, the Board of Directors has recommended a final dividend of UShs 6.00 per share, increasing the total dividend to UShs 13.50 per share for the financial year ended March 31, 2025 (2024: a dividend of UShs 5.70 per share). All dividend payments are subject to withholding tax, although the rate may vary, depending on the domicile and percentage shareholding of the shareholder.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025 USHs '000	2024 UShs '000

23. Right-of-use assets and lease liabilities

a) Right-of-use assets

	2025 UShs '000	2024 UShs '000
At start of year	**238,596**	85,379
Additions	**116,148**	271,080
Depreciation	**(95,092)**	(117,863)
At end of year	**259,652**	238,596

b) Lease liabilities

	2025 UShs '000	2024 UShs '000
At March 31, 2025		
Current	**103,145**	109,328
Non-current	**175,596**	168,398
At end of year	**278,741**	277,726

	2025 UShs '000	2024 UShs '000
Cash outflows for leases during the year comprised:		
Payments for principal portion of lease liability	**91,380**	148,090
Payments of interest on lease liabilities	**35,330**	28,868
	126,710	176,958

c) Reconciliation of lease liabilities arising from financing activities:

	2025 UShs '000	2024 UShs '000
At start of year	**277,726**	**117,278**
New lease	**116,148**	271,080
Charged to statement of profit or loss:		
Interest on finance lease liabilities	**35,330**	28,868
Foreign exchange loss	**(23,753)**	37,458
Cash flows:		
Operating activities	**(35,330)**	(28,868)
Cash flows from financing activities	**(91,380)**	(148,090)
At end of year	**278,741**	**277,726**

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

24. Trade and other payables

	2025 UShs '000	2024 UShs '000
Financial instruments		
Trade payables	**20,937,598**	36,039,440
Non-financial instruments		
Advances from customers	**2,472,196**	818,295
Accruals	**15,956,710**	6,191,500
Withholding tax payable	**1,628,157**	302,599
	40,994,661	43,351,834

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Related parties

The Company is controlled by Africa Capitalworks SSA 3, which holds a 51.18% equity interest and is incorporated in Mauritius. The remaining 48.95% shareholding is held by a diverse group of other investors. During the normal course of business, the Company did not engage in any transactions with Africa Capitalworks SSA 3. The key Company officers' compensation was UShs 6.8 billion for the year ended March 31, 2025 (2024: UShs 6.5 billion).

26. Contingent liabilities

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

27. Capital commitments

The Company has no significant outstanding capital commitments as at March 31, 2025 (2024: UShs Nil)

28. Events after the reporting period

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

29. Comparatives

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