Quality Chemical Industries Limited

ANNUAL REPORT
FY24/25

TABLE OF CONTENTS

INTRODUCTION

ABOUT THIS REPORT

REPORTING STANDARDS AND COMPLIANCE

This Report has been prepared in accordance with the International Integrated Reporting Framework (IIRC) and Global Reporting Initiative (GRI) Standards, ensuring transparent communication of our strategy, risks, governance, and performance. It provides a structured view of how Qcil creates value across our financial, human, social, and natural capitals, demonstrating our commitment to long-term sustainability and stakeholder accountability.

CAPITALS

We continue to enhance our reporting by integrating Environmental, Social, and Governance (ESG) disclosures, aligning with global best practices, and prioritising material topics that impact our stakeholders and business operations.

ASSURANCE

Grant Thornton Certified Public Accountants conducted an independent audit of the Annual Financial Statements (AFS) in accordance with International Standards on Auditing. The AFS comply with International Financial Reporting Standards (IFRS) Accounting Standards and the Uganda Companies Act, cap. 106.

Additionally, Management has verified non-financial disclosures, particularly those related to ESG performance, stakeholder impact, and value creation. We remain committed to strengthening external assurance on sustainability metrics in future reporting cycles.

BOARD APPROVAL

The Board has overseen the preparation of this Report to ensure it provides a transparent and balanced view of Qcil's performance, material risks, and strategic direction. The Audit and Risk Committee has reviewed the Report and recommended its approval, confirming that it fairly represents the Company's financial and operational position. The Report has been approved by the Board for distribution to stakeholders.

REPORTING SCOPE AND BOUNDARY

This Report covers financial performance from 1 April 2024 to 31 March 2025, unless stated otherwise. It also presents Qcil's progress, achievements, and strategic priorities, reflecting past performance and future outlook in alignment with the Integrated Reporting Framework.

OUR APPROACH TO MATERIALITY

Informed by the latest developments in global reporting standards including the GRI Standards, IFRS S1 and S2, and the Sustainability Accounting Standards Board (SASB) Biotechnology and Pharmaceuticals Sustainability Accounting Standard, this Report applied the principle of double materiality in identifying Qcil's material sustainability related impacts, risks and opportunities.

In doing so, we considered:

FINANCIAL MATERIALITY

QCIL'S SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES THAT ARE LIKELY TO INFLUENCE THE COMPANY'S FUTURE CASH FLOWS OVER THE SHORT, MEDIUM AND LONG TERM

IMPACT MATERIALITY

THE MOST SIGNIFICANT IMPACTS (POSITIVE AND NEGATIVE) OF QCIL'S OPERATIONS AND ACTIVITIES ON PEOPLE, SOCIETY AND THE ENVIRONMENT OVER THE SHORT, MEDIUM AND LONG TERM

To identify our material sustainability related impacts, risks, and opportunities, we ran an independently facilitated materiality workshop in March 2025 in which Senior Management representatives considered the following issues:

- **Our business model:** reviewing Qcil's revenue streams and cost structure, and identifying the most important resources and relationships ("capitals") that we depend on for value retention and growth across our value chain activities.
- **Our dependencies and impacts on the capitals:** identifying where Qcil has the most significant dependencies and impacts (positive and negative, direct and indirect) on each of the capitals.
- **Our operating environment:** identifying recent trends in the operating context affecting our performance and reflecting on our latest internal risk assessment process.
- **Our stakeholders' interests:** reviewing the material interests of our stakeholders.
- **Our strategy:** reflecting on the implications of this analysis for Qcil's growth and sustainability strategies.

We believe that all the information in this report is material, as it is reasonably capable of influencing the decisions of any report user seeking to make an informed assessment of Qcil's performance and value.

NAVIGATING THIS REPORT

This report is structured to provide a clear and comprehensive overview of Qcil's business, operations, and strategic outlook:

- **STRATEGIC OVERVIEW** — VISION, PURPOSE, AND BUSINESS MODEL
- **OPERATIONAL ACHIEVEMENTS** — KEY MILESTONES AND PERFORMANCE HIGHLIGHTS
- **GOVERNANCE AND RISK OVERSIGHT** — GOVERNANCE, RISK MANAGEMENT, AND COMPLIANCE
- **FINANCIAL PERFORMANCE** — FINANCIAL STATEMENTS AND GOVERNANCE

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of the local laws regarding Qcil's business, strategy, goals, commitments, and objectives. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed, projected, anticipated, or implied in such statements. All statements, other than statements of historical facts, may be forward-looking statements. Some forward-looking statements may be identified by the use of words such as "plan", "expect", "believe", "intend", "will", "may", "anticipate", "estimate", "target", and other words of similar meaning in conjunction with, among other things, discussions of future operations and financial performance, strategy for growth, future product development, regulatory approvals, competitive position, sustainability initiatives, and expenditures. Readers should, therefore, not place undue reliance on forward-looking statements.

Forward-looking statements are, and will be, based on Management's then-current views and assumptions regarding future events, developments, and operating performance and speak only as of their dates. Statements regarding Qcil's goals, commitments, and objectives may include statistics or metrics that are based on estimates and assumptions under developing standards that may change in the future. Such goals and commitments are not intended to be promises or guarantees; actual results may differ, possibly materially. It is not possible to predict or identify all of these risks and uncertainties, many of which are beyond Qcil's control, including, without limitation, challenges relating to economic, competitive, governmental, and technological factors affecting Qcil's operations, markets, and products, and other factors listed in this Report. Qcil expressly disclaims any undertaking to update or revise any forward-looking statements set forth herein to reflect events or circumstances after the date hereof, except as required by applicable law or regulation.

INTRODUCTION TO QCIL

Qcil is a publicly listed pharmaceutical Company established in Uganda in 2005. The Company is one of the largest producers of HIV/AIDS and malaria treatments in the region, providing quality, affordable medicines sustainably, enabling patients to live “Life after well”.

At Qcil, we believe that health isn't merely the absence of illness, but the vibrant pursuit of life's possibilities. In Africa, vitality and resilience are virtues we celebrate–which is why for us, it is not about surviving, it is about thriving. This is what makes us more than medication manufacturers. We embody the spirit of living vigorously. At the heart of our commitment to scientific innovation and true wellness is our mantra, “Life after well”.

FOUNDATION AND EVOLUTION: **TRACING QCIL’S 20-YEAR JOURNEY**

2005 – Quality Chemical Industries Limited was incorporated as a joint venture between, *inter alia*, Messrs. Emmanuel Katongole, Frederick Mutebi Kitaka and George Baguma (the Sponsors) and Cipla Limited (Cipla).

2010 – Became first World Health Organization (WHO) prequalified[1] facility in the region for its antiretrovirals (ARVs) and Artemisinin-based combination therapies (ACTs).

Signed contract and became the first in Africa to supply Global Fund with ACTs.

2014 – Cipla acquired control of the Company and the Company changed its name to Cipla Quality Chemical Industries Limited (CiplaQCIL).

2016 – The Company was converted to a public company.

2018 – The Company listed on the Uganda Securities Exchange (USE), offering issued shares to individual and institutional investors in an Initial Public Offering (IPO).

2019 – Commissioning of new warehouse with 5,000 pallet capacity.

2020 – Commissioning of the quality control laboratory.

2023 – Africa Capitalworks (ACW) acquired 51.18% of the issued ordinary shares of the Company from Cipla.

2024 – The Company changed its registered name to Quality Chemical Industries Limited (Qcil).

The Board approved the construction of a second manufacturing facility enabling Qcil to scale its annual manufacturing capacity from 1.4 billion to 2.4 billion tablets.

2025 – Debt obtained to finance the new manufacturing facility.

20 YEARS OF EXCELLENCE

[1] *WHO-prequalification of a product means that the product and the associated manufacturing site is compliant with the directives issued by the WHO following an assessment of the quality, safety and efficacy of the medicinal product.*

WHO WE ARE

QCIL'S HISTORY AND EVOLUTION

Quality Chemical Industries Limited was incorporated on 10 June 2005, as a joint venture between Quality Chemicals Limited (QCL), a Ugandan private company, and Cipla, for the manufacture and sale of pharmaceutical drugs, particularly antiretrovirals (ARVs) and artemisinin-based combination therapies (ACTs). It was established to address a critical gap in pharmaceutical manufacturing in Africa. At the time, Sub-Saharan Africa (SSA) accounted for over 60% of global HIV/AIDS cases and 80% of malaria cases, yet the region produced only a fraction of the medicines required to meet its healthcare needs. Recognising the necessity for locally manufactured, high-quality, and affordable medicines, the Government of Uganda supported Qcil's development in the form of investment incentives administered by the Uganda Investment Authority, including a tax holiday, which has now expired.

Qcil achieved a significant milestone in 2010 when it became the first facility in the region to receive WHO prequalification for the manufacturing of its ARV and ACT medicines. This recognition affirmed the high quality of our operations and enabled the Company to participate in global procurement programmes, expanding access to life-saving medication across Africa.

Cipla later acquired a controlling interest through its subsidiaries, Meditab Holdings Limited (51.05%) and Cipla (EU) Limited (11.25%). The Company was renamed Cipla Quality Chemical Industries Limited and converted to a public company on 7 October 2016.

In 2018, Qcil became a publicly listed company on the USE, reinforcing its commitment to transparency and governance.

On 14 November 2023, Africa Capitalworks SSA 3 acquired Cipla's entire stake, and on 14 February 2024, the Company reverted to its original name, Quality Chemical Industries Limited.

In 2024, the Qcil Board approved the construction of a second manufacturing facility at its premises. This expansion marks a significant milestone in Qcil's evolution, increasing capacity for its existing product portfolio while enabling entry into new therapeutic areas, including injectables. It will also position Qcil as the only manufacturer of tuberculosis (TB) treatment in the Sub-Saharan region.

Today, Qcil is one of the largest pharmaceutical manufacturers in SSA. It currently supplies essential medicines to 14 African countries and has regulatory approvals in 31 markets. The Company remains focused on innovation, regional expansion, and strengthening Africa's self-sufficiency in pharmaceutical manufacturing of critical medicines.

OUR PURPOSE
LIFE AFTER WELL

At Qcil, our purpose is clear and bold: to empower Africans not just to heal, but to thrive. *Life after well* is more than a slogan, it is a transformative vision that drives everything we do. We believe that true recovery goes beyond treatment. It is about reclaiming vitality, expressing one's full potential, and living with purpose and pride.

As the largest pharmaceutical manufacturer in East Africa, and among the largest in SSA, we are charting a new path of innovation and impact. Our journey is rooted in Africa, inspired by its resilience, and committed to its future. We see an Africa that adapts, overcomes, and rises. A continent that remembers its legacy as the birthplace of humanity and looks forward with unshakeable optimism.

Africans aspire to more than wellness. We embrace life in its fullness, rich, bold, and unyielding. While others may define success as the absence of illness, we define it as the presence of strength, energy, and purpose. For Qcil, wellness is not the destination, it is the starting point. We are here to champion vitality because, for us, only vitality will do.

By prioritising local production, Qcil reduces reliance on pharmaceutical imports, ensuring supply chain resilience, price stability, and increased accessibility to life-saving treatments. Our manufacturing facility is one of the few in SSA to meet WHO Current Good Manufacturing Practices (cGMP) standards, demonstrating the Company's commitment to global pharmaceutical quality benchmarks.

Through these strategic initiatives, Qcil continues to play a pivotal role in shaping Africa's healthcare landscape by providing sustainable, high-quality pharmaceutical solutions.

OUR VISION

TO BECOME A CENTRE OF EXCELLENCE IN THE MANUFACTURING OF QUALITY, AFFORDABLE MEDICINES

OUR MISSION

TO PROVIDE AFFORDABLE AND EFFICACIOUS MEDICINES IN A SUSTAINABLE WAY TO IMPROVE THE QUALITY OF LIFE

OUR CORE VALUES AND COMMITMENT

QCIL'S CORPORATE PHILOSOPHY IS GUIDED BY THE FOLLOWING SET OF FUNDAMENTAL VALUES THAT DRIVE ITS STRATEGIC DECISION-MAKING AND OPERATIONAL EXCELLENCE

PASSIONATE ABOUT QUALITY

We uphold the highest international regulatory standards to ensure that our pharmaceutical products meet the most stringent safety and efficacy benchmarks, reinforcing our commitment to patient well-being.

PRIORITISING AVAILABILITY

We are dedicated to ensuring consistent and reliable access to essential medicines across our markets, optimising supply chain resilience and responsiveness to community healthcare needs.

COMMITTED TO AFFORDABILITY

By focusing on cost-efficiency and strategic partnerships, we make high-quality, life-saving medications accessible and affordable to a broader population, improving public health outcomes.

DRIVEN BY INNOVATION

Through continuous improvement and investment in advanced technologies, we enhance efficiency, cost-effectiveness, and product development, driving sustainable healthcare solutions.

FOUNDED ON TRUST

Transparency, ethical governance, and accountability underpin all our operations, fostering long-term partnerships with stakeholders and maintaining the confidence of regulators, investors, and communities.

QCIL'S COMMITMENT EXTENDS BEYOND PHARMACEUTICAL PRODUCTION TO A BROADER MANDATE OF IMPROVING HEALTHCARE, ENHANCING LOCAL CAPABILITIES, AND SUPPORTING REGIONAL ECONOMIC DEVELOPMENT. BY ALIGNING OUR CORPORATE STRATEGY WITH THESE CORE VALUES, THE COMPANY IS WELL-POSITIONED TO DELIVER SUSTAINED VALUE FOR ITS STAKEHOLDERS WHILE ADVANCING AFRICA'S HEALTHCARE AGENDA.

STATEMENT FROM THE CHAIRMAN

Dear Stakeholders,

As I present Qcil's Integrated Annual Report for FY24/25, I reflect with pride on a year defined by transformation, resilience, and meaningful progress. Despite navigating complex industry dynamics, Qcil executed its strategic objectives and delivered record financial results, a testament to the unwavering dedication and hard work of our entire team.

This year holds special significance as we celebrate 20 years since Qcil's founding. Reaching this milestone is a proud moment for all of us. Over the past two decades, Qcil has grown from a bold vision into a trusted pharmaceutical partner across Africa. This anniversary is not only a celebration of our achievements, but also a reaffirmation of our long-term commitment to innovation, quality, and access to affordable healthcare.

Most importantly, we have remained steadfast in our mission to deliver high-quality, affordable medicines to African communities. This journey has been both humbling and inspiring, and I look forward to the opportunities that lie ahead as we continue to build a healthier future together.

TRANSITION AFTER CIPLA'S DIVESTMENT

This year was also notable as the first full period following Cipla's divestment. Qcil has emerged as a fully independent, African-led manufacturer with renewed strategic clarity. We acknowledge the important role played by our shareholder, Africa Capitalworks, in ensuring continuity during this transition. Their support in stewarding the Company through this change–including financial guidance and strategic oversight–has helped preserve stability and position Qcil for long-term success.

BUSINESS PERFORMANCE AND DIVIDENDS

Despite global economic uncertainty and a continued slowdown in donor-funded purchases, Qcil remained strong. The Company delivered solid financial results, sustained manufacturing operations, and ensured the uninterrupted supply of life-saving medicines across Africa. This performance was driven by improved operational efficiency, disciplined cost management, and focused execution. It stands as a testament to the strength of our leadership team and the resilience of our business model.

During the financial year, the Board declared two interim dividends totalling UShs 7.5 per share. It has also recommended a final dividend of UShs 6.0 per share. Approval of the final dividend at the AGM will bring the total dividend for FY24/25 to UShs 13.5 per share, a 137% increase from FY23/24, reinforcing our strong commitment to shareholder value.

PRIVATE MARKET EXPANSION

A defining milestone this year has been our continued expansion into the private pharmaceutical market, a strategic shift that strengthens our ability to meet evolving patient needs while enhancing long-term sustainability. By launching new products and entering additional therapeutic areas, we have diversified our revenue base and created a more agile, market-responsive business, while maintaining our public health mission. As we look ahead, Qcil plans to scale its private market portfolio, targeting some of the region's most critical and high-burden therapeutic areas.

REGIONAL GROWTH AND MANUFACTURING EXPANSION

Qcil is deepening its regional footprint by expanding into additional African markets through targeted product registrations and strategic partnerships. This broader operating push is designed to increase accessibility to our medicines and strengthen our presence in high-demand therapeutic areas. In parallel, the Company has secured a long-term debt facility to finance the construction of a second manufacturing plant within our Luzira premises to support this growth. Construction is scheduled to begin in the second quarter of FY25/26. The new facility will significantly expand our production capacity to respond to changing customer treatment preferences. This is a critical step in enhancing our technical capabilities and addressing the evolving healthcare needs of the continent. Throughout FY25/26, we will continue to strengthen supply chain resilience and production efficiency to ensure we scale responsibly and sustainably.

ESG AND SUSTAINABILITY

Qcil's commitment to environmental responsibility is reflected in the advancements toward our goal of attaining carbon neutrality by 2030. Through energy efficiency initiatives, we have achieved annual savings of 310,000 kWh, reducing our overall carbon footprint.

Additionally, we have significantly reduced water consumption, with initiatives such as reverse osmosis recovery, rainwater harvesting, and condensate recovery, bringing us closer to our target of water neutrality by 2028.

Our efforts toward achieving zero waste-to-landfill by the end of FY25/26 have also seen extensive advancement, particularly through our dedicated waste segregation facility and upcoming specialised recycling technology, which enhance material recovery capabilities.

Moreover, as part of our commitment to improving healthcare access in underserved areas, we donated over 1,500 doses of anti-malarial medicine and provided support to more than 100 communities and 11 medical camps in Uganda. It is important to acknowledge that these donations fall short of fully addressing the significant needs across Africa. Nevertheless, we are proud to play our part and are encouraged by the positive feedback we have received regarding the impact of our efforts.

FUTURE OUTLOOK

As we move forward, we are guided by our belief that health is not merely about survival, it is about the opportunity to thrive. Our philosophy of "Life after well" continues to shape every decision, from the medicines we manufacture to the systems we design and the values we uphold.

LOOKING AHEAD, WE REMAIN FOCUSED ON:

- Scaling innovation through expanded research and development (R&D) investment, digital transformation, and the introduction of new technologies that address Africa's evolving health challenges;
- Strengthening continuity by deepening operational resilience, investing in employee training and leadership development, and maintaining the trust of our long-standing public and private-sector partners;
- Amplifying partnerships with governments, healthcare institutions, and global stakeholders to ensure that access to quality, affordable medicines is sustained across Africa, even as donor dynamics continue to shift; and
- Accelerating growth through the construction of our new manufacturing facility, the creation of new employment opportunities, expansion of our footprint across the continent, and continued improvement in financial performance.

At Qcil, we are not only building a pharmaceutical manufacturing company, we are laying the foundation for a healthier, more self-reliant Africa anchored in science, strengthened by collaboration, and driven by purpose.

GRATITUDE

On behalf of the Board of Directors, I extend my sincere appreciation to management, staff, regulators, customers, government partners, and shareholders. Your continued trust, commitment, and partnership make this journey possible. Together, we move forward with purpose and ambition.

EMMANUEL KATONGOLE

Co-Founder and Chairman

Quality Chemical Industries Limited

OUR OPERATING CONTEXT

A combination of regulatory developments, macroeconomic trends, geopolitical factors and sector-specific dynamics shape Uganda's business environment. These factors present both opportunities and challenges for businesses operating in Uganda.

REGULATORY DEVELOPMENTS

In FY24/25, the Ugandan regulatory landscape underwent a number of changes with implications for Qcil. The enactment of the Energy Efficiency and Conservation Bill is expected to impact manufacturing operations by mandating more efficient energy use and introducing reporting obligations on consumption, especially for industrial users. Qcil is well-positioned to be compliant with this legislation due to our installation of solar panels and various waste-to-energy initiatives. In parallel, the Capital Markets Authority amended the Corporate Governance Regulations to strengthen Board oversight, disclosure practices, and stakeholder engagement. In response to the increased regulatory expectations across operational and governance dimensions, Qcil will continue to monitor its regulatory environment and take proactive compliance measures.

ECONOMIC RESILIENCE AND SECTORAL GROWTH

Uganda continues to benefit from political stability and economic diversification; key growth sectors include pharmaceuticals, agriculture, manufacturing, energy, and ICT. Challenges remain, however, in the form of inflationary pressures, currency volatility, and structural barriers to trade.

Foreign exchange exposure, tax policy revisions, cybersecurity threats, and reputational risks are material concerns for our business. Qcil has proactively integrated effective risk management practices such as regular risks assessments, strategic hedging, and robust regulatory compliance to ensure operational continuity and drive sustainable growth.

INVESTMENT CLIMATE

Foreign investment inflows continue to be driven by Uganda's strategic geographic location, natural resource wealth, and government incentives.

Investors have the opportunity to operate in a growing market, supported by continuous efforts to streamline business registration and strengthen investment protections.

While strategic planning is essential for navigating regulations and administrative processes, these improvements are fostering a more efficient and investor-friendly business landscape.

Uganda presents a progressive business environment, encouraging adaptability to economic, regulatory, and geopolitical developments. Ongoing policy reforms are unlocking opportunities for growth, while proactive approaches in risk management, operational efficiency, and regional diversification will enable businesses to navigate challenges and achieve sustained success.

MACROECONOMIC PRESSURES AND GLOBAL INFLUENCES

Foreign exchange fluctuations continue to impact the cost of operations, particularly the cost of imported pharmaceutical raw materials and other manufacturing inputs. These effects are largely driven by timing differences between cash inflows and outflows.

Additionally, ongoing external factors such as volatility in global commodity prices and shifts in US monetary policy further contribute to the uncertainty.

As a manufacturer dependent on global supply chains for active pharmaceutical ingredients (APIs) and specialised packaging, Qcil continues to navigate these pressures through strategic procurement and cost-optimisation measures.

International developments also play a significant role in shaping Uganda's pharmaceutical sector. The United States' planned withdrawal from the WHO, effective in 2026, along with the termination of USAID funding, which supports critical supply chains, including the President's Malaria Initiative (PMI) and PEPFAR, could have far-reaching implications for global health financing and the sustainability of health programmes.

The impact of reduced multilateral health funding may extend beyond the immediate programmes. It could also affect regional procurement agencies and government-sponsored initiatives, compelling stakeholders across the supply chain to explore alternative financing mechanisms and ensure continuity of operations.

PUBLIC HEALTH INITIATIVES AND PHARMACEUTICAL DEMAND

Domestically, the Uganda Ministry of Health has integrated malaria vaccination into its national immunisation schedule. While this is a positive step for public health, the long-term impact on demand for anti-malarial treatments remains unchanged. Uganda continues to experience a high malaria burden, ensuring continued demand for treatment options.

The African Continental Free Trade Area (AfCFTA) Agreement is disrupting the trade and investment landscape across the continent, and Uganda stands to benefit from this. With better market access, the country could see a boost in exports, specifically in key sectors like pharmaceuticals, agriculture, and manufacturing.

However, certain hurdles, such as non-tariff barriers and the need for harmonised regulations, still make it more difficult for Uganda and other partner states to integrate into this broader market. Despite the region's burden of disease, local pharmaceutical production remains limited.

SSA remains the epicentre of the HIV/AIDS epidemic globally, accounting for 75% of HIV/AIDS cases. In 2022, the WHO Africa Region was home to 94% of malaria cases (233 million) and 95% (580,000) of malaria deaths. Children under five accounted for about 80% of all malaria deaths in the region. Just over half of all malaria deaths globally occurred in four African countries: Nigeria, which accounted for 26.8%; the Democratic Republic of Congo at 12.3%; Uganda at 5.1%; and Mozambique at 4.2%. Africa has the highest incidence and mortality rates for TB worldwide, with nearly 2.5 million people falling ill and 424,000 lives lost in 2022.

Africa contributes 3% of the global medicine manufacturing with a staggering 70%-80% of its pharmaceutical needs being met through imports.

STRATEGIC OVERVIEW

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

The past financial year was one of profound transformation and significant achievement for our Company. Despite the uncertainties that accompanied the change in our majority shareholding, we navigated this transitional period with focus, resilience, and a clear commitment to value creation. I am proud to report that we delivered our strongest financial and operational performances to date, demonstrating the strength of our core business and the agility of our teams.

NAVIGATING CHANGE, SUSTAINING EXCELLENCE

The transition in majority ownership brought with it both challenges and opportunities. Working closely with the new majority shareholder, Africa Capitalworks, we initiated a series of structural and operational changes aimed at positioning the Company for long-term growth. These included leadership alignment, portfolio reviews, and a refined strategic focus on innovation, efficiency, and market diversification.

A critical component of this transition was the change in the Company's name and branding to align with our new strategic identity. This change is more than symbolic as it reflects our renewed mission, vision, and value proposition. We completed approximately 90% of all legal entity name registrations across the countries in which we operate, with the remaining processes expected to conclude in the next financial year. This milestone demonstrates the pace and precision with which we have managed a complex multi-jurisdictional transformation.

Despite the scale of change, our business fundamentals remained robust. With a 28% rise in profit after tax, we affirmed the strength of our business model and the effectiveness of our focused execution. Supply chain stability, improved cost management, and renewed commercial focus all contributed to our strong performance.

MODERNISING OUR OPERATING BACKBONE

Recognising the need to build a scalable and future-ready platform, we undertook a major overhaul of our operating environment during the year. We launched and upgraded a total of nine core enterprise systems, marking a critical step in our digital and operational transformation. The system roll out is 80% complete and will be fully operational in Q1 of FY25/26.

Among these changes was the implementation of SAP S/4 HANA, which now forms the digital backbone of our enterprise. This transition has improved visibility, real-time reporting, and decision-making across the organisation. In parallel, systems supporting QMS, HR, Track and Trace and cybersecurity software are under implementation to reduce manual intervention and support our ambitious growth plans.

These ongoing changes are being implemented without disrupting business continuity, which is testament to the dedication, resilience and capability of our teams.

STRATEGIC TRANSFORMATION AND NEW HORIZONS

This year also marked the beginning of a broader transformation for the Company. As part of our new strategic direction, we launched several initiatives to ensure that we remain competitive and future-ready. Key amongst these is our decision to invest in another state-of-the-art manufacturing facility, which will significantly expand our production capacity and enable us to address new therapeutic areas, including chronic and non-communicable diseases that are rising in prevalence across our markets. This strategic pivot, enabled by targeted expansion, will enhance our ability to serve patients more broadly and sustainably.

We have also entered a new business segment focused on the private sector, marking a key milestone in our commercial evolution. With the successful launch of six branded products in March 2025, we have taken our first steps into a dynamic, fast-growing market that complements our established presence in the public sector.

NAVIGATING A COMPLEX RISK ENVIRONMENT

While our performance has been strong, we remain aware of the growing complexity in the following aspects of our operating environment:

- Price erosion in key therapeutic areas continues to compress margins, posing ongoing challenges to profitability;
- Shifts in US policy and funding for key institutions, including government agencies in certain markets, have introduced risks and uncertainties to HIV and malaria programmes. The Company remains in close communication with its partners to assess and respond to the evolving situation; and
- The global supply chain remains exposed to geopolitical tensions, regulatory fragmentation and transportation bottlenecks. Ensuring continuity of supply and access to critical raw materials remains a top priority, with robust risk mitigation strategies integrated into our planning cycles.

We are proactively responding to these challenges with scenario planning and enhanced supply chain diversification.

OUTLOOK: BUILDING A STRONGER, MORE DIVERSIFIED FUTURE

Looking ahead, we are confident in our ability to sustain momentum while continuing to evolve. The integration of new leadership perspectives, supported by our experienced management team, is already yielding fresh thinking and renewed strategic discipline.

IN THE NEXT FINANCIAL YEAR, WE WILL:

- Accelerate partnerships to increase access to new products in HIV, malaria, and TB treatment;
- Expand our product pipeline with a focus on therapeutic diversity, i.e. cardiovascular, diabetes, blood disorders, antifungal, and anti-bacterial;
- Deepen our presence in both public and private markets; and
- Start construction of the new manufacturing facility and R&D laboratory.

Our mission to improve access to high-quality, affordable medicines remains unchanged. What has changed is the scale of our ambition and the strength of our foundation. With 90% of our legal rebranding complete, a modernised systems landscape and a clear growth strategy, we are positioned to lead with confidence.

GRATITUDE

I want to thank our employees, partners, healthcare providers, and shareholders for their continued trust and commitment. The future of our Company has never looked brighter.

AJAY KUMAR PAL
Chief Executive Officer
Quality Chemical Industries Limited

BUSINESS MODEL

DRIVERS

VISION

To become a centre of excellence in the manufacturing of quality, affordable medicines

OPERATING ENVIRONMENT

Market trends, local manufacturing, continental development, regulatory demands

STAKEHOLDER DEMAND

Balancing the interests of internal and external stakeholders

OPPORTUNITY AND RISK

Leveraging opportunities and managing risks

INTELLECTUAL PROPERTY

MANUFACTURING

- One of few globally accredited manufacturing facilities
- Investment in the latest technologies
- Focusing on developing and introducing new products
- Robust supply chain

HUMAN

- Enhancing employee engagement by prioritising employee well-being
- Ensuring health, safety, and well-being of employees
- Building employees' capabilities and competencies to innovate and drive the Company's objectives
- Culture review and transition management

SOCIAL AND RELATIONSHIP

- Strengthening stakeholder relationships through regular engagement
- Strong corporate governance framework
- Support for local communities through corporate social responsibility

NATURAL

- Commitment toward carbon and water neutrality and zero waste-to-landfill status for the manufacturing facility

FINANCIAL

- Diligent capital allocation
- Strong operating profit and cash flow

VALUE CHAIN ACTIVITY

PORTFOLIO

Product acquisition, development

REGISTRATION

Product registration in various markets

MANUFACTURING AND SUPPLY CHAIN

1. Procurement
2. Manufacturing
3. Distribution

OUTPUT

COMMERCIAL SALES

Trusted medicines for local and regional sales

MANUFACTURING

Local production of HIV and malaria treatment

SUSTAINABLE DEVELOPMENT GOALS

Good Health and Well-Being | Clean Water and Sanitation | Decent Work and Economic Growth | Industry, Innovation and Infrastructure | Responsible Consumption and Production | Climate Action

OUTCOME

MANUFACTURING

- Capacity utilisation: **70%** (FY23/24: 86%)
- Producing **1.2 bn** tablets annually

HUMAN

- Staff employed: **354** permanent, **220** on contract
- Attrition: **11%**
- Staff costs: **UShs 38.8 bn** (FY23/24: UShs 35.9 bn)
- Diversity ratio: **26%** female Management **30%** female
- Occupational fatality: **0** (FY23/24: 0)

SOCIAL AND RELATIONSHIP

- Taxes paid: **UShs 19.8 bn** (FY23/24: UShs 15.2 bn)
- Corporate social responsibility (CSR): contributed **UShs 37 mn** to fund medical camps across Uganda
- Graduates trained: **15 graduates**
- Internships provided: **90 interns**

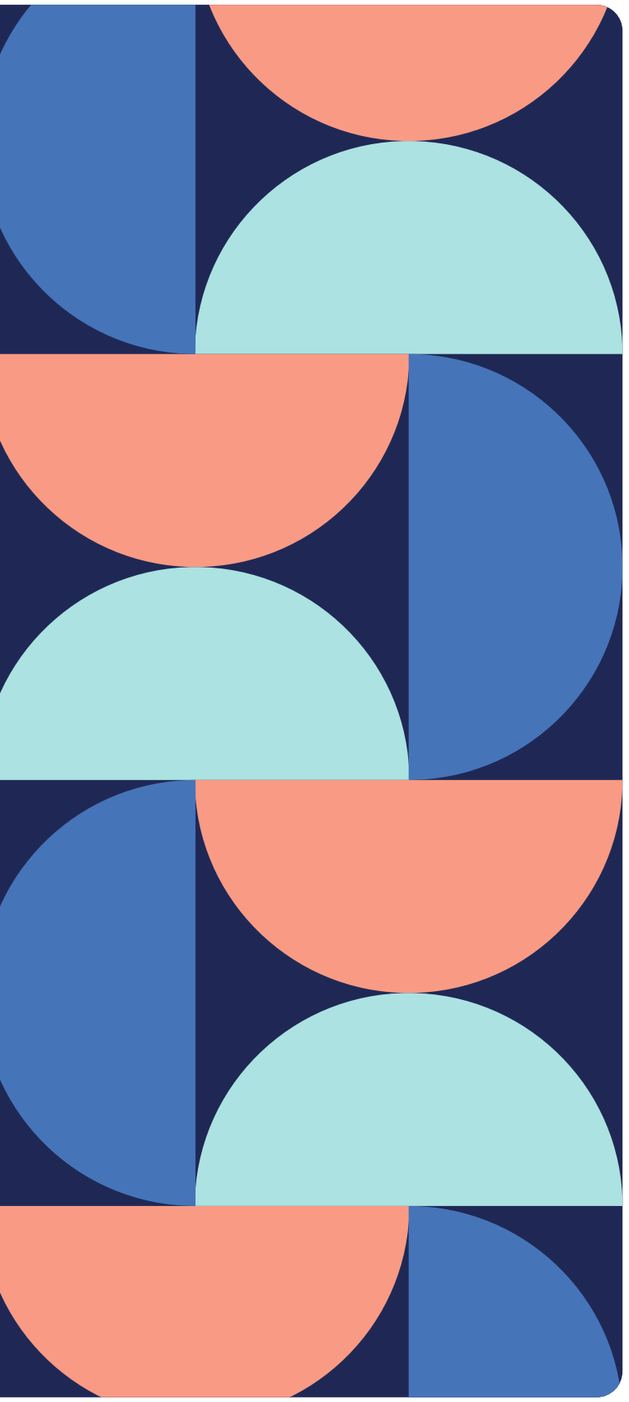
NATURAL

- Carbon reduction: GHG emissions for FY24/25 decreased by **5%**
- Water reduction: water consumption reduced by more than **26%** in FY24/25
- Zero waste-to-landfill: **54%** reduction in waste-to-landfill in FY24/25

FINANCIAL

- Proposed final dividend **UShs 21.9 bn** (FY23/24: UShs 15.0 bn)
- Return on invested capital: **25.8%** (FY23/24: 18.0%)
- Current ratio: **4.1** (FY23/24: 3.9)

APPROACH TO STAKEHOLDER ENGAGEMENT



ENGAGING WITH OUR STAKEHOLDERS

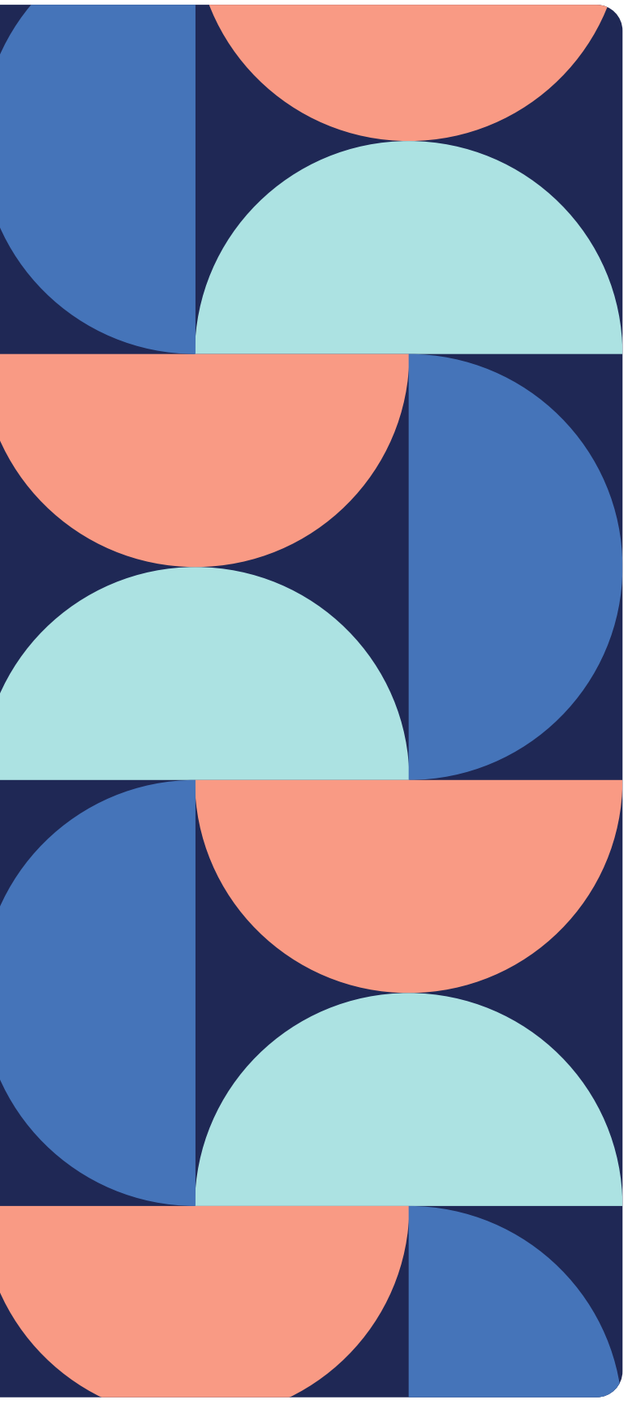
Qcil's engagement with stakeholders is structured to align with our long-term business strategy, operational priorities, and risk management framework. Our approach ensures that we effectively communicate, collaborate, and integrate stakeholder feedback into our decision-making processes.

ENGAGEMENT FREQUENCY

STAKEHOLDER	ENGAGEMENT FREQUENCY
SHAREHOLDERS AND INVESTORS	Half-yearly/annually; needs-based
OUR EMPLOYEES	Weekly/monthly/quarterly/annually
SUPPLIERS AND SERVICE PROVIDERS	Monthly/quarterly/annually
CONSULTANTS AND BUSINESS PARTNERS	Monthly/needs-based
OUR COMMUNITIES	Needs-based CSR activities
GOVERNMENTS AND PHARMACEUTICAL REGULATORY BODIES	Monthly/annually
HEALTHCARE PROFESSIONALS AND CUSTOMERS	Commercially determined/needs-based

STAKEHOLDER CATEGORY	KEY ASPECTS	MODES OF ENGAGEMENT	CAPITALS IMPACTED	ASSOCIATED RISKS	IMPACT OF ENGAGEMENT
SHAREHOLDERS AND INVESTORS	• Financial performance • Non-financial performance • ESG and sustainability commitments • Risk management and governance • Business expansion and revenue diversification • Dividend policy • Operational efficiency and cost leadership	• Annual general meeting • Investor briefings • Regulatory filings • Press releases • Investor roadshows		• Market risks • Legal and regulatory risks • Strategic risks	• Strengthened investor reporting and confidence • Enhanced transparency on financial resilience, capital allocation, and risk mitigation • Increased interest in Qcil's growth prospects and market expansion, particularly in new therapeutic areas and additional SSA markets
OUR EMPLOYEES	• Health and safety • Employee well-being and engagement • Training and career development • Equity, inclusion, and diversity • Digital transformation and automation impacts • Change management • Performance-based recognition • Redefinition of culture	• Town halls • Internal newsletters • Training programmes • Employee feedback surveys • Mentorship initiatives • Leadership workshops • Cultural roadshows		• Workforce adaptation to automation and digitalisation • Talent retention and development • Workplace culture transformation • Occupational health and safety	• Investments in workforce training and upskilling in pharmaceutical manufacturing, digital tools, cybersecurity, and supply chain efficiency • Strengthened occupational health and safety measures, contributing to a healthier and more resilient workforce • Introduced management incentive plan • Enhancing performance management • Improving benchmarking

APPROACH TO STAKEHOLDER ENGAGEMENT (CONTINUED)



STAKEHOLDER CATEGORY	KEY ASPECTS	MODES OF ENGAGEMENT	CAPITALS IMPACTED	ASSOCIATED RISKS	IMPACT OF ENGAGEMENT
SUPPLIERS AND SERVICE PROVIDERS	• Supply chain resilience • Procurement efficiency • Ethical sourcing • Timely payments • Environmental impact on the supply chain • Business continuity planning • Cost and inflationary pressures	• Procurement meetings • Vendor performance evaluations • Supplier workshops • Audits		• Supply chain disruptions • Geopolitical risks • Foreign exchange volatility • Environmental risks • Compliance risks	• Strengthened supplier relationships through long-term agreements that ensure stable procurement of raw materials despite global challenges • Increased supplier due diligence and risk mitigation, particularly in response to geopolitical tensions and raw material price fluctuations • Enhanced ESG compliance in procurement, aligning suppliers with Qcil's sustainability goals
CONSULTANTS AND BUSINESS PARTNERS	• Regulatory compliance • Business expansion support • Corporate governance • Market intelligence and industry insights • Technology and process optimisation	• Strategy meetings • Compliance assessments • Industry forum • Partnerships • Legal and financial advisory sessions		• Regulatory and compliance risks • Operational risks • Strategic misalignment	• Leveraged external expertise in product registration and market entry strategies for new SSA countries • Strengthened governance and compliance through legal and financial advisory partnerships • Enhanced operational efficiency and digital transformation through collaborations with industry experts
PATIENTS, HEALTHCARE PROFESSIONALS, AND CUSTOMERS	• Access to essential medicines • Product quality and safety • Affordability and pricing • Patient support programmes • Regulatory approvals for new treatments • Pharmacovigilance	• Healthcare forums • Feedback surveys • Customer service hotlines • Medical conferences • Online engagement platforms		• Drug safety and quality concerns • Pricing pressures • Market competition • Reputational risks • Regulatory risks	• Strengthened trust in Qcil's brand and pharmaceutical quality standards • Improved customer-centric solutions through enhanced supply chain agility • Increased adoption of newly launched treatments for diabetes, hypertension, and infectious diseases
GOVERNMENTS AND PHARMACEUTICAL REGULATORY BODIES	• Compliance with evolving pharmaceutical regulations • Public-private healthcare partnerships • Local manufacturing incentives • Taxation and trade policies • New product approvals	• Regulatory filings • Compliance audits • Government-industry dialogues • Joint health initiatives		• Reputational risks • Regulatory non-compliance • Market access limitations	• Strengthened compliance with stringent pharmaceutical regulations across SSA markets • Approval of new products • Increased advocacy for local pharmaceutical manufacturing and industry policy reforms
OUR COMMUNITIES	• CSR and social impact programmes • Public health education • Malaria, HIV, and non-communicable disease awareness • Philanthropic partnerships • Environmental sustainability initiatives	• Community outreach programmes • CSR projects medical donations • Disease awareness campaigns		• Social licence to operate • Climate risks • Community health disparities	• Expanded Qcil's CSR footprint, supporting initiatives such as medical camps, malaria awareness programmes, and rural healthcare access • Strengthened local community engagement, improving public perception and stakeholder trust • Reinforced environmental commitments, including carbon reduction and zero waste-to-landfill projects

SUSTAINABILITY AND FUTURE OUTLOOK

CREATING A SUSTAINABLE FUTURE

At Qcil, sustainability is not merely a corporate initiative; it is a fundamental driver of our business model and strategic vision. As a leading pharmaceutical manufacturer in SSA, we recognise our responsibility to balance financial success with environmental stewardship, social impact, and strong governance.

Our commitment to sustainability extends across all areas of our operations, from reducing our environmental footprint to strengthening healthcare access and upholding ethical business practices. By embedding sustainability into our long-term strategy, we ensure that our growth translates into meaningful societal and environmental benefits, thereby creating value that benefits all our stakeholders.

By aligning our strategies with the United Nations Sustainable Development Goals (SDGs), we strive to contribute to the following:

QCIL'S SUSTAINABILITY FRAMEWORK

In our quest to become a centre of excellence in manufacturing quality, affordable medicine, made in Africa for Africa, we have developed a framework that is rooted in our values, driven by purpose and positioned for sustainable growth. It serves as our blueprint for our future-focused growth and is embedded in our growth strategy.

As we embark on a new chapter of growth following the change of control, we recognise the need for a sustainability strategy that not only reflects our core values but also supports resilient, responsible, and inclusive business growth. Our sustainability framework is structured around three clear and actionable pillars that integrate global standards and initiatives (UN SDGs, GRI, IFRS S1/S2 and SASB) while staying distinctly aligned with Qcil's identity and ambitions.

Our Company values form the cornerstone of our ESG commitments, guiding our decisions and actions across every aspect of our operations.

OUR SUSTAINABILITY FRAMEWORK: POWERED BY AIR (ACCESS. IDENTITY. RESILIENCE)

Our sustainability framework is built around three strategic priorities that we have summed up in the acronym AIR: **Access with Integrity**, **Identity with Impact**, and **Resilient and Responsible Operations**. These pillars reflect our ambition as a leading pharmaceutical manufacturer, and they position Qcil as a catalyst for sustainable health outcomes and inclusive development across Africa. With **AIR**, we are aligning our operations, values, and partnerships to address the continent's most pressing health challenges in a way that is ethical, future-focused, and measurable. Just as clean air is vital for life, AIR is the essential force sustaining our commitment to people, planet, and performance. It ensures that as we grow, we do so with integrity, purpose, and lasting impact.

1. ACCESS WITH INTEGRITY

Strategic pillar

In alignment with SDG 3 – Good health and well-being, and SDG 6 – Clean water and sanitation, our aim is to expand equitable access to affordable, quality medicines while maintaining ethical standards and regulatory excellence. We do this by delivering affordable, high-quality, and accessible medicines while upholding ethics, equity, and health rights and ensuring responsible environmental stewardship. We believe healthcare is a right, not a privilege, and our access strategies are designed to deliver on that conviction without compromise.

Specific commitments

- Affordable quality
- Health equity
- Market expansion built on trust
- Product portfolio differentiation

SDG alignment

Enablers

- Process optimisation and lean manufacturing: Using Six Sigma and Kaizen methodologies to improve batch yields and reduce changeover time between products
- Employing a skilled workforce and continuous training to maintain cGMP standards
- Practising ethical marketing and pricing transparency
- Having a data-driven access strategy to inform product targeting and pricing
- Engaging with the National Drug Authority (NDA) for registration of our new offerings
- Expanding our facilities to increase manufacturing capacity
- Including non-communicable diseases screening in our community awareness campaigns through medical camps

SUSTAINABILITY AND FUTURE OUTLOOK (CONTINUED)

2. IDENTITY WITH IMPACT

Strategic pillar

Qcil is at an inflexion point. With the exit of Cipla and in line with SDG 8–Decent work and economic growth, we are working at shaping a strong African-led corporate identity rooted in African excellence, innovation, and trust. From championing workforce diversity to reimagining our brand, we are aligning our culture, operations, and partnerships to reflect our values and drive positive societal outcomes.

Specific commitments

- Rebranding Qcil as a purpose-driven pharmaceutical leader
- Developing a diverse, capable, and ESG-savvy workforce
- Transparent sustainability reporting aligned with international frameworks – GRI, IFRS S1/S2, SASB
- Business expansion (footprint, customers, and product reach) and investing in R&D for regionally relevant health solutions

Enablers

- Undertaking a corporate rebrand to align our identity with our African-led, innovation-driven, and people-focused values
- Setting a clear diversity, equity, and inclusion (DEI) roadmap with respect to leadership, recruitment practices, and technical roles that reflect local and regional diversity
- Hosting training programmes covering ESG, ethics, innovation, and inclusion topics. We reward ESG-aligned behaviour and internal champions
- Establishing clear ESG governance and accountability through a cross-functional ESG Steering Committee chaired by our ESG Lead
- Subjecting our sustainability reporting to third-party assurance and verification
- Leveraging our strategic partnership with the African Medicines Agency (AMA), regional wholesalers, and government procurement bodies
- Using disease-burden data to determine which products to scale
- Centring R&D around SDG 3, WHO Essential Medicines, antimicrobial resistance (AMR), and climate-resilient health

SDG alignment

3. RESILIENT AND RESPONSIBLE OPERATIONS

Strategic pillar

In line with SDG 9–Industry innovation and infrastructure, SDG 12–Responsible consumption and production, GRI 203-2 and IFRS S1/S2, we are transforming our operations to meet the demands of a changing world. We are embedding climate resilience, resource efficiency, and regulatory compliance into our systems to ensure that we remain competitive, future-ready, and aligned with global sustainability standards.

Specific commitments

- Resource efficiency and low-carbon manufacturing
- ESG compliance in procurement and governance
- Employee health, safety and operational resilience
- Climate risk management and scenario planning

Enablers

- Investing in energy efficiency, circular resource use, and low-carbon technologies aligned with WHO cGMP and IFRS S1/S2
- Focusing on sustainable procurement and supplier engagement by embedding ESG criteria into our procurement policies and building supplier capacity for compliance and resilience
- A strong Occupational Health and Safety (OHS) management system, which fosters a robust health and safety culture
- Focusing on data-driven risk monitoring to enhance our safety practices
- Engaging in periodic scenario testing to understand how events like floods, supply shocks, or carbon taxes might affect our operations, logistics, or product demand
- Focusing on identifying physical and transition risks by mapping out site-level climate risks
- Prioritising data-driven investments that enable us to make rational and justifiable decisions when it comes to facility upgrades, renewable energy projects, backup systems, and low-emission technologies

SDG alignment

SUSTAINABILITY AND FUTURE OUTLOOK (CONTINUED)

UNDERSTANDING OUR MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

In line with our ongoing commitment to integrated and transparent reporting, Qcil has refined its approach to identifying and prioritising our sustainability related impacts, risks, and opportunities. As outlined on page 4, these have been informed by a double materiality perspective that considers the financial implications of sustainability matters on our business (financial materiality), as well as our broader impacts on the environment, society, and economy (impact materiality).

Through this process, we have identified the following material sustainability related impacts, risks, and opportunities.

FINANCIAL MATERIALITY

SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

- Product quality and safety
- Product access and affordability
- Skills attraction, development, retention
- Regulatory compliance
- Water and energy security
- Climate change – impacts across value chain
- Hazardous waste management
- Management of counterfeit drugs
- Supply chain management
- Strong regional economies (contribution to taxes, job creation, and broader social stability)
- Governance, including board diversity, business ethics, remuneration, anti-corruption

IMPACT MATERIALITY

SUSTAINABILITY-RELATED IMPACTS

- Product quality and safety
- Product access and affordability
- Employment creation
- Occupational health and safety
- Economic performance and impacts
- Procurement practices
- Ethical marketing and labelling
- Tax policy and practice
- Climate change: GHG emissions
- Water use and effluent
- Waste management
- Materials (plastics/packaging)

These sustainability related impacts, risks, and opportunities will form the foundation of our future sustainability related reporting and performance monitoring. Management is committed to refining our insights on these matters, and to updating and strengthening our internal sustainability related metrics, targets and reporting processes over time.

OPERATIONAL ACHIEVEMENTS

PERFORMANCE HIGHLIGHTS

FINANCIAL PERFORMANCE HIGHLIGHTS

Revenue
UShs **267.1** bn
FY23/24: UShs 265.3 bn

Gross profit
UShs **108.5** bn
FY23/24: UShs 89.4 bn

EBITDA
UShs **69.4** bn
FY23/24: UShs 53.7 bn

Profit after tax
UShs **40.7** bn
FY23/24: UShs 31.8 bn

Working capital
UShs **126.7** bn
FY23/24: UShs 123.7 bn

Current ratio
4.1
FY23/24: 3.9

Debt-equity ratio
0%
FY23/24: 0%

Cash generated from operating activities
UShs **50.2** bn
FY23/24: UShs 67.0 bn

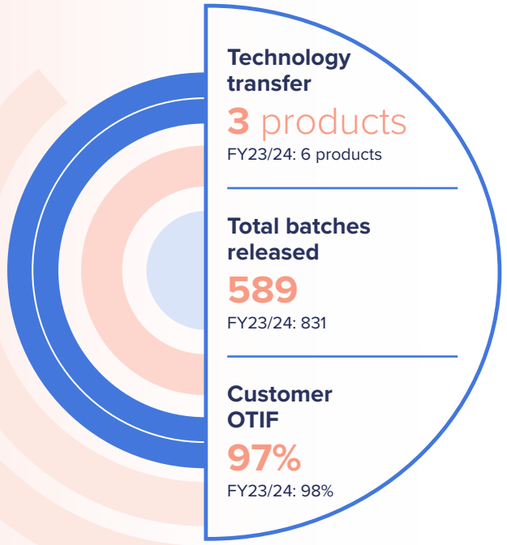
Return on equity
21.7%
FY23/24: 17.7%

OPERATIONAL EFFICIENCIES AND GROWTH

0

Lost-time injuries
FY23/24: 3

Number of product recalls
FY23/24: 0



Technology transfer
3 products
FY23/24: 6 products

Total batches released
589
FY23/24: 831

Customer OTIF
97%
FY23/24: 98%

Capacity utilisation
70%
FY23/24: 86%

Overall equipment effectiveness
28%*
FY23/24: 10%
** For bottleneck machines*

ISO certifications
3
FY23/24: 3

SUSTAINABILITY AND SOCIAL IMPACT METRICS

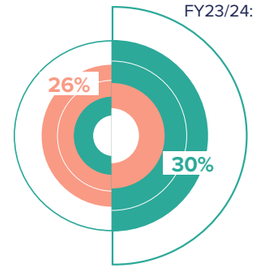
Waste-to-landfill
8.005 MT
FY23/24: 17.5 MT

Electricity (grid)
39,551 GJ
FY23/24: 41,558 GJ

Blue water
11,112 KL
FY23/24: 15,048 KL

GHG emissions
2,540 tons
FY23/24: 2,682 tons

Percentage of senior management who are women
30%
FY23/24: 31%



Percentage of Company employees who are women
26%
FY23/24: 25%

Workers trained
504
FY23/24: 562

Training hours for workers
29,030
FY23/24: 26,880

Graduate trainees
15
FY23/24: 10

Interns
90
FY23/24: 112

New policies implemented
2
DEI Policy and Alcohol Procedure
FY23/24: 4

On-site clinic availability
24 HR
FY23/24: 24 HR

Wellness initiatives
Wellness Week, Safety Week, Annual Day, Corporate Sports, Medical Camp, Community Fundraising Initiative (Kabaka Run and Cancer Run)
FY23/24: Wellness Week, Safety Week, Annual Day, Corporate Sports

EXPANDING MARKET REACH AND REGIONAL GROWTH

MARKET EXPANSION AND DISTRIBUTION STRATEGY

Qcil is consolidating its position as a leading pharmaceutical manufacturer in SSA by expanding its reach across the continent and beyond. With regulatory approvals in 31 African countries and exports to 14, the Company has established a significant regional footprint. Its market expansion strategy aligns with its strategic objectives of enhancing pharmaceutical self-sufficiency in Africa and strengthening supply chain resilience.

- To support these objectives, Qcil is actively building strategic partnerships with governments, global health organisations, and private-sector distributors. Exports to the 14 Sub-Saharan countries where we are registered accounted for 24% of our total revenue in FY24/25. This approach allows Qcil to combine local growth with regional expansion, ensuring stable revenue and reducing market risks.
- Qcil is focused on diversifying its product portfolio to include treatments for non-communicable diseases (NCDs) like cardiovascular diseases and diabetes. Key initiatives include implementing digital tracking systems for real-time inventory management, strengthening logistics partnerships for efficient last-mile delivery, and exploring the viability of satellite warehouses in key markets to facilitate faster product distribution.

Furthermore, Qcil is enhancing its supply chain efficiency through a supplier diversification strategy and improved local procurement initiatives. This resilience positions Qcil as a trusted pharmaceutical partner, ensuring the reliable availability of high-quality, affordable medicines across Africa while navigating global supply chain challenges.

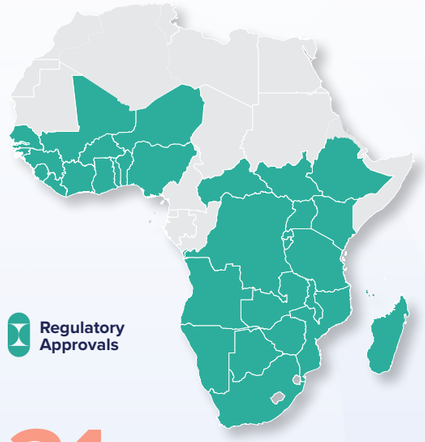
ADDRESSING AFRICA'S PHARMACEUTICAL GAPS

Africa remains highly dependent on pharmaceutical imports, with over 70% of medicines sourced from outside the continent. This dependency creates vulnerabilities in pricing, supply chain stability, and access to essential medicines.

Qcil is actively working to bridge this gap by:

- increasing local production capacity to reduce reliance on imports;
- partnering with governments to strengthen local medicine supply chains; and
- aligning with Africa's broader health initiatives to facilitate regional pharmaceutical trade.

By leveraging its regional manufacturing presence, Qcil is not only enhancing accessibility to life-saving medicines but also positioning itself as a key driver of Africa's pharmaceutical self-sufficiency.



31

Sub-Saharan African Markets

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

PRODUCT DIVERSIFICATION AND FUTURE GROWTH

Qcil's expansion is not solely geographical, the Company is also broadening its product range to address the continent's shifting disease burden. As Africa sees an increase in NCDs alongside infectious diseases, Qcil is proactively developing treatments to meet these healthcare demands.

Current therapeutic areas in the private trade market:

We are operating in the following therapeutic areas:

- Malaria
- Allergies
- Dermatological infections
- ICU care (Infection management via injectable therapies)
- Anti-infectives
- Type 2 diabetes mellitus
- Hypertension

Planned expansion for FY25/26:

We plan to expand our portfolio in the following therapeutic areas:

Over-the-Counter range:

- Pain and pyrexia management
- Sleep disorders

Prescription (Rx) range:

- Sickle cell disease
- Maternal care
- Respiratory care (via metered-dose inhalers – MDIs)
- Enhanced offerings in Type 2 diabetes mellitus and hypertension through the introduction of newer molecules

STRATEGIC PARTNERSHIPS AND INSTITUTIONAL ENGAGEMENTS

Qcil's ability to scale its market reach is closely linked to strong partnerships with governments, global health organisations, and private-sector distributors. These collaborations ensure steady demand, regulatory compliance, and broad market access.

KEY STRATEGIC PARTNERSHIPS

- **Institutional buyers and global health initiatives:** Qcil supplies medicines to major global health organisations, including Global Fund and the PMI, ensuring its participation in large-scale health programmes.
- **Government Public Procurement Agencies** Qcil supplies medicines to Government agencies through competitive procurement processes enabled by its basket of offerings, short lead times and competitive pricing.
- **Private-sector expansion:** Qcil has expanded its distribution network to hospitals, pharmacies, and a broad spectrum of healthcare providers. This growth reflects our commitment to enhancing access to high-quality, affordable medicines across the healthcare ecosystem, ensuring that patients receive timely and reliable treatment wherever they seek care.

Through strategic partnerships, Qcil is enhancing its market reach, ensuring dependable access, and reinforcing its status as a preferred supplier in the pharmaceutical industry.

EXPANDING MANUFACTURING CAPACITY

To sustain its long-term growth strategy and meet the rising demand for high-quality medicines, Qcil has secured financing to construct a second production facility at its existing site. This expansion is a critical step in strengthening the Company's position as a leading pharmaceutical manufacturer in Africa.

KEY BENEFITS OF THE EXPANSION

The investment in manufacturing infrastructure reflects Qcil's commitment to achieving pharmaceutical self-sufficiency in Africa. It strengthens local production capabilities, helping to reduce reliance on imports and improve access to essential medicines across the continent.

Key benefits of this investment include:

- **Increased production capacity:** The new facility will significantly expand operations to meet the rising demand both domestically and across the region.
- **Introduction of new products:** Additional medicines will be added to the portfolio to address supply challenges in the region. These will target critical therapeutic areas such as TB, sickle cell anaemia, hypertension, cardiovascular conditions, and diabetes.
- **Cost optimisation:** As operations expand, increased production volumes will lead to greater efficiency and lower unit costs. This reduction in cost will not only make medicines more affordable for patients but also enhance the long-term sustainability of Qcil's operations.

OUR CAPITALS:
BUILDING SUSTAINABLE VALUE

KEY ACHIEVEMENTS (FY24/25)

Qcil has made substantial strides in expanding its manufacturing capabilities, optimising operational efficiency, and strengthening quality assurance. The Company's high-capacity pharmaceutical production facility in Luzira Industrial Park continues to operate at over 70% utilisation, producing 1.2 billion tablets annually. This consistent production performance has positioned Qcil as a leading pharmaceutical manufacturer in SSA, supplying essential medicines across multiple markets.

EXPANSION AND INFRASTRUCTURE DEVELOPMENT

Qcil recognises the increasing demand for pharmaceuticals and has secured Board approval and third-party debt financing to construct a second manufacturing facility. This strategic investment aims to enhance production capacity to meet the growing needs of both domestic and export markets.

The new facility will only improve production efficiency through advanced automation and lean manufacturing processes. This facility is anticipated to support the production of additional pipelines and innovative products, such as TB medicines and injectables, thereby reinforcing Qcil's capacity to address regional healthcare requirements while pursuing sustained long-term revenue growth.

BUSINESS CONTINUITY AND RISK MANAGEMENT

The Company has established proactive operational continuity measures to mitigate risks related to power supply instability, fire hazards, and liquidity constraints. To ensure uninterrupted production, the Company operates two standby generators with automatic switchovers and uses uninterruptible power supply systems along with surge protectors to safeguard sensitive equipment from voltage fluctuations. Fire prevention is supported by comprehensive detection and suppression systems, regular maintenance, staff training, and insurance coverage to minimise damage and downtime.

Furthermore, the newly implemented SAP S/4HANA helps to de-risk the operations by offering real-time visibility and control, enhanced operational risk, quality management, and production planning and optimisation.

AUTOMATION AND DIGITAL TRANSFORMATION IN MANUFACTURING

As part of its commitment to modernising manufacturing practices, Qcil is actively transitioning towards smart manufacturing by integrating automated systems throughout its production lines. Key initiatives in this area include:

- **New Compressor:** Installed for higher capacity and compressed air to keep production lines running, clean rooms controlled, and processes sterile and safe.
- **Epoxy Flooring:** Applied to meet GMP compliance standards and ensure easy maintenance and microbial control in production areas.
- **Autocoater GCS 500 Upgrade:** Transitioned from a wet scrubber to a 21 CFR-compliant dry scrubber to enhance environmental sustainability and regulatory compliance.
- **Online Weight Variation System:** Implemented for real-time monitoring of tablet weight, ensuring dosage accuracy and product quality.
- **Track and Trace System:** Enables product traceability and helps detect counterfeit drugs, supporting patient safety and regulatory requirements.
- **R&D Blister Pack Machine:** Introduced to improve product stability testing, simplify sample analysis, and reduce packaging waste for greater sustainability.
- **Blender 2250 Upgrade:** Enhanced to meet 21 CFR compliance, ensuring validated and traceable blending processes.
- **Bottle Packing IPC Upgrade:** Upgraded for 21 CFR compliance, improving in-process control and documentation.
- **Camera Installation in Blister Line 1:** Added for visual inspection and quality assurance, supporting real-time defect detection and traceability. BMR/BPR System: Digitised Batch Manufacturing Records (BMR) and Batch Packaging Records (BPR) to improve data integrity, reduce manual errors, and ensure compliance with regulatory standards.

These efforts towards automation have led to improvements in operational efficiency, cost savings, and enhanced compliance with product quality standards.

OUR CAPITALS: BUILDING SUSTAINABLE VALUE (CONTINUED)
MANUFACTURED CAPITAL (CONTINUED)

QUALITY ASSURANCE AND COMPLIANCE

Quality assurance continues to be fundamental to Qcil's manufacturing strategy, ensuring that every product meets the highest standards of safety, efficacy, and regulatory compliance.

PRODUCT QUALITY AND SAFETY

Qcil maintained a strong focus on product quality and safety across all manufacturing operations. The Company has a quality control laboratory that is equipped with advanced analytical and testing technologies. All products are tested in accordance with the approved or registered specifications for APIs, excipients, and finished products. Any deviations or failures identified during the testing process are addressed to ensure timely investigation and corrective action.

A total of 692 batches were successfully released, with only three batches rejected due to minor non-conformance issues. Additionally, three product complaints were reported, and no product recalls occurred during this period, reflecting the robustness of Qcil's quality assurance systems.

To ensure continuous compliance and operational excellence, 25 internal inspections and two external inspections were conducted. Notably, none of these inspections resulted in critical observations. No critical observations were recorded in the external inspections conducted by ISO and NDA in February 2025, thus confirming Qcil's adherence to regulatory standards.

REGULATORY COMPLIANCE

The Company ensures compliance with regulatory requirements across the 31 countries where it is authorised to commercialise its pharmaceutical products. It adheres to WHO global guidelines and prequalification standards, including relevant Technical Report Series. In addition, Qcil complies with applicable national laws, regulations, and guidelines governing the manufacture, sale, and distribution of pharmaceutical products, while also aligning with the guidelines of the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH).

The Company transitioned its identity from CiplaQCIL to Qcil, coordinating with National Medicines Regulatory Authorities across 25 countries. This included updating all relevant licences, Manufacturing, Import, Export, and Wholesale to reflect the new name, ensuring uninterrupted business operations. The transition also involved the rollout of updated packaging and product labels.

SAFE PRODUCT DESTRUCTION

Qcil has established a structured procedure to ensure the safe and compliant destruction of pharmaceutical materials, including raw materials, in-process samples, finished products, and packaging components. A dedicated reject room is available for the temporary storage of non-conforming materials prior to disposal.

All destruction activities are carried out through incineration by an authorised external agency, in accordance with environmental and regulatory standards. This process ensures that rejected materials are disposed of safely, securely, and without risk of misuse or environmental harm.

PHARMACOVIGILANCE COMPLIANCE

In continuing to fulfil its commitment to drug safety, Qcil established a fully-fledged, independent pharmacovigilance system following the Cipla exit. This system was implemented to proactively detect, assess, and manage any adverse effects associated with the Company's products, as well as to handle drug safety concerns and product quality complaints. All activities are conducted in accordance with established Standard Operating Procedures that go beyond basic compliance to ensure patient safety. Patients can report adverse effects through multiple channels, including a dedicated phone line and email address.

The Company remains fully compliant with Uganda and Rwanda's guidelines for the submission of Periodic Safety Update Reports, as well as with national Good Pharmacovigilance Practices requirements. Additionally, the Qcil achieved an 85% participation rate in its annual pharmacovigilance training, which raises awareness among new and existing staff about adverse event reporting for all Qcil products. Notably, during the year, the Company was found to be fully compliant with Adverse Drug Reaction (ADR) reporting obligations under the EAC, ECOWAS, and ZAZIBONA regulatory frameworks.

QUALITY MANAGEMENT SYSTEM

Qcil is committed to providing quality products, manufactured in a regulatory compliant facility with procedures complying to the national and international cGMP and ISO 9001:2015 requirements. A Quality Management System and Quality Assurance principles are defined and implemented to ensure that quality is built within each batch. A set of our internal rules defined by a collection of policies, processes, documented procedures, and records define how we achieve the production and delivery of quality products and services that meet our customer needs.

QUALITY RISK MANAGEMENT

Qcil has implemented a structured and science-based Quality Risk Management (QRM) approach to proactively and systematically identify, assess, control, communicate, and review risks that may impact product quality, patient safety, or product availability.

QRM is integrated across the product lifecycle, from development and manufacturing to distribution and post-market activities. It involves cross-functional teams to ensure thorough analysis and effective mitigation strategies are implemented. The process includes periodic reviews and is incorporated in the CAPA and change management systems to ensure continuous improvement and compliance with global regulatory expectations.

DATA INTEGRITY AND SAFETY

A comprehensive Data Integrity Policy is in place to ensure that all GxP-related data whether in electronic or paper form is complete, consistent, accurate, and trustworthy throughout its entire lifecycle.

STRATEGIC OBJECTIVES

Strategic focus:

We are enhancing our infrastructure, production capacity, and operational efficiency.

To sustain long-term growth and operational excellence, Qcil has outlined the following key strategic priorities for FY25/26 and beyond:

SCALING UP MANUFACTURING CAPACITY

- Commencing construction of the second production facility, targeting completion within two years.
- Expanding pharmaceutical formulations to support the manufacturing of medicines targeting other therapeutic areas such as hypertension and diabetes.
- Increase export supply capacity by optimising production scheduling and enhancing batch scalability.

ENHANCING AUTOMATION IN SMART MANUFACTURING

- Complete installation of the Document Management System aimed at digitising and centralising all quality and operational documentation.
- Automating quality control checks to improve real-time compliance monitoring and reduce manual intervention.

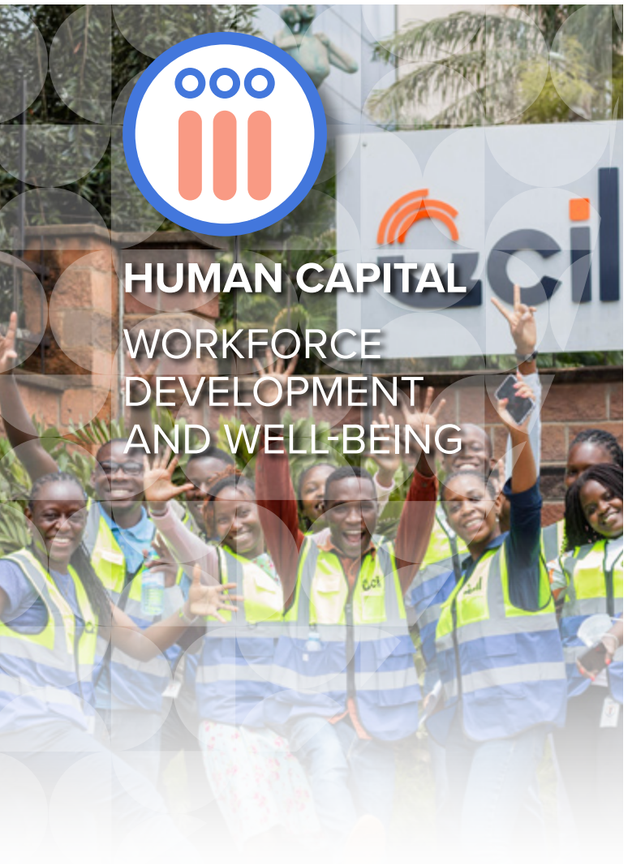
STRENGTHENING SUPPLY CHAIN RESILIENCE

- Increasing local sourcing of materials to reduce import reliance and mitigate foreign exchange volatility risks.
- Expanding supplier diversification strategies to ensure uninterrupted material availability.
- Enhancing logistics optimisation, reducing lead times and improving distribution efficiency across export markets.

ADVANCING SUSTAINABILITY IN MANUFACTURING

- Adopting green manufacturing processes, including waste-to-energy initiatives.
- Adopting clean energy solutions to deliver our GHG emission aspirations.
- Implementing water recovery and recycling systems will further enhance resource efficiency and support the Company's commitment to water neutrality by 2028.
- By executing these strategic initiatives, Qcil will reinforce its leadership in pharmaceutical manufacturing, ensuring sustained operational growth, market expansion, and long-term competitiveness.

OUR CAPITALS: BUILDING SUSTAINABLE VALUE (CONTINUED)



KEY ACHIEVEMENTS (FY24/25)

Qcil remains committed to fostering a highly skilled, motivated, and engaged workforce that drives its strategic objectives and supports long-term business sustainability. In FY24/25, the Company invested in employee training, workplace well-being, and diversity and inclusion initiatives, reinforcing its position as a leading employer in Uganda's pharmaceutical sector.

WORKFORCE DEVELOPMENT AND TRAINING

Qcil is committed to continuous professional development as a strategic priority to empower its workforce with critical skills that drive operational excellence, ensure regulatory compliance, and foster leadership growth.

In pursuit of this commitment, the Company delivered a total of 29,030 training hours across key focus areas including leadership development, technical proficiency, compliance training, and operational efficiency enhancement. These initiatives reflect Qcil's dedication to cultivating a skilled, agile, and future-ready workforce.

A total of 450 employees underwent training in pharmacovigilance, ensuring compliance with global drug safety monitoring standards. Qcil trained 100 employees in ISO Lead Implementer and Internal Auditor programmes, significantly strengthening the Company's internal quality assurance framework. In alignment with workplace safety initiatives, machine operators also completed a certified training in the safe use of lifting equipment.

The Company's structured learning programmes were designed to support employees at all levels, from technical staff to senior leadership, ensuring targeted, role-specific development. These initiatives reflect Qcil's strategic focus on aligning workforce capabilities with business priorities and industry best practices.

TALENT ACQUISITION AND GRADUATE TRAINING

Qcil has reinforced its Internship and Graduate Trainee Programmes to establish a sustainable talent pipeline. In this effort, 90 students participated in structured internship programmes, acquiring practical experience in pharmaceutical operations. Additionally, 15 STEM graduates were onboarded through the Graduate Trainee Programme, underscoring Qcil's commitment to investing in young professionals. As a testament to the effectiveness of the talent development framework, 80% of graduate trainees were retained as full-time employees. These initiatives play a critical role in workforce sustainability, knowledge transfer, and industry capacity building within Uganda's pharmaceutical sector.

DIVERSITY, EQUITY, AND INCLUSION

Qcil is committed to cultivating an inclusive workplace that values diversity in terms of gender, skills, and experience. In FY24/25, the Company adopted a new DEI policy, which promotes a culture of respect, equal opportunity, and inclusive leadership. Gender diversity targets were established for leadership roles to increase female representation within the Company. Qcil intends to enhance further inclusive recruitment, leadership diversity, and equitable career advancement opportunities.

EMPLOYEE WELL-BEING AND WORKPLACE SAFETY

Qcil upholds stringent OHS standards to safeguard the well-being of its workforce. In FY24/25, the Company undertook several key initiatives, including the upgrade of its on-site staff clinic, commissioned by the Minister of State for Gender, Labour, and Social Development, enhancing access to quality healthcare for employees.

To further support employee well-being, Qcil introduced mental health awareness programmes, establishing vital support structures across the organisation. Ergonomic assessments were conducted to proactively identify and address workplace hazards, reinforcing a culture of safety and prevention.

Qcil maintained its ISO 45001 Certification, underscoring its unwavering commitment to OHS compliance. Notably, the organisation recorded zero workplace fatalities during the reporting period.

EMPLOYEE RECOGNITION AND ENGAGEMENT

Qcil actively promotes a culture of performance excellence and employee engagement through various recognition initiatives. Programmes such as the CEO's Awards, Employee of the Month, and Long-Service Awards were expanded to honour outstanding contributions from employees. Additionally, quarterly town halls and leadership forums were organised to enable open communication channels between management and employees.

To better understand and enhance our organisational culture, Qcil conducted a comprehensive Culture Roadmap Survey to assess employee alignment with the Company's vision, mission, values, and overall workplace experience.

The findings were as follows:

- 98.3% of employees agreed or strongly agreed that they understand and support Qcil's vision and mission.
- Perceptions of Qcil's core values were positively rated by over 80% of respondents.
- 94% of employees expressed that the Company prioritises quality in all aspects of its operations.
- 82% of staff acknowledged that innovation is encouraged and valued within the Company.
- 75% of employees expressed confidence in leadership.
- 85% of employees expressed that the Company is a good place to work.

These findings provide valuable insights that will inform future initiatives to strengthen our organisational culture, enhance employee engagement, and support the continued development of our human capital.

Qcil's commitment to workplace excellence was validated when the Company was nominated for the "Best Workplace Wellness Initiative" by the Human Resource Managers' Association of Uganda in November 2024.

STRATEGIC OBJECTIVES (FY25/26 AND BEYOND)

Strategic focus:

Qcil's human capital strategy is focused on developing a skilled, motivated, and high-performing workforce to support our long-term growth. Key priorities include talent development, workplace well-being, diversity, and succession planning.

To further strengthen human capital development, Qcil has outlined the following strategic priorities:

STRENGTHENING WORKFORCE DEVELOPMENT AND RETENTION

- Expanding the Graduate Trainee and Internship Programmes, increasing annual intake from 15 to 20 STEM graduates.
- Developing a digital learning platform to support e-learning and skills development.
- Enhancing career progression frameworks and facilitating pathways for employee growth.

ADVANCING DEI AND LEADERSHIP DEVELOPMENT

- Achieving gender diversity targets, particularly in leadership positions.
- Rolling out leadership development programmes, focusing on succession planning and talent retention.
- Expanding mentorship and sponsorship programmes to support women and underrepresented groups.

ENHANCING WORKPLACE SAFETY AND WELL-BEING

- Launching an enhanced mental health support programme, including counselling services.
- Further investing in OHS training, targeting zero workplace incidents.
- Conducting quarterly workplace hazard assessments, ensuring proactive risk mitigation.

DRIVING EMPLOYEE ENGAGEMENT AND ORGANISATIONAL CULTURE

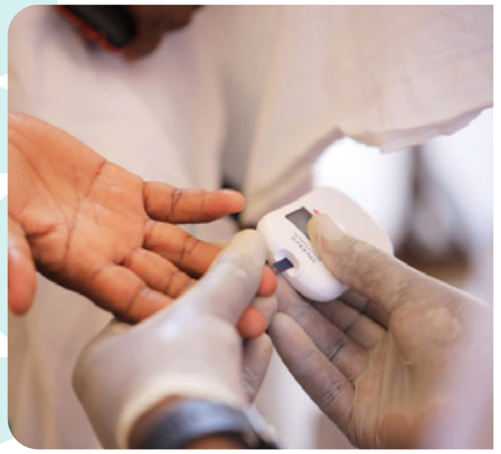
- Expanding employee recognition programmes, fostering a performance-driven culture.
- Increasing engagement forums, driving active employee participation in decision-making.
- Implementing workplace flexibility policies, supporting work-life balance.
- Fostering a culture of quality, efficiency/effectiveness and cohesion.

SOCIAL AND RELATIONSHIP CAPITAL: EXPANDING HEALTHCARE ACCESS AND STRENGTHENING STAKEHOLDER ENGAGEMENT

KEY ACHIEVEMENTS (FY24/25)

COMMUNITY HEALTHCARE INITIATIVES

To improve healthcare access, Qcil engages in community healthcare initiatives through direct interventions, partnerships, and donating medicines. Notably, the organisation donated 1,500 doses of anti-malarial medicine to support healthcare efforts in underserved areas. Additionally, Qcil contributed UShs 37 million to fund medical camps across Uganda. Over the past year, more than 3,200 patients benefited from free medical care offered through community health outreach programmes, which included malaria testing and treatment, diabetes screenings, antenatal care, and general medical consultations. Furthermore, in collaboration with Mengo Hospital, Qcil organised its annual medical camp in Luzira, where 301 community members received services encompassing malaria treatment, hypertension screenings, respiratory infection management, and maternal health support.



STRENGTHENING PARTNERSHIPS

Qcil continued to take steps to reinforce its relationships with institutional buyers and key partners to ensure the availability and affordability of essential medicines. The organisation continued to execute supply agreements with Global Fund and PMI, which secured long-term demand for Qcil's ARV and ACT products. Engagements with local suppliers were initiated to enhance supply chain resilience and support the Ugandan economy. Qcil also implemented a procurement policy which promotes ethical and sustainable practices across its supplier network.

BUSINESS ETHICS

Upholding the highest standards of corporate governance, transparency, and ethical business practices is a priority for Qcil. The organisation complies with the sustainability reporting requirements set by the USE and aligns with evolving ESG disclosure frameworks. During the year, there were no reported breaches of governance or regulatory infractions. A whistleblower policy is in place to foster a culture of accountability and ethical decision-making within the organisation; staff are repeatedly made aware of the whistleblower mechanism through town halls and posters in key areas.

Qcil's anonymous whistleblower mechanism and policy is available on our website.

STRATEGIC OBJECTIVES

Strategic focus:

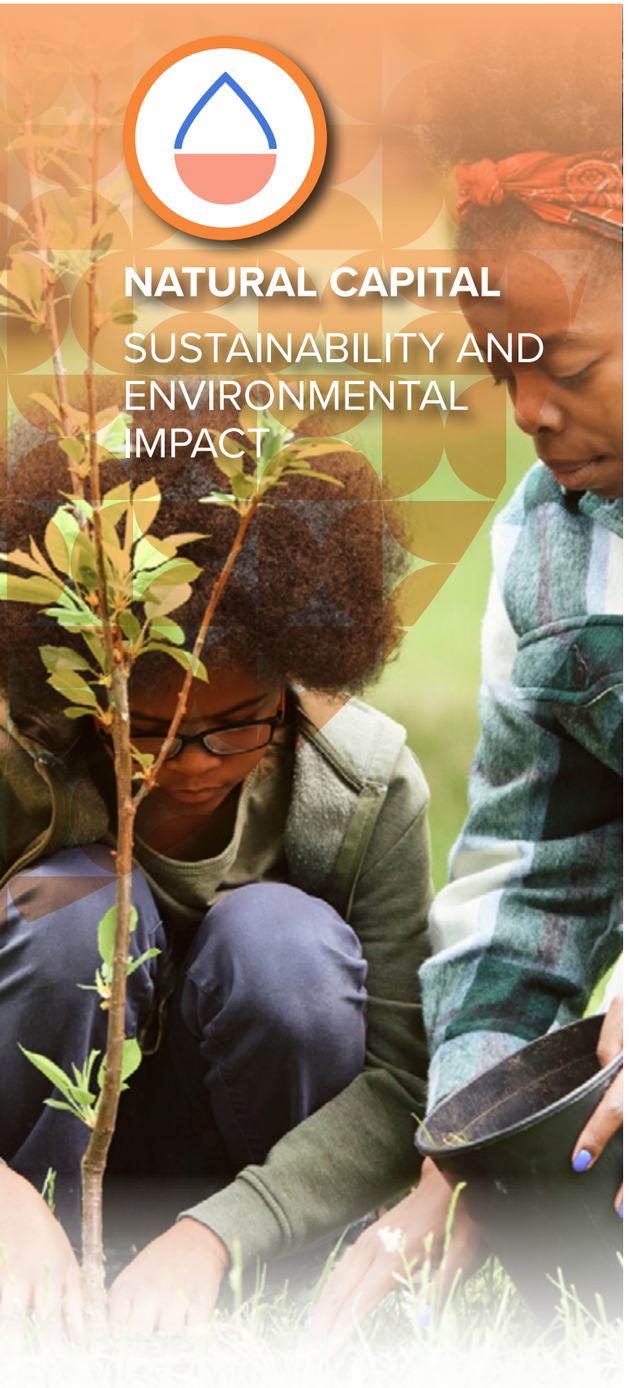
Our strategy focuses on strengthening stakeholder relationships, social impact, and supply chain resilience.

IN THE COMING YEAR, QCIL AIMS TO:

- Expand access to healthcare by increasing the availability of quality, affordable medicines.
- Enhance community education programmes, targeting an additional 3,000 school children for HIV/AIDS and malaria awareness training.
- Strengthen public-private partnerships, collaborating with local governments and NGOs to improve pharmaceutical distribution.
- Scale up supplier due diligence processes, ensuring ethical sourcing, environmental responsibility, and human rights compliance.
- Develop a structured stakeholder engagement model to enhance transparency and collaboration with regulators, investors, and healthcare partners.

By deepening its social and relationship capital investments, Qcil aims to drive positive healthcare outcomes while reinforcing its commitment to responsible and sustainable business growth.

OUR CAPITALS: BUILDING SUSTAINABLE VALUE (CONTINUED)



KEY ACHIEVEMENTS (FY24/25)

Qcil has made substantial progress in its sustainability strategy, reinforcing its commitment to responsible resource management, emissions reduction, and circular economy practices. The Company's environmental impact reduction efforts align with its long-term objectives of achieving water neutrality by 2028 and carbon neutrality by 2030.

WATER CONSERVATION

Qcil has successfully reduced its water consumption from the grid by 26% year-on-year, decreasing total usage from 15,048 KL in FY23/24 to 11,112 KL in FY24/25. This significant reduction resulted from a variety of initiatives. Among these, the reverse osmosis recovery and rainwater harvesting systems provided 1,425m^3 of potable water. Additionally, the Company has been recycling and reusing 1,149m^3 of treated wastewater from the Effluent Treatment Plant (ETP), which is utilised for wet areas and green belt irrigation. Furthermore, a condensate recovery system is expected to cut utility water consumption by 30%, leading to estimated annual savings of $112,000 (UShs 409 million).

ENERGY EFFICIENCY

Recognising the urgency to minimise its carbon footprint, Qcil has embarked on aggressive energy efficiency and renewable energy initiatives. This includes the installation of energy monitoring meters in key sections to track and improve energy consumption effectively. The Company has also installed motion sensors and solar-powered lighting in warehouses, production areas, and outdoor spaces, which collectively have reduced electricity use by 310,000 kWh annually, translating to cost savings of UShs 30 million. Another initiative involved implementing a new capacitor bank to enhance power factor efficiency, resulting in a monthly reduction of UShs 4 million in energy costs. As a result of these measures, Qcil has managed to lower its greenhouse gas (GHG) emissions to 2,540 tons, with Scope 1 emissions at 1,207 tons and Scope 2 emissions at 1,333 tons, down from a total of 2,682 tons the previous year. Relatedly, our green belt sequesters 5,188 tons of GHG emissions annually, contributing to our climate change mitigation efforts.

WASTE MANAGEMENT

Qcil remains committed to achieving its zero-waste-to-landfill target by 2025, and the Company has made notable progress in reducing waste to the landfill generation. Landfill waste has decreased from 17.5 MT in FY23/24 to just 8.0 MT in FY24/25. A hazardous waste store has been established to enhance waste handling and compliance. Additionally, a dedicated waste segregation facility has been constructed, allowing for systematic tracking of waste streams and maximising resource utilisation. As part of its waste reduction efforts, Qcil has introduced reusable canvas bags for linen distribution, significantly reducing the daily use of polybags from 55 to only four. The Company now generates revenue by selling 156 tons of scrap annually.

EFFLUENT TREATMENT

Qcil continues to uphold 100% compliance with the National Environment Management Authority (NEMA) regulations, ensuring that all wastewater is treated prior to discharge. The ETP plays a crucial role in preventing pharmaceutical residues from entering the environment, thereby mitigating the risk of AMR.

STRATEGIC OBJECTIVES

Strategic focus:

At Qcil, we recognise that natural capital is a fundamental enabler of sustainable pharmaceutical manufacturing. Our sustainability strategy prioritises environmental responsibility, energy efficiency, and waste reduction, ensuring that our operations minimise ecological impact while delivering long-term value for stakeholders.

By integrating innovative resource management practices, we aim to reduce emissions, improve energy use, and enhance water and waste efficiency. This aligns with our commitment to carbon neutrality by 2030 and zero waste-to-landfill by 2025.

MOVING FORWARD, QCIL WILL BUILD ON ITS ENVIRONMENTAL SUSTAINABILITY EFFORTS BY:

- Achieving full water neutrality by 2028, expanding wastewater recycling capacity from 15% to 30%.
- Sourcing 50% of total energy from renewable sources by 2030 through increased solar power installations.
- Further optimising logistics and production efficiencies to reduce Scope 1 and Scope 2 emissions by 50% by 2028.
- Expanding biodegradable packaging solutions to reduce plastic waste in the supply chain.
- Strengthening supplier sustainability assessments to ensure responsible raw material sourcing and ethical environmental practices.

OUR CAPITALS: BUILDING SUSTAINABLE VALUE (CONTINUED)

KEY ACHIEVEMENTS (FY24/25)

DELIVERING CONSISTENT GROWTH IN A POST-TRANSITION YEAR

FY24/25 marked a pivotal year for Qcil, characterised by strategic resilience, operational discipline, and a continued focus on value creation. Qcil sustained revenue growth, delivered record profits, and reinforced its balance sheet strength.

REVENUE AND PROFITABILITY PERFORMANCE

Total revenue reached UShs 267.1 billion, a modest increase from UShs 265.3 billion in FY23/24, underscoring the Company's ability to sustain topline performance amid structural changes.

The Company delivered a strong improvement in profitability, with gross profit margin expanding to 40.6%, up from 33.7% in FY23/24. This uplift was driven by a shift in product mix, cheaper raw materials, and enhanced manufacturing efficiencies.

Operating profit rose to UShs 59.4 billion, reflecting a 37.5% year-on-year increase, despite a 14.8% rise in general and administrative expenses to UShs 52.6 billion. The increase in overheads was primarily due to the acquisition of licences in Qcil's name, the implementation of a staff incentive scheme, and inflationary pressures. These investments are aligned with Qcil's long-term strategy to strengthen regulatory compliance, enhance employee engagement, and build resilience in the current economic environment.

Excluding a one-off recovery of an impaired balance of UShs 3.3 billion from the Government of Zambia, profit before tax rose to UShs 61.7 billion, representing a 22.1% increase compared to FY23/24.

Net profit for the year rose to UShs 40.7 billion, up from UShs 31.8 billion, supported by gross margin improvement and operational efficiencies.

STRENGTHENING THE BALANCE SHEET AND LIQUIDITY POSITION

Qcil maintained a strong financial position in FY24/25, resulting from a disciplined approach to capital management and long-term financial sustainability. At year-end, the Company had no debt obligations, reinforcing its low-risk capital structure and providing ample financial flexibility to support future growth.

Total assets stood at UShs 228.9 billion, a slight decrease from UShs 232.0 billion in FY23/24, primarily reflecting depreciation and optimisation of non-current assets. Capital work-in-progress increased to UShs 3.9 billion (FY23/24: UShs 3.1 billion), driven by continued investment in machinery and equipment aimed at maintaining manufacturing capacity and operational efficiency.

Cash and cash equivalents closed at UShs 35.0 billion, supporting a healthy working capital position of UShs 126.7 billion. This strong liquidity buffer ensures operational agility and positions Qcil to respond effectively to emerging opportunities and macroeconomic challenges.

On the equity side, retained earnings stood at UShs 116.7 billion, while proposed dividends increased to UShs 21.9 billion, up from UShs 15.0 billion in the prior year. During the year, the Company paid out UShs 42.4 billion in dividends (FY23/24: UShs 15.0 billion), reflecting a significant enhancement in shareholder returns. This increase in dividend payout highlights Qcil's strong earnings performance and reflects its commitment to delivering sustainable value to shareholders.

STRATEGIC OBJECTIVES

Qcil's financial capital strategy remains focused on delivering sustainable revenue growth, cost efficiency, and optimised capital allocation to enhance shareholder returns while preserving financial resilience. The Company's strategic priorities are centred on improving operational margins, diversifying revenue streams, and maintaining a disciplined approach to investment.

In FY25/26, Qcil aims to accelerate financial growth by expanding its regulatory footprint across additional African markets and enabling broader market access. This geographic diversification is expected to drive higher export revenues and strengthen the Company's regional presence.

Additionally, Qcil plans to broaden its product portfolio by introducing new medicines tailored to evolving healthcare needs in its key markets. This product diversification will support revenue stability and reinforce the Company's role as a trusted healthcare partner across the region.

Cost optimisation will continue to be a core pillar of Qcil's strategy, with targeted initiatives in supply chain efficiency, procurement cost reduction, and lean manufacturing practices. These efforts are designed to protect margins and enhance operational agility.

Capital expenditure is directed towards maintaining production capacity, automation upgrades, and digital enhancements.

OUR CAPITALS: BUILDING SUSTAINABLE VALUE (CONTINUED)

KEY ACHIEVEMENTS (FY24/25)

INTELLECTUAL CAPITAL

Our commitment to expanding access to quality healthcare fuels our product development capabilities. We cultivate a culture of continuous learning and creative thinking across the organisation, empowering teams to innovate and adapt. By leveraging our advanced manufacturing infrastructure and strategic partnerships, we deliver impactful and accessible healthcare solutions. Our approach is centred on driving excellence and creating long-term value for all stakeholders.

ACCESS TO NEW PRODUCTS

We ensure access to innovative and life-saving products through R&D initiatives and strategic collaborations. Currently, we are developing eight new products across key therapeutic areas, including blood disorders, diabetes, pain management, maternal health, and infection control. In parallel, we are in the process of sourcing five additional products through our partners, focusing on critical disease areas such as HIV, malaria, and TB.

OUR PORTFOLIO

FY24/25 marked a pivotal year with the launch of five new products (see the table below), reflecting our focused strategy on therapeutic innovation and market expansion. Our consistent year-on-year product launches underscore our commitment to addressing unmet medical needs, driving sustainable growth, and enhancing patient access.

Our portfolio expansion goes beyond our core strengths in malaria and HIV, extending into emerging areas such as allergies, dermatological infections, ICU care, antibacterials, and cardiovascular diseases (CVD). This diversified approach strengthens our position in the healthcare landscape and reinforces our mission to improve lives through accessible and effective treatments.

Table showing key products launched and therapeutic areas

Brands	Therapeutic areas
AziQ	Anti-infective
Qualicip	Anti-infective
Stenofil	Reproductive health
Q-mlo	Anti-hypertensive
Lumet HS	Malaria

REGULATORY FILING AND APPROVALS

Qcil is actively strengthening its regulatory affairs function to accelerate approval timelines and expand its market footprint. The Company has secured regulatory approvals in 31 SSA countries and currently exports to 14 of these markets. To further diversify its product portfolio, Qcil has submitted 14 marketing authorisation applications. Domestically, the Company obtained nine promotional approvals to support business growth and enhance market presence.

STRATEGIC OBJECTIVES

Qcil remains committed to driving innovation and growth through focused investment in product development and strategic partnerships. The Company's key priorities include:

- **Sustained Product Innovation:** Launching new products will remain a core priority, addressing both existing and emerging healthcare needs.
- **Expanded R&D Investment:** Increasing research and development efforts to grow the product pipeline beyond infectious diseases, with a strong focus on non-communicable diseases (NCDs) such as cardiovascular conditions and diabetes.
- **Development of Advanced Therapies:** Creating fixed-dose combination therapies and paediatric formulations to improve treatment accessibility, adherence, and patient outcomes.
- **Regulatory Excellence:** Strengthening engagement with regulatory authorities to streamline drug registration processes and reduce time-to-market for new products.
- **Cybersecurity and Digital Transformation:** Enhancing cybersecurity infrastructure to safeguard intellectual property, particularly as digital initiatives and data-driven operations scale.

GOVERNANCE AND RISK OVERSIGHT

GOVERNANCE AND RISK OVERSIGHT

BOARD OF DIRECTORS AND MANAGEMENT

COMPOSITION AND LEADERSHIP

The Board of Directors provides strategic oversight, governance, and leadership to ensure sustainable value creation. In November 2023, Africa Capitalworks acquired a 51.18% stake in Qcil, and the Board underwent structural changes to align with the Company's evolving growth strategy.

The Board comprises a mix of executive, non-executive, and independent Directors, bringing diverse expertise in pharmaceuticals, finance, investment management, corporate governance, ESG, business integrity, and strategic operations.

BOARD COMMITTEES KEY

- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee
- (C) Chairperson

BOARD OF DIRECTORS

EMMANUEL KATONGOLE (63) (C)
CO-FOUNDER AND CHAIRMAN (Ugandan)

Date of Appointment: 10 June 2005

- Rotary International Director Nominee.
- Served as Chair of the National Response Fund on COVID-19 Taskforce in Uganda.
- Installed as 5th Chancellor of Nkumba University (Uganda) (2021).
- Holds an MA (Economic Policy and Planning) and a BStat from Makerere University (Uganda).

Board Committees: Audit and Risk Committee; Nominations Committee and Remuneration Committee

GEORGE BAGUMA (65)
CO-FOUNDER AND DIRECTOR (Ugandan)

Date of Appointment: 10 June 2005

- Former Chief Commercial Officer and Director of Marketing at Qcil.
- Over 25 years of experience in animal health, agriculture, and public health industries.
- Honorary Consul for Republic of Zambia to Uganda.
- Holds an MSc from Imperial College London.

Board Committees: None.

FREDERICK MUTEBI KITAKA (62)
CO-FOUNDER AND DIRECTOR (Ugandan)

Date of Appointment: 23 November 2023

- Former Chief Finance Officer (2000–2005).
- Board Chair of the Investment Committee for the Buganda Kingdom.
- Holds a BSc in Accounting and Finance from the University of Buckingham (UK) and a BSc in Physics and Mathematics from Makerere University (Uganda).

Board Committees: None.

BETH MANDEL (60)
NON-EXECUTIVE DIRECTOR (American)

Date of Appointment: 21 December 2023

- Co-founder and Managing Partner of Africa Capitalworks and Capitalworks Investment Management.
- Previously Managing Director and Country Head for SSA of Morgan Stanley.
- Holds an MSc in Development Economics from Oxford University and a BSc in Business Administration from University of California at Berkeley.

Board Committees: Audit and Risk Committee; Nominations Committee and Remuneration Committee.

AJAY KUMAR PAL (43)
CHIEF EXECUTIVE OFFICER (Indian)

Date of Appointment: 1 August 2021

- 19 years in the pharmaceutical industry, with experience in operations management, business transformation, strategic planning, and technology transfer.
- Previously led Cipla Medpro Manufacturing Company in South Africa.
- Holds an MBA from Nelson Mandela University Business School (South Africa) and a BPharm from Rajiv Gandhi University (India).

Board Committees: None.

JOSEPH BALIDDAWA (72)
INDEPENDENT NON-EXECUTIVE DIRECTOR (Ugandan)

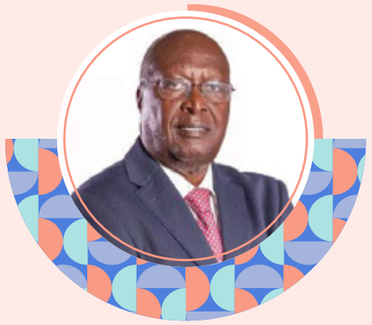
Date of Appointment: 17 August 2018

- Former partner of PricewaterhouseCoopers (PwC) Africa and Country Senior Partner for PwC Uganda.
- Fellow of the Association of Chartered Certified Accountants (FCCA) and Founder Council Member of both ICPA Uganda and ZICA.
- Former President of the Institute of Certified Public Accountants of Uganda.
- Former chairman of the Public Accountants Examinations Board.
- Former President of the Institute of Corporate Governance of Uganda.

(C) **Board Committees:** Audit and Risk Committee; Remuneration Committee.

GOVERNANCE AND RISK OVERSIGHT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)



DR. PETER MUGYENYI (76)
INDEPENDENT NON-EXECUTIVE DIRECTOR (Ugandan)

Date of Appointment: 20 June 2019

- Paediatrician, HIV/AIDS researcher, and global health expert.
- Fellow of the Royal College of Physicians of Ireland and Edinburgh.
- Among the pioneers in introducing affordable ARVs in Africa.
- Diploma in Child Health in the United Kingdom.
- Bachelor of Medicine and Bachelor of Surgery (MBChB) from Makerere University.

Board Committees: Remuneration Committee.

STEVENS MWANJE (58)
NON-EXECUTIVE DIRECTOR (Ugandan)

Date of Appointment: 22 July 2019

- CFO of the National Social Security Fund.
- Holds an MBA from Edinburgh Business School and various finance, leadership, and governance certifications.
- Member of Association of Chartered Certified Accountants.
- Postgraduate Diploma in Business Administration – Leicester University.
- Bachelor of Arts in Education (Hons) – Makerere University.
- Postgraduate Diploma in Business Management – Uganda Management Institute.

Board Committees: Audit and Risk Committee.

VUSI RASEROKA (56)
INDEPENDENT NON-EXECUTIVE DIRECTOR (South African)

Date of Appointment: 24 August 2023

- CEO Norsad Capital.
- Private equity investment specialist with over 30 years, experience in finance and corporate restructuring across Africa.
- Holds a BCom in Accounting from the University of Botswana and is a Fellow of FCCA (UK).

Board Committees: Remuneration Committee.

DR. FRANCES PHILOMENA NAMATOVU (37)
EXECUTIVE DIRECTOR (Ugandan)

*Date of Appointment: 16 April 2025**

- Serves as the Head of Regulatory Affairs and Pharmacovigilance at Qcil with over 10 years, experience in the pharmaceutical industry, regulatory compliance, drug safety, and strategic business development within the East African Community, Southern African Development Community, and the Economic Community of West African States.
- Holds an MSc in Drug Development with Biobusiness from Aberdeen University, Scotland and a BPharm from Manipal University, Karnataka, India. She is a member of the Pharmaceutical Society of Uganda.

Board Committees: None.

**Joined after 31 March 2025*

BOARD COMMITTEES KEY

- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee
- C Chairperson

GOVERNANCE AND RISK OVERSIGHT (CONTINUED)

EXECUTIVE MANAGEMENT TEAM

The executive team is responsible for implementing Qcil's strategic initiatives, operational efficiencies, and regulatory compliance.

AJAY KUMAR PAL
CHIEF EXECUTIVE OFFICER

FREDERICK ANDREW KAKOOZA
CHIEF FINANCE OFFICER

ROHIT DATAR
HEAD OF BUSINESS DEVELOPMENT AND PRIVATE MARKET

GRACE KARUHANGA
COMPANY SECRETARY AND HEAD OF LEGAL AFFAIRS

DR. FRANCES PHILOMENA NAMATOVU
COMPANY PHARMACIST AND HEAD OF REGULATORY AFFAIRS AND PHARMACOVIGILANCE

PANDA RAMAKANTA
HEAD OF OPERATIONS

SARAH MUSUMBA
HEAD OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

HARRISON KIGGUNDU
HEAD OF HUMAN RESOURCES

ATUL VADEPALI
HEAD OF QUALITY CONTROL AND QUALITY ASSURANCE

MAHADEV MANDHARE
HEAD OF SUPPLY CHAIN

GOVERNANCE REPORT

GOVERNANCE PHILOSOPHY

At Qcil, our corporate governance philosophy is deeply rooted in the core values that define our identity and purpose. Guided by our vision to become a centre of excellence in the manufacturing of high-quality, affordable medicines, we are committed to fostering true wellness through ethical, transparent, and accountable business practices.

Our governance framework is built on a foundation of integrity, responsibility, and stakeholder inclusivity. We align our operations with global best practices and comply rigorously with applicable laws and regulatory standards. This ensures that our decision-making processes are not only effective and efficient but also uphold the highest standards of corporate citizenship.

We continuously strive to enhance our governance mechanisms by integrating internationally recognised principles such as those outlined by the Organisation for Economic Cooperation and Development, the International Corporate Governance Network, and other relevant regulatory bodies. This commitment enables us to maintain stakeholder trust, drive sustainable growth, and create long-term value for our shareholders, employees, customers, and the communities we serve.

The Board, supported by the Audit and Risk Committee, has overseen the integration of double materiality considerations into Qcil's ESG governance. This includes the identification of impacts risks and opportunities that are financially material as well as those that reflect Qcil's wider environmental and social impact. This approach enhances our ability to align strategy with long-term sustainable value creation.

GOVERNANCE STRUCTURE

STRUCTURE	DESCRIPTION
Board of Directors	The Board is the ultimate decision-making body with key responsibilities of providing strategic direction and overseeing Management and the governance of the Company. The Board remains accountable to stakeholders for the performance and proper running of the affairs of the Company and is cognisant of its obligation to put in place structures and systems that support good governance practices which are compliant with laws, regulations, and best standards.
Board Committees	The Board delegates some of its responsibilities to Committees to support effectiveness and the timely discharge of obligations and to ensure detailed analysis of issues in a transparent, fair, and accountable manner. Each Committee has a Charter approved by the Board that outlines its obligations. The Board ensures the Committees' accountability through regular engagement and reports, which are submitted to the Board after every Committee meeting.
Chairman	The Chairman presides over the Board and shareholder meetings and plays an important role in ensuring effective governance, oversight, and alignment of corporate objectives with stakeholders' interests.
CEO	The Chief Executive Officer assumes the overall responsibility for the implementation of the Company's strategy and carrying out the Board's directions, managing the business of the Company, and driving performance within strategic goals and commercial objectives. The CEO's priorities include designing and implementing a long-term strategy which capitalises on emerging opportunities to secure a competitive position in pharmaceutical manufacturing in Africa.
Management Team	The Management team serves as the apex leadership team, charged with delivering the strategic long-term growth agenda for Qcil by creating and delivering processes and products in accordance with best practice. The Management team includes the following members: CEO, CFO, Company Pharmacist, and Heads of Departments.

BOARD SKILLS MATRIX

BOARD SKILL	DESCRIPTION
Economics	Understanding of diverse business environments, regulatory frameworks, economic and political conditions, and different cultures.
Pharmaceuticals	Product development, business development, market entry, process re-engineering, science, and technology.
Manufacturing, Quality Control, and Supply Chain	Expertise in production, operational efficiencies, and distribution processes.
Corporate Governance	Experience and/or training in the protection of stakeholders' interests, observing best governance practices and identifying and mitigating key governance risks.
Finance and Accounting	Proficiency in financial management, reporting, budgeting, balance sheet optimisation, treasury operations, internal and external audit, and capital allocation.
Sales, Marketing, and Commercial	Experience in evaluating growth opportunities, building brand awareness, enhancing enterprise reputation and maintaining strong customer relationships, including with donors, development agencies, and governments.
M&A and Business Development	Experience in corporate finance, financing, and strategic expansion.
ESG and Business Integrity	Experience in upholding ESG and Business Integrity (BI) best practice and assisting with defining the Company's aspirations and monitoring its compliance in these matters.
General Management and Leadership	General know-how of business management, talent management and development, succession planning, and human resources.

BOARD MEMBERSHIP CRITERIA AND SELECTION PROCESS

The appointment of Directors is governed by the Company's Articles of Association and is in line with the Companies Act of Uganda.

The Nominations Committee reviews potential candidates for appointment as Directors and Non-Director Committee members and recommends the candidates to the Board for consideration and approval. Newly appointed Directors hold office until they retire and are presented to shareholders for re-appointment.

In line with Qcil's Articles of Association and best practice, one-third of the Non-Executive Directors are required to retire annually and, if available and eligible, stand for re-election at the Annual General Meeting (AGM). The Board has put in place a rotation schedule, and Directors who have been in office the longest are calculated from the last re-election or appointment date and must stand for re-election.

RETIREMENT AND RE-ELECTION OF DIRECTORS

Joseph Baliddawa | Vusi Raseroka

BOARD COMPOSITION SUMMARY

NATIONALITY

AGE GROUP

GOVERNANCE REPORT (CONTINUED)

BOARD DUTIES

The Board of Directors holds ultimate responsibility for the stewardship and long-term success of the Company. In fulfilling this mandate, the Board provides strategic guidance, oversees performance, and ensures that robust governance and risk management frameworks are in place.

Directors are fully cognisant of their fiduciary duties and act in good faith, with due care, skill, and diligence, in the best interests of the Company and its stakeholders.

Key matters reviewed by the Board this financial year included:

Governance matters	• Reviewing the risk management framework of the Company • Reviewing the compliance status of the Company • Approval of Company Policies • Approval of CSR-related matters • Appointment of auditors • Reviewing internal and external audit reports • Approval of appointment and remuneration of Directors • Approval of Board restructuring and composition • Noting of resignation of Directors • Litigation notices • Noting fatal or serious accidents/incidents • Noting minutes of Board meetings, Board Committees
Finance matters	• Bi-annual/annual financial performance • Dividends recommendations • Material tax matters • Any material financial events
Operational matters	• Annual operating plans and capital budgets • Regular business/function updates • Any significant development within human resources • Details on regulatory inspections
Strategic matters	• Growth plan • Transition-related activities • Investment proposals • Corporate rebranding

BOARD MEETINGS AND ATTENDANCE

ATTENDANCE RECORD FOR BOARD MEETINGS

Name	23.08.2024	21.11.2024	06.02.2025	22.05.2025
Emmanuel Katongole	✓	✓	✓	✓
George Baguma	✗	✓	✓	✓
Frederick Mutebi Kitaka	✓	✓	✓	✓
Ajay Kumar Pal	✓	✓	✓	✓
Beth Mandel	✓	✓	✓	✓
Joseph Baliddawa	✓	✓	✓	✓
Dr. Peter Mugyenyi	✗	✓	✓	✓
Stevens Mwanje	✓	✓	✓	✓
Vusi Raseroka	✓	✓	✓	✗
Dr. Frances Philomena Namatovu*				✓

** Appointed 16 April 2025*

BOARD APPOINTMENTS AND RESIGNATIONS

APPOINTMENTS

Dr Frances Philomena Namatovu was appointed to the Board on 16 April 2025.

RESIGNATIONS

There were no resignations during the year.

BOARD COMMITTEES

As reported in FY23/24, following Africa CapitalWorks' acquisition, the Board restructured and reconstituted the following Committees:

- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee

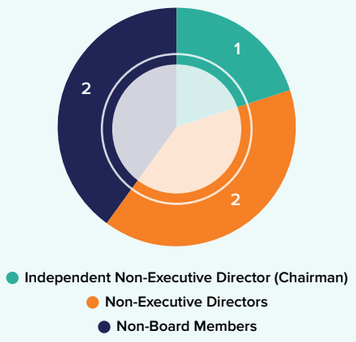
AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is chaired by Mr. Joseph Baliddawa, an Independent Non-Executive Director.

MEMBERSHIP DURING THE YEAR:

Name	Role	Status
Joseph Baliddawa	Chairperson	Independent Non-Executive
Beth Mandel	Member	Non-Executive
Stevens Mwanje	Member	Non-Executive
Dr. Christine Nabiryo**	Member	External
Timothy Basiimampora**	Member	External
Victoria Aadnesgaard^^	Member	External
Rubin Paulinyce^^	Member	External

**Resigned effective 22 August 2024
^^Appointed effective 23 August 2024



CHANGES TO AUDIT AND RISK COMMITTEE MEMBERSHIP:

- Ms. Victoria Aadnesgaard and Mr. Rubin Paulinyce were appointed as non-Board members, effective 23 August 2024, upon the recommendation of the Nominations Committee.
- Dr. Christine Nabiryo and Mr. Timothy Basiimampora, who had served as non-Board members of the Committee for a term of five years, retired from their positions.

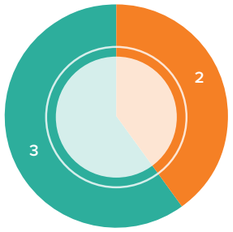
KEY RESPONSIBILITIES:

- Monitoring the integrity of the Company's financial statements and related public announcements
- Reviewing significant reporting judgements
- Overseeing operational compliance risk management and internal controls

GOVERNANCE REPORT (CONTINUED)

REMUNERATION COMMITTEE

The Remuneration Committee is chaired quarterly by Dr. Peter Mugyenyi, an Independent Non-Executive Director, and comprises:



KEY RESPONSIBILITIES:

- Establishing the compensation framework for the executive team and Board
- Aligning remuneration with market trends, performance, and best practice

MEMBERSHIP DURING THE YEAR:

Name	Role	Status
Dr. Peter Mugyenyi	Chairperson	Independent Non-Executive
Joseph Baliddawa	Member	Independent Non-Executive
Beth Mandel	Member	Non-Executive
Vusi Raseroka	Member	Independent Non-Executive

NOMINATIONS COMMITTEE

The Nominations Committee is chaired by Emmanuel Katongole, the chairperson of the Board, and comprises:

KEY RESPONSIBILITIES:

- Recommending Board and Committee composition changes
- Identifying and screening candidates for Board appointments
- Determining recruitment methods (external or internal)

The final appointment of Directors remains subject to shareholder approval at the AGM, upon Board recommendation.

MEMBERSHIP DURING THE YEAR:

Name	Role	Status
Emmanuel Katongole	Chairperson	Board Chairman
Beth Mandel	Member	Non-Executive Director

BOARD COMMITTEE MEETING ATTENDANCE

AUDIT AND RISK COMMITTEE MEETINGS

Name	22.08.2024	20.11.2024	04.02.2025	21.05.2025
Joseph Baliddawa	✓	✓	✓	✓
Timothy Basiimampora**	✓	✓	✗	✗
Stevens Mwanje	✓	✓	✓	✓
Beth Mandel	✓	✓	✓	✓
Rubin Paulinyce	✓	✓	✓	✗
Victoria Aadnesgaard	✓	✓	✓	✓

**Resigned effective 22 August 2024

REMUNERATION COMMITTEE MEETINGS

Name	22.08.2024	20.11.2024	05.02.2025	21.05.2025
Dr. Peter Mugyenyi	✓	✓	✓	✓
Joseph Baliddawa	✓	✓	✓	✓
Beth Mandel	✓	✓	✓	✓
Vusi Raseroka	✓	✓	✓	✗

NOMINATIONS COMMITTEE MEETINGS

Name	22.08.2024
Emmanuel Katongole	✓
Beth Mandel	✓

COMPLIANCE WITH REGULATORY STANDARDS

The Company adheres to international best practices in governance, including compliance with IFRS®, the USE Listing Rules, and corporate governance principles. The Board ensures that internal policies uphold ethical business practices, financial transparency, and sustainability standards.

- **Key areas of compliance:**
  - Occupational Health and Safety Act compliance, including provision of personal protective equipment and health and safety training.
  - Compliance with tax regulations, including VAT and payroll tax filings.
  - Regulatory compliance with USE Listing Rules.
  - Environmental compliance, including adherence to the NEMA standards.
- **Regulatory engagements:**
  - Qcil participated in the USE Sustainability/ESG Disclosure Guidance workshop to enhance reporting on sustainability and ESG compliance.
  - Stakeholder consultation for ESG disclosure guidelines, with proposals for a double materiality approach and sector-specific reporting metrics.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee (the Committee) is pleased to present its report for the year ending 31 March 2025. This report provides a summary of the Committee's activities, the governance processes in place, and the compliance risk management strategies implemented by the Company during the reporting period. Furthermore, it outlines the actions taken to uphold the integrity, compliance, and operational resilience of the Company's financial systems.

As a leading pharmaceutical manufacturer, we remain committed to maintaining the highest standards of corporate governance, internal controls, and ethical business practices. Our primary focus continues to be the safeguarding of the interests of all stakeholders, including shareholders, employees, regulators, and customers.

The Committee operates in accordance with the Ugandan Companies Act (as amended), the Capital Markets Authority Corporate Governance Guidelines, and the USE Listing Rules 2021.

Changes in Committee membership

During the year, the following changes occurred in the Committee's composition:

- Dr. Christine Nabiryo and Mr. Timothy Basiimampora, who had served as non-Board members of the Committee for a term of five years, retired from their positions.
- Ms. Victoria Aadnesgaard and Mr. Rubin Paulinyce were appointed as non-Board members, effective 23 August 2024, upon the recommendation of the Nominations Committee.

KEY ACTIVITIES AND OVERSIGHT IN 2025

(A) FINANCIAL STATEMENTS AND REPORTING

The Committee took the following steps in relation to the Company's financial statements:

- **Review and approval:** The Committee received and reviewed the interim and AFS presented by Management prior to submission to the Board for approval.
- **External auditor's assurance:** We obtained confirmation from the external auditor that the AFS were prepared in accordance with the Companies Act 2012, USE Listing Rules 2021, IFRS Accounting Standards, and other relevant legal requirements.
- **Going concern assessment:** The Committee ensured that the financial statements accurately reflected the Company's financial position as of year-end, and the going concern assumption was appropriately considered.
- **Accounting treatment and policies:** The Committee reviewed the appropriateness of accounting treatments for significant transactions and judgements and the established accounting policies, recommending changes where necessary.
- **Management letter and audit findings:** The Committee discussed the external auditor's Management Letter, addressing any concerns raised and ensuring corrective actions were taken.
- **Legal and tax matters:** The Committee reviewed any significant legal and tax issues that could impact the financial statements.
- **Final approval:** The audited financial statements were recommended for Board approval for the year ending 31 March 2025.

(B) EXTERNAL AUDIT AND AUDITOR PERFORMANCE

In relation to the external audit, the Committee:

- **Audit plan and execution:** Discussed the external audit plan with the external auditor, evaluating the audit process, financial reporting quality, and overall compliance.
- **Audit effectiveness:** The Committee reviewed the audit process and evaluated its effectiveness, confirming that no reportable irregularities were identified.
- **Performance evaluation:** Undertook a formal evaluation of the external auditor's performance, providing constructive feedback on areas of improvement.

(C) INDEPENDENCE OF THE EXTERNAL AUDITOR

The Committee is satisfied with the independence of the external auditors, Grant Thornton Certified Public Accountants, as determined by:

- The representations made by Grant Thornton Certified Public Accountants regarding their independence.
- The fact that Grant Thornton Certified Public Accountants receives no remuneration or benefits from the Company beyond its role as external auditor.
- The absence of any consultancy or advisory work undertaken by Grant Thornton Certified Public Accountants that could impair its independence.

(D) INTERNAL CONTROLS AND INTERNAL AUDIT

The Committee placed significant emphasis on the effectiveness of internal controls, reviewing the following:

- **Internal audit plan:** The Committee reviewed and approved the Internal Audit Plan for the year, evaluating the internal auditor's effectiveness and performance.
- **Internal control environment:** The internal auditor's reports on the effectiveness of the Company's internal controls, including the ESG control environment, were reviewed.
- **Internal audit resources:** The adequacy of the internal audit function was assessed and found to be satisfactory.
- **Performance evaluation:** The Committee conducted a performance evaluation of the internal auditor and provided feedback on findings.
- **Corrective actions:** The Committee reviewed significant issues raised by the internal audit processes and ensured corrective actions were implemented.
- **Adequacy of accounting records:** The Committee received assurance that the Company's accounting records were maintained properly and that assets were safeguarded against unauthorised use or disposal.
- **Internal control systems:** Based on the review, the Committee concluded that there were no material breakdowns in internal controls that could result in a significant loss to the Company.

(E) LEGAL, REGULATORY, AND COMPLIANCE MATTERS

In terms of legal and regulatory compliance, the Committee undertook the following responsibilities:

- **Review of legal matters:** Together with Management, the Committee reviewed matters that could have a material impact on the Company, including key correspondences with regulators.
- **Regulatory developments:** The Committee monitored amendments to laws, new regulations, and assessed their potential impact on operations.
- **Legislative compliance:** The Committee reviewed compliance with applicable laws and governance codes, and considered reports from internal audit, external audit, and management regarding compliance status.
- **Whistleblower concerns:** The Whistleblower Hotline did not receive complaints concerning accounting practices, internal controls, or violations of the law.

(F) RISK MANAGEMENT AND ESG

The Committee continued to focus on risk management, particularly with regard to financial and non-financial risks:

- **Risk oversight:** Risks related to control environments, financial reporting, and going concern assessments were considered and reviewed.
- **ESG double materiality:** Reports from Management on risk management, including ESG double materiality assessments, fraud incidents, and their impact on financial reporting and going concern, were reviewed and assessed.

(G) ANNUAL REPORT AND DISCLOSURES

In relation to the preparation of the Annual Report, the Committee oversaw the following key areas:

- **Material disclosures:** Ensured that all material disclosures were included in the report.
- **Forward-looking statements:** Reviewed forward-looking statements, financial information, and sustainability disclosures related to internal controls and audit.

CONCLUSION

In conclusion, the Audit and Risk Committee has diligently fulfilled its mandate and complied with its legal, regulatory, and governance responsibilities. Through robust oversight of the financial reporting process, risk management strategies, internal controls, and compliance measures, we have worked to ensure that the Company continues to operate with integrity, transparency, and accountability.

We would like to extend our appreciation to Management, internal and external audit teams, and the Board for their commitment to maintaining high standards of governance.

On behalf of the Audit and Risk Committee

JOSEPH BALIDDAWA

Chairman, Audit and Risk Committee

REMUNERATION REPORT

The Board of Directors of Qcil is pleased to present the Remuneration Committee Report for the financial year ended 31 March 2025, in accordance with the USE Listing Rules, the Code of Corporate Governance for Uganda, and the Companies Act, Cap 106.

The Remuneration Committee (the Committee) plays a vital role in supporting the Board by ensuring that remuneration practices adopted by the Company are fair, competitive, performance-linked, and aligned with the long-term interests of shareholders. This report sets out the remuneration framework, the Committee's activities during the year, and the remuneration outcomes for Directors.

(A) COMMITTEE COMPOSITION AND MEETINGS

As at 31 March 2025, the Remuneration Committee comprised four Non-Executive Directors, the majority of whom are independent:

- **Chairperson:** Dr. Peter Mugyenyi, Independent Non-Executive Director
- **Members:**
  - Mr. Baliddawa Joseph, Independent Non-Executive Director
  - Mrs. Beth Mandel, Non-Executive Director
  - Mr. Vusi Raseroka, Independent Non-Executive Director

(B) ROLE AND RESPONSIBILITIES

The Remuneration Committee's responsibilities include:

- Reviewing and recommending the remuneration policy for Directors and senior management.
- Ensuring remuneration structures support the Company's strategic objectives and attract and retain talent.
- Approving performance-based incentives and long-term equity-linked plans.
- Overseeing compliance with applicable regulations and corporate governance standards.
- Reviewing disclosures on Directors' and executives' remuneration for inclusion in the Annual Report.

(C) REMUNERATION POLICY OVERVIEW

The Company's remuneration policy is guided by the following principles:

- **Competitiveness:** Benchmarked against peer pharmaceutical companies locally and regionally.
- **Performance alignment:** A significant portion of executive remuneration is linked to financial operational, sustainability, and strategic performance metrics.
- **Transparency and fairness:** Ensuring pay equity, especially between genders and across comparable roles.
- **Sustainability:** Reward structures that support long-term value creation and ethical conduct.
- **Employee well-being:** Continuous improvement in engagement to maintain a highly productive work force.

(D) EXECUTIVE REMUNERATION STRUCTURE

Executive remuneration consists of the following components:

- **Base salary:** Fixed annual cash component reviewed annually based on market conditions, role complexity, and individual performance.
- **Short-Term Incentives (STIs):** Annual bonuses linked to key performance indicators (KPIs), including revenue growth, profitability, regulatory, sustainability, and operational efficiency.
- **Long-Term Incentives (LTIs):** Share-based compensation (where applicable) tied to long-term strategic goals.
- **Benefits:** Including medical insurance, retirement benefits, and motor vehicle allowances.

(E) NON-EXECUTIVE DIRECTORS' FEES

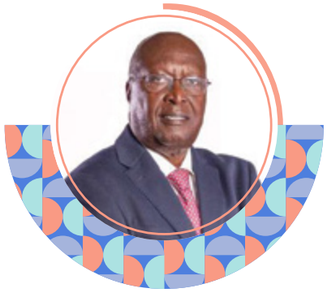
Non-Executive Directors receive fixed quarterly fees and sitting allowances, which are not performance-linked. These fees reflect the time commitment, responsibilities, and prevailing market rates. Non-Executive Directors do not participate in any bonus or share-based schemes.

(F) SUMMARY OF REMUNERATION OUTCOMES FOR FY24/25

The Committee confirms that remuneration paid during the year was in accordance with the approved remuneration policy and consistent with the Company's performance.

	Fixed Pay (UShs) '000	Pension (UShs) '000	Other Benefits (UShs) '000	Performance Incentive (UShs) '000	Quarterly Fees (UShs) '000	Committees Sitting Allowances (UShs) '000
Executive Directors	6,831,340	889,655	205,880	402,893	–	–
Non-Executive Directors	–	–	–	–	418,325	357,443

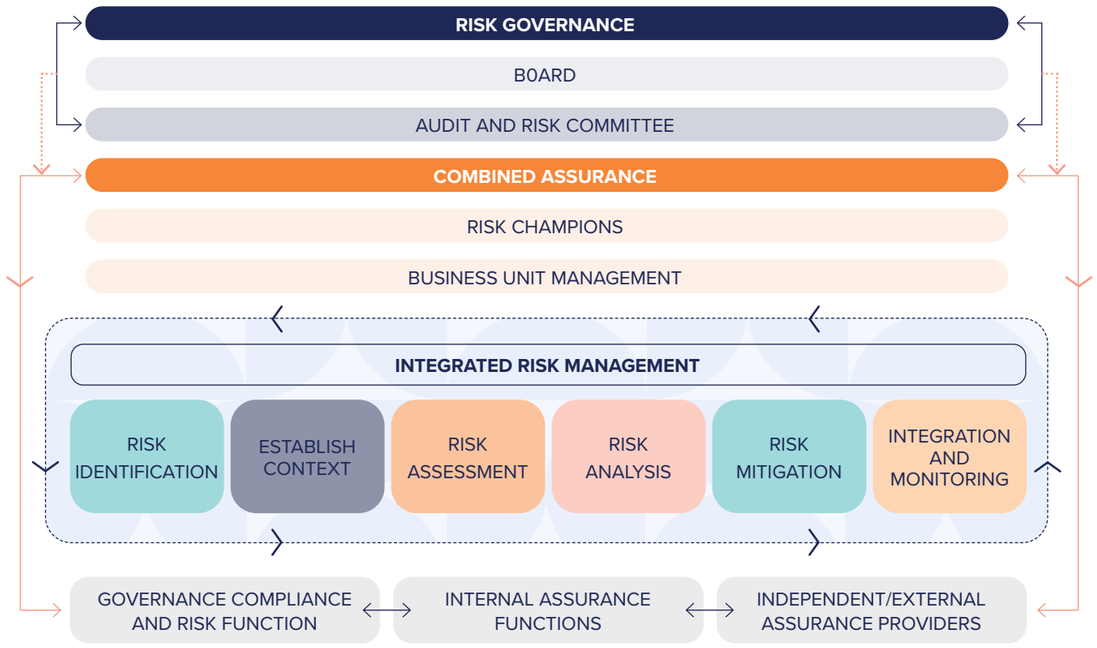
Signed on behalf of the Remuneration Committee



DR. PETER MUGYENYI
Chairperson, Remuneration Committee

GOVERNANCE REPORT (CONTINUED)

RISK AND OPPORTUNITY MANAGEMENT



Qcil operates in a dynamic and complex environment that presents a variety of risks impacting its business operations and financial performance. To proactively manage these risks, Qcil employs a structured risk management framework that prioritises threats using a Risk Priority Number methodology. This approach enables the Company to identify and address critical risks such as geopolitical instability, government policy changes, foreign exchange exposure, and cyber threats.

Through diversified market strategies, continuous stakeholder engagement, currency risk mitigation, and robust cybersecurity controls, Qcil ensures resilience and sustainability in achieving its strategic objectives.

RISKS AND STRATEGIC RESPONSES

Qcil implements a **structured risk management framework** to identify, assess, and mitigate risks across its operations. The following table summarises key risks and mitigation strategies:

Risk category	Risk description	Likelihood	Impact	Mitigation measures
Financial	Foreign Exchange Exposure	Almost Certain	Minor	Regular monitoring of forex positions
	Tax Compliance	Unlikely	Moderate	Robust tax compliance processes, external advisory, internal training
	Fraud	Possible	Minor	Strong approval processes, procurement controls
	Bad debt	Possible	Insignificant	Stringent credit approval, contract management
	Liquidity Risk	Unlikely	Moderate	Cash flow monitoring, standby facility
Infrastructure	Cyber-crime	Possible	Moderate	User training, data backups, cybersecurity insurance, firewalls, access restrictions
	Adverse Natural Calamities	Rare	Major	Emergency response plans, disaster recovery processes
	Fire	Unlikely	Major	Fire drills, fire suppression systems
	Power Supply Instability	Likely	Major	Backup generators
Reputational	Product Quality and Safety	Rare	Major	cGMP compliance, regular audits, post-market surveillance
	Legal/Statutory Non-compliance	Unlikely	Major	Legal compliance training, corporate governance framework
Market	Geopolitical Risks	Possible	Major	Customer due diligence, continuous market monitoring
	Loss of demand for Qcil products	Unlikely	Major	Strategic product launches, robust win/loss tracking
	Government Policy Changes	Possible	Major	Stakeholder engagement
	Intellectual Property Risk	Unlikely	Major	Legal advisory, contract protections

RISK GOVERNANCE FRAMEWORK

Qcil applies the three lines of defence model to ensure risk governance:

1. **Operational management:** Responsible for day-to-day risk management.
2. **Risk management unit:** Oversees implementation of risk mitigation strategies.
3. **Internal audit:** Provides independent assurance to the Board.

To ensure proactive risk mitigation, regular risk re-assessment exercises are conducted, and quarterly risk reports are presented to the Audit and Risk Committee.

GOVERNANCE REPORT (CONTINUED)

RISK AND OPPORTUNITY MANAGEMENT (CONTINUED)

RISK HEATMAP

Potential Impact	Rare	Unlikely	Possible	Likely	Almost certain
Catastrophic					
Major	• Product quality and safety • Adverse natural calamities like floods and earthquakes	• Loss of demand for our products • Power supply instability • Fire • Intellectual Property Risk • Legal/ statutory non-compliance	• Government policy changes • Geopolitical Risk		
Moderate		• Liquidity Risk • Tax compliance	• Cyber-crime		
Minor			• Fraud		• Foreign exchange exposure
Insignificant			• Bad debts		

Likelihood

This year's risk mapping process incorporated a double materiality perspective, recognising the interdependence between financial performance and societal or environmental outcomes. The identification of key sustainability-related risks and opportunities, such as water security, product safety, and climate resilience, reflects our intention to align our risk management systems with global ESG disclosure standards, including GRI and IFRS S1/S2.

QUALITY OVERSIGHT

COMMITMENT TO QUALITY EXCELLENCE

Qcil remains steadfast in its commitment to upholding the highest quality standards in pharmaceutical manufacturing. As a leading supplier of ARVs, ACT medicines, and hepatitis B treatments, Qcil ensures that all products meet stringent regulatory, safety, and efficacy standards. Our approach to quality is built on a robust governance framework, stringent compliance measures, and continuous improvements in quality assurance and control.

REGULATORY COMPLIANCE AND QUALITY CERTIFICATIONS

Qcil operates within a highly regulated industry, where compliance with national and international pharmaceutical standards is non-negotiable. The Company is accredited by key regulatory bodies, including the Uganda NDA, the WHO Prequalification Programme, and various regulatory agencies in the 31 SSA countries where Qcil holds approvals.

In addition to these accreditations, Qcil is certified under ISO 9001 (Quality Management System), ISO 45001 (OHS), and ISO 14001 (Environmental Management System). These certifications affirm our adherence to best practices in pharmaceutical manufacturing, environmental responsibility, and occupational safety.

MANUFACTURING QUALITY ASSURANCE FRAMEWORK

cGMP COMPLIANCE

cGMP compliance remains the foundation of Qcil's quality oversight framework. Our adherence to cGMP guidelines ensures that pharmaceutical products are consistently produced and controlled according to established quality standards. This includes:

- **Strict raw material selection:** Sourced only from approved suppliers that meet global quality standards.
- **In-process quality controls:** Rigorous testing at every stage of production to prevent deviations.
- **Finished product testing:** Each batch undergoes comprehensive laboratory testing before market release.
- **Facility and equipment validation:** Regular calibration and qualification of production and quality control equipment to maintain precision and reliability.

INDEPENDENT QUALITY AUDITS AND INSPECTIONS

Qcil undergoes regular internal and external audits to assess the effectiveness of its quality management system. In the reporting period, the Company successfully completed regulatory inspections from key markets, reaffirming compliance with international standards. Additionally, routine cGMP audits by donor agencies, including Global Fund and PMI, continue to validate Qcil's ability to supply high-quality pharmaceuticals to institutional buyers.

POST-MARKETING SURVEILLANCE

To ensure ongoing safety and efficacy, Qcil has a structured pharmacovigilance programme that includes:

- **Adverse drug reaction monitoring:** Systematic collection of patient feedback and safety data.
- **Post-market quality surveillance:** Continuous assessment of product performance in the field.
- **Collaboration with healthcare professionals:** Ongoing engagement with medical practitioners to report and mitigate potential product-related risks.

GOVERNANCE REPORT (CONTINUED)

QUALITY OVERSIGHT (CONTINUED)

RISK MANAGEMENT IN QUALITY OVERSIGHT

The Audit and Risk Committee plays a pivotal role in overseeing the Company's risk management framework, with a particular focus on quality and compliance risks. The Committee has identified and addressed several key risks, including:

PRODUCT QUALITY AND SAFETY RISK

Risk: Potential for non-compliance with quality standards, leading to product recalls, regulatory penalties, or reputational damage.

Mitigation measures:

- Investment in state-of-the-art quality control laboratories.
- Strengthening post-marketing surveillance mechanisms.
- Regular training of production and quality assurance teams.

REGULATORY NON-COMPLIANCE

Risk: Failure to meet evolving regulatory requirements could impact market access.

Mitigation measures:

- Active engagement with regulatory authorities and industry bodies.
- Continuous monitoring of global pharmaceutical regulations and timely updates to compliance frameworks.
- Strengthening internal legal and regulatory compliance functions.

SUPPLY CHAIN AND RAW MATERIAL INTEGRITY

Risk: Risk of substandard or counterfeit raw materials entering the supply chain.

Mitigation measures:

- Procurement exclusively from approved suppliers with validated cGMP compliance.
- Implementation of advanced traceability and serialisation systems.
- Routine quality testing of all incoming raw materials.

CONTINUOUS IMPROVEMENT AND INNOVATION

Qcil is committed to fostering a culture of continuous improvement in quality oversight through investments in technology, personnel, and process optimisation. Key initiatives include:

QUALITY CONTROL LABORATORY

Since 2020, Qcil has operated a USD 10 million state-of-the-art quality control laboratory equipped with modern analytical instruments. This facility underpins the Company's ability to conduct advanced testing and quality verification, thereby reducing the risk of deviations and quality defects.

DIGITALISATION OF QUALITY ASSURANCE PROCESSES

To enhance efficiency and transparency, Qcil has implemented digital systems for real-time quality monitoring, batch tracking, and compliance documentation. These systems improve data integrity and accelerate the resolution of quality issues.

WORKFORCE TRAINING AND CAPACITY BUILDING

The Company continuously invests in skills development to maintain a competent workforce capable of upholding the highest quality standards. Over the past year, Qcil trained a total of 504 permanent and temporary staff, and the training sessions covered cGMP compliance, quality control techniques, and emerging regulatory requirements.

SUSTAINABILITY AND QUALITY OVERSIGHT

Quality oversight at Qcil extends beyond product integrity to encompass broader sustainability goals, ensuring that pharmaceutical manufacturing processes align with environmental and social responsibility commitments. This includes:

ENVIRONMENTAL QUALITY CONTROLS

- **Effluent treatment compliance:** Qcil operates an advanced ETP that ensures wastewater discharge meets environmental safety standards, mitigating risks of AMR.
- **Air quality monitoring:** Regular air quality audits to maintain compliance with national environmental standards.

ETHICAL SOURCING AND SUPPLY CHAIN RESPONSIBILITY

Qcil adheres to responsible procurement practices, ensuring that raw materials are sourced ethically and sustainably. The Company's supplier audit programme evaluates vendors based on quality standards, environmental impact, and ethical labour practices.

FUTURE OUTLOOK

Looking ahead, Qcil remains committed to strengthening its quality oversight framework in alignment with international best practices. A key focus area for the next reporting period will be increased investment in workforce development of up to UShs 455.1 million to ensure alignment with evolving industry standards.

Qcil's quality oversight framework remains integral to its strategic commitment to delivering safe, effective, and affordable pharmaceutical products. By upholding the highest standards of regulatory compliance, investing in technological advancements, and fostering a culture of continuous improvement, Qcil ensures that its products contribute to improved healthcare outcomes across Africa.

FINANCIAL PERFORMANCE

REPORT FROM THE CHIEF FINANCE OFFICER

DRIVING FINANCIAL STRENGTH, STRATEGIC INVESTMENT, AND SUSTAINABLE GROWTH

FY24/25 was a year of exceptional growth and operational excellence for Qcil. The Company delivered strong financial results, outperforming prior years across key metrics and reinforcing the resilience of its value-driven business model. This performance was underpinned by a strategic focus on innovation, stakeholder engagement, and disciplined execution.

FINANCIAL PERFORMANCE HIGHLIGHTS

1% REVENUE
UShs **267.1** bn
(FY23/24: UShs 265.3 bn)

19% LOCAL SALES
UShs **202.7** bn
(FY23/24: UShs 169.7 bn)

21% GROSS PROFIT
UShs **108.5** bn
(FY23/24: UShs 89.4 bn)

29% PROFIT BEFORE TAX
UShs **61.7** bn
(FY23/24: UShs 47.8 bn)
★ *Highest Profit before Tax*

DIVIDENDS TO SHAREHOLDERS ALIGNED WITH DIVIDEND POLICY

In line with Qcil's dividend policy, the Board considered the Company's strong earnings, robust cash flow performance for FY24/25, and nil leverage ratio as at 31 March 2025 in determining shareholder returns.

During the year, two interim dividends were declared, resulting in a gross payout of UShs 7.5 per ordinary share, a substantial increase from UShs 1.6 per share in FY24.

Building on this momentum, the Board further proposed a final dividend for FY24/25 of UShs 6.0 per ordinary share, reinforcing Qcil's commitment to delivering sustainable value to its shareholders while maintaining financial prudence.

MAINTAINING FINANCIAL HEALTH

To preserve the integrity of our business model and deliver long-term value to shareholders, Qcil remains committed to prudent financial stewardship. We have robust financial controls and treasury management systems to mitigate risks associated with currency volatility, interest rate fluctuations, and credit exposure.

The Audit and Risk Committee plays a critical oversight role, ensuring the safeguarding of assets, the integrity of financial reporting, and the effectiveness of internal controls, while supporting the Board in the preparation and review of the Company's Annual Financial Statements.

INTERNAL CONTROLS AND RISK MANAGEMENT

Qcil maintains documented internal financial controls, formalised through comprehensive policies. These policies are subject to regular review and enhancement by the Board, supported by structured internal audit procedures.

The Internal Audit function conducts audits of these key controls to ensure their continued effectiveness and alignment with best practices. This rigorous process provides assurance that no material weaknesses exist in the internal control systems that support the integrity of financial reporting. The scope of this assessment encompasses financial reporting controls, disclosure controls, and broader operational and financial governance mechanisms.

FUNDING AND TREASURY RISK MANAGEMENT

Qcil's Treasury Policy ensures that all treasury activities are executed in a disciplined and structured manner to support the Company's commercial and manufacturing operations. The policy provides a framework for managing financial risks such as liquidity, refinancing, capital structure, covenant compliance, foreign exchange, interest rate, and counterparty exposures. It also provides for compliance with applicable laws, regulations, and financial covenants.

Qcil remains focused on optimising capital deployment, maintaining sufficient liquidity to meet strategic objectives, and ensuring cost-effective execution of treasury transactions. Oversight of treasury operations, including policy review, risk monitoring, and internal audit assurance, is the responsibility of the Audit and Risk Committee.

TAX COMPLIANCE AND TRANSPARENCY

Qcil remains compliant with Uganda's tax laws and is committed to responsible, transparent tax practices. We engage external tax advisers to stay abreast of legislative changes and proactively manage tax risks.

All filings are submitted timeously with full disclosure, and tax governance is overseen by the Audit and Risk Committee as part of our broader commitment to integrity and national contribution.

APPRECIATION

I extend my sincere appreciation to the Board of Directors for their strategic guidance, the Executive Committee for its steadfast leadership, and all Qcil staff across production and support functions for their dedication.

To our customers, regulators, partners, suppliers, and shareholders, thank you for your continued trust and support. Together, we are advancing our shared mission to improve healthcare access and outcomes across Africa.

FREDERICK A. KAKOOZA
Chief Financial Officer
Quality Chemical Industries Limited

DIRECTORS' REPORT

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

(A) INCORPORATION AND PRINCIPAL ACTIVITY

The Company's principal activity is the manufacturing and selling of pharmaceutical drugs with emphasis on ARVs and ACTs.

The Company was incorporated on 10 June 2005 as a joint venture between QCL, a private limited company incorporated in the Republic of Uganda, and 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 7 October 2016, and on 17 September 2018, it listed on the USE, 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 14 March 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 14 November 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 14 February 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 31 March 2025 (2024: 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)	Independent 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

(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 31 March 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 14 November 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. This expansion aims to enhance production capacity to meet the growing demand for its existing range of medicines, and is also intended to support the Company's entry into new therapeutic areas, including TB and sickle cell anaemia.

In line with evolving patient treatment preferences, the Company will also introduce an injectables 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 31 March 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,

GRACE KARUHANGA
Company Secretary
12 May 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 31 March 2025, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements 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 86 to 116, which have been prepared on the going concern basis, were approved by the Board of Directors on 12 May 2025 and signed on its behalf by:

EMMANUEL KATONGOLE
Board Chairman

12 May 2025
Kampala, Uganda

AJAY KUMAR PAL
Chief Executive Officer

12 May 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 86 to 116, which comprise the statement of financial position as at 31 March 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 31 March 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 31 March 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 judgement 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; • 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 judgements and decisions made by management in estimating the expected credit losses (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.

Key audit matter	How the matter was addressed in our audit
Valuation of inventories and related provisions Inventories, stated at UShs 90,525,972 thousand as at 31 March 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 judgement.	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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How the matter was addressed in our audit
Revenue recognition	
The Company's revenue for the year ended 31 March 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 recognised in accordance with IFRS 15: Revenue from contracts with customers, and that the cut-off point at which customers obtain control of goods may not be correctly reflected in the financial statements.	Our audit procedures included understanding and testing of the design, implementation, and operating effectiveness of the 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 for evidence of delivery to ensure that revenue had been recognised in the correct accounting period. Additionally we have performed similar detailed testing on credit notes to confirm that the credit notes have been recognised in the appropriate accounting period; and Performed analytical procedures around revenue and gross profit margins. Checked reasonableness of revenues recognised by reconciling inventory movements for finished goods to the sales recorded. In addition, we tested significant manual journal entries posted to revenue, to identify and understand unusual or irregular items and obtained evidence to support their recognition. As a result of the procedures performed, we have been able to conclude that revenue has been recognised in accordance with the Company's revenue recognition policy and IFRS 15 – Revenue from Contracts with Customers.

OTHER INFORMATION

The Directors are responsible for the other information on pages 76 to 80.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

Nilesh Patel
P0374

Grant Thornton
Certified Public Accountants

12 May 2025
Kampala, Uganda

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 UShs '000	2024 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 90 to 116 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2025

	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 86 to 116 were approved by the Board of Directors on 12 May 2025 and signed on its behalf by:

EMMANUEL KATONGOLE
Board Chairman

AJAY KUMAR PAL
Chief Executive Officer

The notes on pages 90 to 116 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2025

	Share capital UShs '000	Reserves UShs '000	Proposed dividends UShs '000	Retained earnings UShs '000	Total equity UShs '000
Balance as at 1 April2023	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 31 March 2024	**45,648,865**	**2,275,000**	**14,972,828**	**125,303,269**	**188,199,962**
Balance as at 1 April 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 31 March 2025	**45,648,865**	**2,275,000**	**21,911,455**	**116,655,407**	**186,490,727**

The notes on pages 90 to 116 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2025

	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 from 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 90 to 116 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY INFORMATION

Quality Chemical Industries Limited was incorporated on 10 June 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 7 October 2016, and on 17 September 2018, it was on the USE, 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%, reducing Cipla's interest in the Company to 51.18%.

On 14 November 2023, Africa Capitalworks SSA 3 acquired 51.18% of the issued ordinary shares of the Company from Cipla and on 14 February 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)	1 January 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)	1 January 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)	1 January 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 1 January 2025 or later periods:

Standard/ amendment	Effective date – Year beginning on or after	Key requirements	Impact
Lack of Exchangeability (Amendments to IAS 21)	1 January 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	1 January 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	1 January 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 judgement and key sources of estimation uncertainty

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

Expected credit losses on trade receivables

The Company uses a provision matrix to calculate 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.

Impairment of non-financial assets

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

2. MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments

Initial measurement of financial instruments

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

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

Measurement categories of financial assets and liabilities

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

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

The Company classifies and 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).

(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).

2. MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

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

Reclassification of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Company cannot sell or pledge the original asset other than as security to the eventual 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.

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.

2. MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial liabilities

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

Impairment of financial assets

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.

(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, capitalised 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 capitalised 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

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

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 to 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% 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (continued)

(h) Impairment of non-financial assets (continued)

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (continued)

(k) Cash-settled share-based payment arrangements (continued)

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 recognised for all taxable temporary differences. Deferred income tax assets are recognised 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 utilised.

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 recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

Value added tax (VAT)

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (continued)

(n) Revenue from contracts with customers

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

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

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

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

Sale of 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (continued)

(p) Leases (continued)

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

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

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

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any re-assessment 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 summarised 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 31 March 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 31 March 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 UShs '000	2024 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 utilised during the year. However, as at 31 March 2025, although the facility was still available, there was no utilisation. Consequently, the Company had no interest rate risk exposure due to fluctuations in interest rates at that date (2024: Nil).

(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 minimise the Company's exposure to bad debts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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 UShs '000	2024 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, TB and malaria and other private customers. The concentration of credit risk of the Company's major customers is as follows:

	2025 UShs '000	2024 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

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 at the reporting date about past events, current conditions and expected future economic conditions. No other financial assets were in default (2024: None).

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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

	2025			
	Gross carrying amount UShs '000	Weighted average loss rates %	Expected credit loss UShs '000	Net carrying amount UShs '000
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**

(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 31 March 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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Up to 3 months UShs '000	3 to 12 months UShs '000	Above 12 months UShs '000	Total UShs '000
As at 31 March 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 maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 March 2024 and 31 March 2025.

4. Revenue

	2025 UShs '000	2024 UShs '000
Local sales	**202,689,365**	169,815,780
Exports 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:

	2025 UShs '000	2024 UShs '000
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

	2025 UShs '000	2024 UShs '000
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Other income

	2025 UShs '000	2024 UShs '000
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

	2025 UShs '000	2024 UShs '000
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

8. Staff expenses

	2025 UShs '000	2024 UShs '000
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 31 March 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 recognise this obligation. This provision will be reassessed based on Company performance and other metrics, and adjusted accordingly at each reporting date.

9. Depreciation of property, plant, equipment and right-of-use assets

	2025 UShs '000	2024 UShs '000
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

	2025 UShs '000	2024 UShs '000
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

	2025 UShs '000	2024 UShs '000
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

12. Profit before tax

	2025 UShs '000	2024 UShs '000
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)**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Taxation

(a) Amounts recognised in statement of profit or loss

	2025 UShs '000	2024 UShs '000
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 UShs '000	2024 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
	(1,136,000)	(155,083)

(b) Deferred tax liability

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

Reconciliation of deferred tax

	2025 UShs '000	2024 UShs '000
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

	2025 UShs '000	2024 UShs '000
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 1 April 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 31 March 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 1 April 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 31 March 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 1 April 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 31 March 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 1 April 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 31 March 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 31 March 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 31 March 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.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Capital work-in-progress

	Buildings UShs '000	Plant & machinery UShs '000	Furniture & fittings UShs '000	Computers UShs '000	Tools & equipment UShs '000	Software UShs '000	Total UShs '000
Balance at 1 April 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 31 March 2024	**889,711**	**1,023,074**	**2,773**	**131,605**	**153,509**	**858,662**	**3,059,294**
Balance at 1 April 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 31 March 2025	**48,203**	**2,220,848**	**–**	**–**	**57,802**	**1,558,568**	**3,885,421**

16. Intangible assets

	2025 UShs '000	2024 UShs '000
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

	2025 UShs '000	2024 UShs '000
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

	2025 UShs '000	2024 UShs '000
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.

** Additionally, the reversal of the impairment allowance for the year ending 31 March 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Trade and other receivables (continued)

Financial instruments (continued)

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

	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:

	2025 UShs '000	2024 UShs '000
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 31 March 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 31 March 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**	

19. Cash in hand and at bank

	2025 UShs '000	2024 UShs '000
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 Uganda Limited and, to the extent that the Directors are able to measure any credit risk to these assets, it is deemed to be limited. Accordingly, the Company has not recognised an impairment allowance on bank balances as at 31 March 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 three-month Secured Overnight Financing Rate (SOFR). The utilised outstanding balance as at 31 March 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 UShs '000	2024 UShs '000
US dollar	**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 UShs '000	2024 UShs '000
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 5 October 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Share capital (continued)

(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 14 November 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 Capitalworks SSA 1	**407,152,191**	**11.15%**	407,152,191	11.15%
Government Employees Pension Fund	**312,000,000**	**8.54%**	312,000,000	8.54%
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%

(c) Spread of shares

Holding at 31 March 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 31 March 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	2024
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 21 December 2005, the Company leased land at Luzira Industrial Park from Uganda Investment Authority for an initial period of five years. The lease was subsequently extended to 99 years after notification by the Company to the lessor of its intention to renew the lease. The leasehold land was valued at an initial sum of UShs 2.2 billion.

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 31 March 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.

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

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

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:		
Cash flows from 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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 31 March 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 31 March 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.

SUPPLEMENTARY AND STATUTORY INFORMATION

SHAREHOLDERS' REPORT

CLIENT CATEGORY

ISIN: UG0000000196 LEI: 25490083G9EU7SRI0Y64

SUMMARY OF SHAREHOLDERS AS AT 31 MARCH 2025

NATIONALITY	CATEGORY	NO. OF MEMBERS	NO. OF SHARES	PERCENTAGE HOLDING
Local investors	Corporate	81	281,564,483	7.71%
	Individual	2,334	355,767,277	9.74%
		2,415	**637,331,760**	**17.45%**
Foreign	Corporate	4	3,008,725,588	82.39%
	Individual	115	5,851,852	0.16%
		119	**3,014,577,440**	**82.55%**
GRAND TOTALS		**2,534**	**3,651,909,200**	**100.00%**

OUR SHARE DISTRIBUTION AS AT 31 MARCH 2025

RANGE ID	DESCRIPTION	NO. OF INVESTORS	NO. OF SHARES HELD	PERCENTAGE HOLDING
1	Between 0 and 1,000 Shares	442	384,298	0.01%
2	Between 1,001 and 5,000 Shares	946	2,637,104	0.07%
3	Between 5,001 and 10,000 Shares	398	3,393,357	0.09%
4	Between 10,001 and 1,000,000 Shares	734	49,071,262	1.34%
5	Above 1,000,001 Shares	14	3,596,423,179	98.49%
	TOTAL	**2,534**	**3,651,909,200**	**100.00%**

TOP 10 LOCAL SHAREHOLDERS AS AT 31 MARCH 2025

	SHAREHOLDER NAME	NO. OF SHARES HELD	%
1	National Social Security Funds	269,361,386	7.38%
2	George Willy Baguma	101,933,042	2.79%
3	Emmanuel Katongole	101,933,042	2.79%
4	Frederick Kitaka Mutebi	101,933,042	2.79%
5	Joseph Yiga	4,000,000	0.11%
6	UAP Insurance – General Life Fund	2,731,000	0.07%
7	UAP Insurance Uganda Ltd	1,923,000	0.05%
8	Samson Kalema William	1,442,400	0.04%
9	Patrick Mutimba	1,421,079	0.03%
10	Timothy Sabiiti Mutebile	1,019,600	0.03%

TOP 10 INTERNATIONAL SHAREHOLDERS AS AT 31 MARCH 2025

	SHAREHOLDER NAME	NO. OF SHARES HELD	%
1	Africa Capitalworks SSA 3	1,869,170,684	51.18%
2	Amistad Limited	420,402,713	11.51%
3	Capitalworks SSA 1	407,152,191	11.15%
4	Government Employees Pension Fund	312,000,000	8.54%
5	Jain Rajnish	779,726	0.02%
6	Nirav Jashvantkumar Patel	738,400	0.02%
7	Namrata Nirav Patel	306,000	0.01%
8	Kalpesh Dahyabhai Patel	234,700	0.01%
9	Kassam Ebrahim	200,000	0.01%
10	Rajeshkumar Arvindbhai Patel	200,000	0.01%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **ANNUAL GENERAL MEETING (AGM)** of Quality Chemical Industries Limited (the Company) for the year ended 31 March 2025, will be held electronically on **Thursday 17 July 2025 at 11:00 am EAT** to conduct the following business:

ORDINARY BUSINESS

1. To receive, consider and if deemed fit, pass an ordinary resolution to adopt the Company's audited financial statements for the year ended 31 March 2025, including the reports of the Directors and External Auditor.
2. To receive, consider, and if deemed fit, pass an ordinary resolution to approve the Directors' recommendation to declare a final dividend of UShs 6.0 per share, for the year ended 31 March 2025. If approved, shareholders registered by the close of business on **7 August 2025** will be eligible to receive the dividend, which shall be paid, less withholding tax, on or about 14 August 2025.
3. To receive, consider and if deemed fit, pass an ordinary resolution to confirm the appointment of Ms. Botsang Ramorwa as a Non-Executive Director in accordance with Article 99 of the Articles of Association of the Company.
4. To receive, consider and if deemed fit, pass an ordinary resolution to confirm the appointment and re-election of Mr. Joseph Baliddawa and Mr. Vusi Raseroka, in accordance with Article 115 of the Articles of Association.
5. To receive, consider and, if deemed fit, pass an ordinary resolution to approve the re-appointment of Grant Thornton Certified Public Accountants as External Auditor of the Company for the financial year 2025/26 and authorise the Board of Directors to set their remuneration.
6. To receive, consider and if deemed fit, pass an ordinary resolution to approve fees payable to Non-Executive Directors for the financial year 2025/26.

SPECIAL BUSINESS

7. To receive, consider and, if deemed fit, pass a special resolution, in accordance with Article 105 of the Articles of Association of the Company:
   a. To ratify the entering into of a term loan facility in the amount of US$36,000,000 for the purpose of funding the construction of a second manufacturing facility and a working capital facility in the amount of US$15,000,000 for operational purposes, both from Stanbic Bank Uganda Limited; and
   b. To ratify the authorisation of the Board of Directors to negotiate, finalise, and execute all necessary agreements and documents in connection with the said borrowings, including the creation of any security interests over the assets of the Company, and to take any such steps necessary or expedient to give effect to the foregoing.
8. To receive, consider and, if deemed fit, pass a special resolution to amend the Articles of Association of the Company as follows:
   a. By amending all references to "the Companies Act 2012" to read "the Companies Act, Cap. 106"; and
   b. By substituting the current Article 1 with the following:

Article 1: The name of the Company is Quality Chemical Industries Limited

9. To conduct any other business for which due notice will have been received.

By Order of the Board

26 June 2025

GRACE KARUHANGA
Company Secretary

NOTES

AGM REGISTRATION

1. The AGM shall be held electronically.
2. To participate in the AGM, shareholders should register by following the instructions below.
   i. Dial *284*32# on (Uganda mobile networks) and follow the prompts;
   ii. Send a registration email request to **qcilagm@image.co.ug** or **shareholder@qcil.com**; or
   iii. If the Company possesses your valid email address, follow the registration link that will be sent to you.
3. Registration will start on 26 June 2025 and will close on 15 July 2025 at 5:00pm EAT. For support during the registration process, please call +256 762 260 804 or +256 758 336 660 between 9.00 am and 5.00 pm from Monday to Friday or send an email to **qcilagm@ image.co.ug** or **shareholder@qcil.com**.
4. The AGM will be streamed live at the scheduled time and date to registered shareholders who will receive a link to the event 24 hours before the AGM. Duly registered shareholders and proxies will receive a Short Message Service (SMS/USSD) prompt on their registered Ugandan mobile numbers and for foreigners via email 24 hours before the AGM, acting as a reminder of the AGM and providing a link to the live stream. A second SMS/USSD prompt shall be sent one hour ahead of the AGM. In registering to attend the AGM, shareholders agree to receive these messages.

PROXIES

5. Shareholders unable to attend the AGM are encouraged to complete and return a proxy form which can be downloaded from the Company's website at **www.qcil.com**.
6. Duly completed proxy forms should be delivered to the Company Secretary at the Company's physical address or emailed to **qcilagm@image.co.ug** or **shareholder@qcil.com** at least 48 hours before the scheduled start of the meeting. In default of this, it shall be treated as invalid.

VOTING DURING THE AGM

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

SHAREHOLDER QUESTIONS

10. Shareholders wishing to raise questions or request clarifications may do so in writing, to be received by 11:00 am on 15 July 2025, through the following means:
    a. By dialling the USSD codes *284*31# (Uganda mobile networks) and selecting the "Ask Question" option; or
    b. By email to **qcilagm@image.co.ug** or **shareholder@qcil.com**; or

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

11. Although some questions shall be addressed during the AGM, the responses to others will be published on the Company's website after the AGM.

AGM INFORMATION

12. The Notice of the AGM, annual report, audited financial statements, proxy form and notes to the Agenda items 4 and 6 of the AGM Notice will be uploaded onto the Company website, **www.qcil.com**. The reports may also be accessed via the live stream link or the SMS/USSD code *284*31# under the "Reports" option.

DIVIDENDS

13. Subject to approval at the AGM, a final dividend of UShs 6.0 per share, net of withholding tax, will be paid on or about 14 August 2025 to shareholders registered as of the close of business on 7 August 2025. For avoidance of doubt, this final dividend is exclusive of the first interim dividend of UShs 3.5 per share, paid on 2 December 2024, and the second interim dividend of UShs 4.0 per share, paid on 14 March 2025.
14. Shareholders are urged to contact the Share Registrar or their preferred stockbroker to update their contact and bank details for ease of communication and receipt of dividends.
15. Shareholders who were eligible for the 2024/25 dividends and have not received them are requested to contact the Share Registrar or email **shareholder@qcil.com**.

COMPANY'S REGISTERED OFFICE

Quality Chemical Industries Limited
Plot 1–7, 1st Ring Road, Luzira Industrial Park
P.O. Box 34871, Kampala, Uganda
Email: **shareholder@qcil.com**

SHARE REGISTRAR

SCD Registrars,
4th Floor, Block A, UAP Nakawa Business Park, Plot 3–5 New Port-Bell Road
Email: **registry@use.or.ug**

PROXY FORM

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

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

of ..... (Address in block letters),

being a shareholder(s) and holder(s) of ..... ordinary shares and entitled to vote hereby appoint,

1. .....

or failing him/her

2. .....

or failing him/her

3. **The Chairman of the Annual General Meeting** as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held electronically on Thursday, 17 July 2025, starting at 11:00 am EAT and at any adjournment thereof as follows:

ORDINARY RESOLUTIONS

AGENDA	VOTES		
	FOR*	AGAINST*	WITHHELD*
1. To receive, consider and if deemed fit, pass an ordinary resolution to adopt the Company's audited financial statements for the year ended 31 March 2025, including the reports of the Directors and External Auditor.			
2. To receive, consider and if deemed fit, pass an ordinary resolution to approve the Directors' recommendation to declare a final dividend of UGX 6.0 per share, for the year ended 31 March 2025. If approved, shareholders registered by the close of business on **7 August 2025** will be eligible to receive the dividend, which shall be paid, less withholding tax, on or about **14 August 2025**.			
3. To receive, consider and if deemed fit, pass an ordinary resolution to confirm the appointment of Ms. Botsang Ramorwa as a Non-Executive Director in accordance with Article 99 of the Articles of Association of the Company.			
4. To receive, consider and if deemed fit, pass an ordinary resolution to confirm the appointment and re-election of Mr. Joseph Baliddawa and Mr. Vusi Raseroka, in accordance with Article 115 of the Articles of Association.			
5. To receive, consider and if deemed fit, pass an ordinary resolution to approve the re-appointment of Grant Thornton as External Auditor of the Company for the financial year 2025/26 and authorise the Board of Directors to set their remuneration.			
6. To receive, consider and if deemed fit, pass an ordinary resolution to approve fees payable to Non-Executive Directors for the financial year 2025/26.			

SPECIAL RESOLUTIONS

AGENDA	VOTES		
	FOR*	AGAINST*	WITHHELD*
7. To receive, consider and, if deemed fit, pass a special resolution, in accordance with Article 105 of the Articles of Association of the Company: a. To ratify the entering into an agreement for a term loan facility in the amount of US$36,000,000 for the purpose of funding the construction of a second manufacturing facility and a working capital facility in the amount of US$15,000,000 for operational purposes, both from Stanbic Bank Uganda Limited; and b. To ratify the authorisation of the Board of Directors to negotiate, finalise, and execute all necessary agreements and documents in connection with the said borrowings, including the creation of any security interests over the assets of the Company, and to take any such steps necessary or expedient to give effect to the foregoing.			
8. To receive, consider and, if deemed fit, pass a special resolution to amend the Articles of Association of the Company as follows: a. By amending all references to "the Companies Act 2012" to read "the Companies Act, Cap.106"; and b. By substituting the current Article 1 with the following: **Article 1:** The name of the Company is Quality Chemical Industries Limited			
9. To conduct any other business for which due notice will have been received.			

** Please indicate a cross or tick for each resolution above, representing how you wish your votes to be cast. The "abstain" option above is provided to enable you to withhold your vote on any resolution. However, it should be noted that a vote abstained is not a vote and will not be counted in the calculation of the proportion of the votes "for" and "against" a resolution.*

** If no options are marked, the proxy can vote as deemed fit.*

Dated this: ..... day of 2025

Signature: .....

Name: .....

Address: .....

.....

.....

Quality Chemical Industries Limited
Plot 1–7, 1st Ring Road, Luzira Industrial Park P.O. Box 34871, Kampala, Uganda
Tel: +256 312 341 100
Email: contactus@qcil.com.

www.qcil.com

SUSTAINABILITY-RELATED METRICS

Qcil's disclosure and materiality process has been substantially informed by the SASB and GRI Standards. The table below outlines the key sustainability disclosure topics and corresponding metrics reported under these frameworks.

STANDARD	TOPIC	METRIC	FY24/25 (PGS/ REMARKS)	FY23/24 (PGS/ REMARKS)
SASB	Access to Medicine	Actions and initiatives taken to promote access to healthcare products for priority diseases in priority countries	Pg. 16–73	Pg. 12–51
		List of products on the WHO list of prequalified medical products as part of its prequalification of medicines programme	Pg. 34–35	Pgs. 10–12, 52
		Number of drugs/medicines in portfolio	24	24
	Drug Safety	Product recalls	Zero	Zero
		Fatalities associated with our products	Zero	Zero
		Number of enforcement actions taken in response to violations of GMP or equivalent standards by type	Zero	Zero
	Counterfeit Drugs	Methods and technologies used to maintain traceability of products through the supply chain and prevent counterfeiting	Pg. 41	Pg. 43
		Process for alerting customers and business partners to potential or known risks associated with counterfeit products	Patient information leaflet & QR Code	Patient information leaflet & QR Code
		Number of actions that led to raids, seizures, arrests, or filing of criminal charges related to counterfeit products	Zero	Zero
	Ethical Marketing	Total amount of monetary losses because of legal proceedings associated with false marketing claims	None	None
		Description of code of ethics governing the promotion of off-label use of products	Pg. 26–69	Not listed
	Employee Recruitment, Development, and Retention	Talent recruitment and retention efforts made by the Company for scientists and R&D staff	Pg. 38–39	Pgs. 50, 57
	Business Ethics	Total amount of monetary losses because of legal proceedings associated with corruption and bribery	Zero	Zero
		Code of ethics governing interactions with healthcare professionals	Policy in place	Policy in place

STANDARD	TOPIC	METRIC	FY24/25 (PGS/ REMARKS)	FY23/24 (PGS/ REMARKS)
GRI	GRI 2 General Disclosures	Organisational details	Pg. 8	Pg. 4
		Reporting period and external assurance	Pg. 4	Pg. 2
		Activities, value chain, and other business relationships	Pg. 20–23	Pg. 34–37
		Employees and workers who are not employees	Pg. 38–39	Pg. 54–63
		Governance structure, composition, nomination, and selection	Pg. 50–71	Pg. 66–76
	GRI 3 Material Topics	Process of determining material topics	Pg. 4	Not listed
		List of material topics	Pg. 28	Not listed
	GRI 302 Energy	302-1 Energy consumption within the organisation	39,551 GJ	41,558 GJ
		302-4 Reduction in energy consumption	4.83%	11%
	GRI 303-5 Water Consumption	GRI 303-5: Water Consumption	27%	10.89%
	GRI 305 Emissions	305-1, 2 Scope 1 and Scope 2 emissions	Pg. 44–45	49
		305-5 Emissions reduction	5.29%	9.6%
	GRI 306 Waste	306-3, 4, 5 Waste generated, diverted from disposal, directed to disposal	54%	77.4%
	GRI 403 Occupational Health & Safety	403-1, 2, 3, 4,5, 7, 8, 9, 10 OHS Management system, hazard identification, risk assessment and incident investigation, occupational health services, worker participation, consultation and communication on occupational health and safety, training, work-related injuries and ill health	Pg. 38, 61	Pg. 50–54
	GRI 404 Training & Education	404-1, 2, 3 Hours of training per year per employee, programmes for upgrading employee skills and transition assistance programmes, % of employees receiving regular performance & career development reviews	Pg. 33, 38, 39	Pg. 10, 16

LIST OF ACRONYMS AND TECHNICAL DEFINITIONS

ACRONYMS

AGM	Annual General Meeting
APIS	Active Pharmaceutical Ingredients
CAPA	Corrective and Preventative Action
CEO	Chief Executive Officer
CFR	Code of Federal Regulations
COVID-19	Coronavirus disease
COSO	Community of Sponsoring Organisations of the Treadway Commission
CSR	Corporate Social Responsibility
cGMP	Current Good Manufacturing Practices
EPS	Earnings Per Share
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
EHG	Environment, Health and Safety
ESG	Environmental, Social, and Governance
ETP	Effluent Treatment Plant
FTE	Full-time equivalent
FY	Financial Year
GLP	Good Laboratory Practices
GMP	Good Management Practices
ICH	International Council for Harmonisation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting <IR> Council
ISO	International Organisation for Standardisation
KPI	Key Performance Indicator
LIMS	Laboratory Information Management System
LTI	Last Time Incident
MAS	Marketing Authorisations
NDP/A	National Drug Policy or Authority
NEMA	National Environment and Management Authority
PPM	Planned Preventative Maintenance
PwC	PricewaterhouseCoopers
RA	Regulatory Affairs
SAP	Systems, Applications and Products in Data Processing
SDGs	Sustainable Development Goals
SOPS	Standard Operating Procedures
TIR	Total Injury Rate
WHO	World Health Organization
WHP	World Health Organization's Prequalification of Medicines Programme
QMS	Quality Management System

DEFINITIONS

COMPOUND ANNUAL GROWTH RATE (CAGR) (%)	The average year-on-year growth rate of an investment over several years.
CORE CAPITAL	Permanent shareholder's equity in the form of issued and fully paid-up shares plus all disclosed reserves, less goodwill or any intangible assets.
COST-TO-INCOME RATIO (%)	Total operating expenses as a percentage of total income before deducting the provision for credit losses.
CREDIT IMPAIRMENT CHARGE (UShs)	The amount by which the period profits are reduced to cater for the effect of credit impairment.
CREDIT LOSS RATIO (%)	Provision for credit losses per the Statement of Comprehensive Income as a percentage of gross loans and advances.
DIVIDEND COVER (TIMES)	Earnings per share divided by total dividends per share.
DIVIDEND PER SHARE (UShs)	Total ordinary dividends declared per share with respect to the year.
DIVIDENDS YIELD (%)	Dividends per share as a percentage of the closing share price.
EARNINGS PER SHARE (EPS) (UShs)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue stated in Uganda Shillings.
EFFECTIVE TAX RATE (%)	The income tax charge as a percentage of income before tax, excluding income from associates.
EFFLUENT TREATMENT PLANT	Also known as ETP is a waste water treatment process (WWTP) that is used to treat waste water. It is mostly used where extreme water contamination is a possibility. Effluent Treatment Plant plays a significant role in the treatment of industrial waste water as well as domestic sewage. Organic matter, inorganic matter, heavy metals, oil and grease, suspended particles, and other contaminants are treated in the wastewater treatment process of an ETP plant.
LENDING RATIO	Net loans and advances divided by total deposits.
NET INTEREST MARGIN (%)	Net interest income as a percentage of average total assets.
PERCENTAGE CHANGE IN CREDIT LOSS RATIO (%)	Ratio of change in the rate of credit loss impairment between time periods.
PERCENTAGE CHANGE IN THE IMPAIRMENT CHARGE (%)	Ratio of change in the rate of impairment charge between time periods.
PRICE EARNINGS RATIO (%)	Closing share price divided by earnings per share.
PROFIT FOR THE YEAR (UShs)	Annual Income statement profit attributable to ordinary shareholders stated in Uganda Shillings.
RETURN ON AVERAGE ASSETS (%) – ROA	Earnings as a percentage of average total assets.
RETURN ON AVERAGE EQUITY (%) – ROE	Earnings as a percentage of average ordinary shareholders' funds.
SOFP CREDIT IMPAIRMENT AS A % OF GROSS LOANS AND ADVANCES (%)	Ratio of the Statement of Financial Position credit impairment to gross loans and advances.
SUPPLEMENTARY CAPITAL	General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialise, and revaluation reserves on banking premises, and any other form of capital as may be determined from time to time, by the Central Bank.
TOTAL CAPITAL	The sum of core capital and supplementary capital.
TOTAL CAPITAL ADEQUACY	Total capital divided by the sum of total risk weighted assets and total risk weighted contingent claims.

COMPANY INFORMATION

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