

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

**QUALITY CHEMICAL INDUSTRIES LIMITED
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TABLE OF CONTENTS

	Page
Company information	2
Directors' report	3 - 4
Statement of Directors' responsibilities	5
Independent auditor's report	6 – 10
Financial statements:	
- Statement of profit or loss and other comprehensive income	11
- Statement of financial position	12
- Statement of changes in equity	13
- Statement of cash flows	14
- Notes to the financial statements	15 – 48

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ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

COMPANY INFORMATION

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

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

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

SOLICITORS

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

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

BROKER

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

INDEPENDENT AUDITOR

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

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

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 March 31, 2026, which disclose the state of affairs of the Company.

A. INCORPORATION AND PRINCIPAL ACTIVITY

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

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

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

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

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 at the Annual General Meeting to be held on June 30, 2026, the Board of Directors has recommended a final dividend of US\$ 6.4 per share, increasing the total dividend to US\$ 16.6 per share for the financial year ended March 31, 2026 (2025: a dividend of US\$ 13.5 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)
Dr. Frances Philomena Namatovu (Ugandan)	Executive Director
George Baguma (Ugandan)	Co-Founder and Director
Frederick Mutebi Kitaka (Ugandan)	Co-Founder and Director
Beth Lisa Mandel (American)	Non-Executive Director
Botsang Ramorwa (Motswana)	Non-Executive Director
Stevens Mwanje (Ugandan)	Non-Executive Director
Dr. Peter Mugenyi (Ugandan)	Independent Non-Executive Director
Vusi Raseroka (South African)	Independent Non-Executive Director
Joseph Baliddawa (Ugandan)	Independent Non-Executive Director
Zain Latif (British)	Alternate to George Baguma

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

DIRECTORS' REPORT (CONTINUED)

E. DIRECTORS' INTEREST IN SHARES

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

As at March 31, 2026, the following Directors held a direct interest in the Company's share capital as reflected in the table below:

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

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

F. APPROVED EXPANSION PLANS

As part of its strategic growth initiatives, the Company is undertaking a major expansion to strengthen production capacity and diversify its product portfolio.

Construction of the second factory commenced during the year and is expected to be completed within 24 months. The project, financed through a term loan of USD 36.0 million, will enhance production capacity to meet growing demand, support entry into new therapeutic areas such as tuberculosis and sickle cell anaemia, and introduce an injectable line consistent with evolving patient treatment preferences.

G. INDEPENDENT AUDITOR

The auditor, Grant Thornton Certified Public Accountants, has expressed its willingness to continue in office in accordance with section 163 (2) of the Companies Act Cap 106.

H. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the Company collected USD 1.4 million (US\$ 5.3 billion) from Medpro Pharmaceutica (Pty) Limited in settlement of a portion of the long outstanding receivable balance of USD 3.0 million (US\$ 11.5 billion) outstanding at year end.

By Order of the Board,



Secretary

May 28, 2026
Kampala, Uganda

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act Cap. 106 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of the financial affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

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

The Directors accept responsibility for the financial statements for the year ended March 31, 2026, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap. 106.

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 11 to 48, which have been prepared on the going concern basis, were approved by the Board of Directors on May 28, 2026 and signed on its behalf by:



Emmanuel Katongole
Board Chairman

Date: May 28, 2026
Kampala, Uganda



Ajay Kumar Pal
Chief Executive Officer

Date: May 28, 2026
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 11 to 48, which comprise the statement of financial position as at March 31, 2026 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 material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2026 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 Cap. 106.

Basis for opinion

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

Key audit matters

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

Key audit matter

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 US\$ 41,507,160 thousand as at March 31, 2026 (2025: US\$ 31,495,748 thousand).

The expected credit loss as at that date is US\$ 4,752,463 thousand against the trade receivables (2025: US\$ 9,117,445 thousand).

The Company uses a simplified approach in accounting for expected credit losses on trade receivables based on historical experience, external indicators, and forward-looking information.

We noted that the ECL calculations require significant judgment and assumptions and hence we have considered this to be a key

How the matter was addressed in our audit

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);

INDEPENDENT AUDITOR'S REPORT

Key audit matter audit matter.

How the matter was addressed in our audit

- evaluated whether management's simplified modelling approach is appropriate. This included understanding whether the model methodology and logic meet all relevant requirements of IFRS 9 – Financial Instruments;
- considered whether the individual inputs and assumptions appear reasonable. This included validation of individual assumptions to relevant supporting information and performing a retrospective review of the assumptions;
- considered whether the assumptions appropriately reflect current market information;
- tested historical loss data to validate the completeness and accuracy of key parameters;
- assessed whether the matrix is applied to appropriate groupings of assets which share credit risk characteristics;
- evaluated the completeness and accuracy of asset level data;
- reviewed the judgments and decisions made by management in estimating the ECL to identify whether indicators of possible management bias exist; and
- obtained relevant representations from the Directors about whether the Directors believe that significant assumptions used in estimating the ECL are reasonable.

Based on the procedures performed, the exceptions identified were corrected by the Directors, and as a result, there are no material misstatements in the expected credit losses recognised in the financial statements.

Valuation of inventories and related provisions

Inventories, stated at US\$ 91,358,503 thousand as at March 31, 2026 (2025: US\$ 90,525,972 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 cost or net realisable value as per the Company's accounting policy and management's assessment of the percentage of write down for inventories is based on historical experience and judgment.

Our audit procedures included understanding and testing of the design, implementation and operating effectiveness of the relevant controls around;

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

Our testing of the design, implementation and operating effectiveness of the controls provided a basis for us to continue with the planned nature, timing and extent of our substantive audit procedures.

Our substantive audit procedures included the following:

- reviewed periodic reconciliations of perpetual physical counts;
- assessed the appropriateness and reasonableness of the inventory provision through evaluating;
 - historical inventory and sales data;
 - management's latest forecasts and trading plans; and
 - selling prices achieved subsequent to the year-end.
- we recalculated the inventory provision using the verified data to test the calculations within management's workings;
- reviewed reconciliations of inventories to the cost of goods sold;

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How the matter was addressed in our audit

- evaluated the methods of measurement and assumptions used in the systematic allocation of fixed and variable production overheads; and
- on a sample basis tested the valuation of work-in-progress, raw materials, consumables, and finished goods for compliance with IAS 2 – Inventories.

Based on our review, we did not identify any exceptions that would result in material misstatement to the financial statements.

Revenue recognition

The Company's revenue for the year ended March 31, 2026 was US\$ 290,493,752 thousand (2025: US\$ 267,129,934 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 to evidence of delivery to ensure that revenue had been recognised in the correct accounting period, additionally we have performed similar detailed testing on credit notes to confirm that the credit notes have been recognised in the appropriate accounting period; and

Performed analytical procedures around revenue and gross profit margins. Checked reasonableness of revenues recognised by reconciling inventory movements for finished goods to the sales recorded.

In addition, we tested significant manual journal entries posted to revenue, to identify and understand unusual or irregular items and obtained evidence to support their recognition.

As a result of the procedures performed, we have been able to conclude that revenue has been recognised in accordance with the Company's revenue recognition policy and IFRS 15 – Revenue from Contracts with Customers.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 Cap. 106, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

Report on other legal and regulatory requirements

As required by the Companies Act Cap. 106 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 Morris Mubangizi - P0582.



Morris Mubangizi
P0582



Grant Thornton
Certified Public Accountants

May 28, 2026
Kampala, Uganda



QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2026	2025
	Notes	UShs '000	UShs '000
Revenue	4	290,493,752	267,129,934
Cost of sales	5	(154,718,943)	(158,642,358)
Gross profit		135,774,809	108,487,576
Other income	6	26,949	206,974
General and administrative expenses	7	(66,325,845)	(52,574,183)
Reversal of impairment allowance	18	4,364,982	3,250,396
Operating profit		73,840,895	59,370,763
Finance income	10	4,971,986	4,563,153
Finance costs	11	(920,359)	(2,257,516)
Profit before tax	12	77,892,522	61,676,400
Taxation	13(a)	(21,463,360)	(21,023,488)
Profit for the year		56,429,162	40,652,912
Other comprehensive income		-	-
Total comprehensive income for the year		56,429,162	40,652,912
Basic and diluted earnings per share (UShs)	20(d)	15.45	11.13

The notes on pages 15 to 48 are an integral part of these financial statements.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

STATEMENT OF FINANCIAL POSITION

	Notes	2026 UShs '000	2025 UShs '000
ASSETS			
Non-current assets			
Property, plant, equipment and right-of-use assets	14	48,812,755	56,173,656
Capital work-in-progress	15	20,129,059	3,885,421
Intangible assets	16	2,440,110	1,054,870
Deferred tax asset	13(b)	1,279,604	-
		<u>72,661,528</u>	<u>61,113,947</u>
Current assets			
Inventories	17	91,358,503	90,525,972
Trade and other receivables	18	52,324,199	42,270,404
Cash in hand and at bank	19	22,448,923	34,989,806
		<u>166,131,625</u>	<u>167,786,182</u>
TOTAL ASSETS		<u>238,793,153</u>	<u>228,900,129</u>
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	23,372,219	21,911,455
Retained earnings		112,462,876	116,655,407
		<u>183,758,960</u>	<u>186,490,727</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liability	13(b)	-	1,136,000
Lease liabilities	23	92,525	175,596
		<u>92,525</u>	<u>1,311,596</u>
Current liabilities			
Lease liabilities	23	106,518	103,145
Trade and other payables	24	54,835,150	40,994,661
		<u>54,941,668</u>	<u>41,097,806</u>
TOTAL LIABILITIES		<u>55,034,193</u>	<u>42,409,402</u>
TOTAL EQUITY AND LIABILITIES		<u>238,793,153</u>	<u>228,900,129</u>

The financial statements on pages 11 to 48 were approved by the Board of Directors on May 28, 2026 and signed on its behalf by:


Emmanuel Katongole
Board Chairman


Ajay Kumar Pal
Chief Executive Officer

The notes on pages 15 to 48 are an integral part of these financial statements.

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

STATEMENT OF CHANGES IN EQUITY

	Share capital US\$ '000	Reserve US\$ '000	Proposed dividend US\$ '000	Retained earnings US\$ '000	Total equity US\$ '000
Balance as at April 1, 2024	45,648,865	2,275,000	14,972,828	125,303,269	188,199,962
Profit for the year	-	-	-	40,652,912	40,652,912
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	40,652,912	40,652,912
Proposed dividends (note 22)	-	-	49,300,774	(49,300,774)	-
Dividends paid	-	-	(42,362,147)	-	(42,362,147)
Transaction with owners of the Company	-	-	6,938,627	(49,300,774)	(42,362,147)
Balance as at March 31, 2025	45,648,865	2,275,000	21,911,455	116,655,407	186,490,727
Balance as at April 1, 2025	45,648,865	2,275,000	21,911,455	116,655,407	186,490,727
Profit for the year	-	-	-	56,429,162	56,429,162
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	56,429,162	56,429,162
Proposed dividends (note 22)	-	-	60,621,693	(60,621,693)	-
Dividends paid	-	-	(59,160,929)	-	(59,160,929)
Transaction with owners of the Company	-	-	1,460,764	(60,621,693)	(59,160,929)
Balance as at March 31, 2026	45,648,865	2,275,000	23,372,219	112,462,876	183,758,960

The notes on pages 15 to 48 are an integral part of these financial statements.

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

STATEMENT OF CASH FLOWS

	Notes	2026 UShs '000	2025 UShs '000
Cash flows from operating activities			
Profit before tax		77,892,522	61,676,400
Adjustment for non-cash items:			
- Reversal of impairment allowance		(4,364,982)	(3,250,396)
- Depreciation of property, plant, equipment and right-of-use assets	14	9,201,697	9,589,478
- Amortisation of intangible assets	16	1,334,013	489,750
- Reversal of provision for obsolete stock		(523,462)	(3,062,993)
- Loss on disposal of property, plant, equipment and right-of-use assets	6	-	62,548
- Interest expense on lease liabilities and bank overdraft		128,619	175,734
		<u>83,668,407</u>	<u>65,680,521</u>
Changes in working capital:			
- Inventories		(309,069)	(1,143,265)
- Trade and other receivables		(5,688,813)	(11,921,375)
- Trade and other payables		13,840,489	(2,357,173)
Cash generated from operating activities		<u>91,511,014</u>	<u>50,258,708</u>
Interest paid on bank overdraft	11	(82,763)	(140,404)
Tax paid	13(c)	(23,878,964)	(19,755,178)
Net cash generated from operating activities		<u>67,549,287</u>	<u>30,363,126</u>
Cash flows used in investing activities			
Purchase of property, plant, and equipment	14	(57,831)	(2,754,258)
Additions to capital work-in-progress	15	(18,026,603)	(2,923,782)
Purchase of intangible assets	16	(2,719,253)	(633,852)
Net cash used in investing activities		<u>(20,803,687)</u>	<u>(6,311,892)</u>
Cash flows used in financing activities			
Dividends paid		(59,160,929)	(42,362,147)
Repayment of principal on lease liabilities	23(c)	(107,954)	(91,380)
Payment of interest on lease liabilities	23(c)	(45,856)	(35,330)
Foreign exchange differences on lease liabilities	23(c)	28,256	(23,753)
Net cash used in financing activities		<u>(59,286,483)</u>	<u>(42,512,610)</u>
Net change in cash in hand and at bank		(12,540,883)	(18,461,376)
Cash in hand and at bank at start of year		34,989,806	53,451,182
Cash in hand and at bank at end of year	19	<u>22,448,923</u>	<u>34,989,806</u>

The notes on pages 15 to 48 are an integral part of these financial statements.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY INFORMATION

Quality Chemical Industries Limited was incorporated on June 10, 2005 as a joint venture between QCL 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.

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION

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 Cap. 106.

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

For purposes of reporting under the Companies Act Cap. 106, 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.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (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
Lack of exchangeability (Amendments to IAS 21)	January 1, 2025	<p>The amendments include both updates to guidance to assist preparers in correctly accounting for foreign currency items and increases the level of disclosure required to help users understand the impact of a lack of exchangeability on the financial statements. The amendments:</p> <ul style="list-style-type: none"> • 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. <p>The additional disclosure requirements provide useful information about the additional level of estimation uncertainty, and risks arising for the entity due to difficulty in exchangeability.</p>	The impact of the amendment is not material.
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2025	<p>The amendments require additional disclosures that complement the existing disclosures in these IAS 7 and IFRS 7. They require entities to disclose:</p> <ul style="list-style-type: none"> • The terms and conditions of the arrangement. • The amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are included on the statement of financial position. • Ranges of payment due dates. • Liquidity risk information. These additional disclosure requirements address investors wanting more visibility around supplier finance arrangements which in some jurisdictions around the world are better known as reverse factoring arrangements. 	The impact of the amendment is not material.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

New standards, interpretations and amendments not early adopted by the Company

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2026 or later periods:

Standard/amendment	Effective date - Year beginning on or after	Key requirements	Impact
Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026	<p>Settlement of liabilities through electronic payment systems</p> <p>There has been diversity in practice over the timing of the recognition and derecognition of financial assets and financial liabilities, particularly when they are settled using an electronic payment system. The amendments to IFRS 9 clarify when a financial asset or a financial liability is recognised and derecognised. Under the amendments, a company generally derecognises its trade payable on the settlement date. Normally this is the date on which payment is completed.</p> <p>The amendments also provide an optional exception, which allows the company to derecognise its trade payable earlier than the settlement date, potentially on the date when payment is initiated and cannot be cancelled. The exception is available when the company uses an electronic payment system that meets all of the following criteria:</p> <ul style="list-style-type: none"> • No practical ability to withdraw, stop or cancel the payment instruction; • No practical ability to access the cash to be used for settlement as a result of the payment instruction; and • The settlement risk associated with the electronic payment system is insignificant. <p>Companies can choose to apply the exception for electronic payments on a system-by-system basis.</p> <p>Classification of financial assets with ESG-linked features</p> <p>Under IFRS 9, it was unclear whether the contractual cash flows of some financial assets with ESG-linked features represented solely payments of principal and interest (SPPI), which is a condition for measurement at amortised cost. This could have resulted in financial assets with ESG-linked features being measured at fair value through profit or loss. The amendments introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending</p>	The impact of the amendment is unlikely to be material.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

New standards, interpretations and amendments not early adopted by the Company (continued)

Standard/amendment	Effective date - Year beginning on or after	Key requirements	Impact
Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments (continued)		<p>risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract.</p> <p>Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature.</p> <p>The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:</p> <ul style="list-style-type: none"> • Not related directly to a change in basic lending risks or costs; and • Not measured at fair value through profit or loss. <p>Contractually linked instruments (CLIs) and non-recourse features</p> <p>The amendments clarify the key characteristics of CLIs and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test).</p> <p>Disclosures on investments in equity instruments</p> <p>The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in FVOCI.</p>	
Amendments to IFRS 10 and IAS 28	January 1, 2027	The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that: a full gain or loss is recognised when a transaction between an investor and its associate or joint venture transfers assets that constitute a business. If the assets do not constitute a business, only a partial gain or loss is recognised.	The impact of the amendment is unlikely to be material.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

New standards, interpretations and amendments not early adopted by the Company (continued)

Standard/amendment	Effective date - Year beginning on or after	Key requirements	Impact
IFRS 18 Presentation and Disclosure in Financial Statements	January 1, 2027	<p>Under current IFRS Accounting Standards, entities use different formats to present their results, making it difficult for investors to compare financial performance across entities. IFRS 18 does not change an entity's net profit but promotes a more structured income statement. In particular it requires all entities to:</p> <ul style="list-style-type: none"> - 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 sub-totals on the face of the income statement; and <p>Present operating expenses either by function, by nature or on a mixed basis on the face of the income statement.</p> <p>MPMs – Disclosed and subject to audit</p> <p>IFRS 18 also requires some 'non-GAAP' measures to be reported in the financial statements. It introduces a narrow definition for Management Performance Measures ("MPMs"), requiring them to be:</p> <ul style="list-style-type: none"> • A sub-total of income and expenses; • Used in public communications outside the financial statements; and • Reflective of management's view of financial performance. 	The impact of the amendment is likely to be material.
IFRS 19 Subsidiaries without Public Accountability: Disclosures	January 1, 2027	<p>IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19.</p> <p>A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date:</p> <ul style="list-style-type: none"> • It does not have public accountability; • Its parent produces consolidated financial statements under IFRS Accounting Standards. <p>A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted.</p>	The impact of the amendment is unlikely to be material.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

New standards, interpretations and amendments not early adopted by the Company (continued)

Standard/amendment	Effective date - Year beginning on or after	Key requirements	Impact
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	January 1, 2028	It establishes general requirements with the objective of requiring an entity to disclose information about its sustainability-related risks and opportunities and how an entity should prepare and present its sustainability-related financial information. It sets out general requirements for the content and presentation of these disclosures so that the information disclosed is useful to primary users of financial reporting in making decisions about the provision of resources to the entity.	The impact of the amendment is expected to be material.
IFRS S2 Climate-related disclosures	January 1, 2028	It sets out requirements for identifying, assessing and disclosing information about climate-related risks and opportunities that is useful to the primary users of general-purpose financial reporting.	The impact of the amendment is expected to be material.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

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

Allowance for slow moving, damaged and obsolete inventory

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

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

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

Taxation

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

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

Determination of lease term and incremental borrowing rate

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

Expected credit losses on trade receivables

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

Provisions

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

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

d) Significant accounting judgments and estimates (continued)

Impairment of non-financial assets

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

e) Financial instruments

Initial measurement of financial instruments

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

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in profit or loss. 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.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial instruments (continued)

Financial assets (continued)

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

The SPPI test

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

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

Reclassification of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial instruments (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

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.

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.

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial instruments (continued)

Impairment of financial assets (continued)

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 or 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.

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.

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

Depreciation (continued)

Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised. Refer item (q) below on leases for detailed policies for right-of-use assets.

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

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

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

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

g) Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i) Impairment of non-financial assets (continued)

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

An impairment loss is 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 indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) 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.

k) 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 in 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.

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

k) Employee benefits (continued)

Defined contribution plans (continued)

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.

l) Cash-settled share-based payment arrangements

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

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

The fair value of the awards is determined using the Company's calculated 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 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.

m) Taxation

Current 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.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

m) Taxation (continued)

Deferred tax (continued)

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

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

Value added tax (“VAT”)

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

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

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

n) Provisions and contingencies

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. Contingent assets and contingent liabilities are not recognised.

o) 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.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

o) Revenue from contracts with customers (continued)

Sale of ARVs, ACTs, and other pharmaceutical products

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

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

p) 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. 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.

q) Leases

The Company as a lessee

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

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

Measurement and recognition of leases as a lessee

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

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of 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.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

q) Leases (continued)

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

r) Operating segments

Operating segments are identified and reported in a manner consistent with the internal reports regularly reviewed by the entity's Chief Operating Decision Maker (CODM), in accordance with IFRS 8 Operating Segments. The Chief Executive Officer (CEO) has been identified as the CODM, as defined by IFRS 8, as he is responsible for allocating resources and assessing the performance of the operating segments.

The CODM monitors the financial performance and position of the Company for the purpose of making strategic decisions. Operating segment details are disclosed in Note 26.

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. 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 revenue receipts and purchases by the Company in currencies other than its functional currency (US\$). 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. 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. The Company also maintained undrawn term loan and short-term borrowing facilities. Otherwise, the Company does not engage in currency derivatives or other measures of managing foreign currency risk.

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

i) Foreign currency risk (continued)

	USD	UShs '000
At March 31, 2026		
Financial assets		
Cash at bank	235,137	891,168
Trade and other receivables	<u>9,553,738</u>	<u>36,208,667</u>
	<u>9,788,875</u>	<u>37,099,835</u>
Financial liabilities		
Trade and other payables	2,828,489	10,719,973
Lease liabilities	<u>52,518</u>	<u>199,043</u>
	<u>2,881,007</u>	<u>10,919,016</u>
Net currency exposure - Assets	<u>6,907,868</u>	<u>26,180,819</u>
At March 31, 2025		
Financial assets		
Cash at bank	330,046	1,211,268
Trade and other receivables	<u>7,805,245</u>	<u>28,645,249</u>
	<u>8,135,291</u>	<u>29,856,517</u>
Financial liabilities		
Trade and other payables	4,559,223	16,732,349
Lease liabilities	<u>75,951</u>	<u>278,740</u>
	<u>4,635,174</u>	<u>17,011,089</u>
Net currency exposure - Assets	<u>3,500,117</u>	<u>12,845,428</u>

The analysis below summarises the post-tax effect on profit/(loss) and components of equity if the currency had weakened/strengthened by 1% against the 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.

	2026	2025
	UShs '000	UShs '000
+1%	<u>(183,220)</u>	(89,918)
-1%	<u>183,220</u>	89,918
Exchange rate	3,790	3,670

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 March 31, 2026, 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 (2025: Nil).

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk

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

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

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

	2026	2025
	UShs '000	UShs '000
Trade receivables (note 18)	41,507,160	31,495,748
Cash at bank (note 19)	22,446,729	34,988,320
	<u>63,953,889</u>	<u>66,484,068</u>

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

	2026	2025
	UShs '000	UShs '000
National Medical Stores (Government of Uganda)	14,824,142	4,515,315
Medpro Pharmaceutica (Pty) Limited	11,496,329	5,145,395
Other sovereign customers	68,220	16,475,684
Multilateral agencies	9,819,976	1,084,567
Private market customers	5,298,493	4,274,787
	<u>41,507,160</u>	<u>31,495,748</u>

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

The amounts due from Medpro Pharmaceutica (Pty) Limited were subjected to an individual impairment assessment, as they do not share similar credit-risk characteristics with the Company's other receivables. Subsequent to year-end, USD 1.4 million (UShs 5.3 billion) was received, reducing the outstanding balance from UShs 11.5 billion.

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 (2025: None).

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

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

	2026			
	Gross carrying amount	Weighted average loss rates	Expected credit loss	Net carrying amount
	UShs '000	%	UShs '000	UShs '000
Trade receivables				
Sovereign customers	14,892,362	0.00%	-	14,892,362
Medpro Pharmaceutica (Pty) Limited	11,496,329	8.40%	965,639	10,530,690
Multilateral agencies	9,819,976	0.00%	-	9,819,976
Private market customers	5,298,493	71.47%	3,786,824	1,511,669
	41,507,160	11.45%	4,752,463	36,754,697
Other financial assets				
Cash at bank	22,446,729	0.00%	-	22,446,729
	22,446,729	0.00%	-	22,446,729
Total financial assets	63,953,889	7.43%	4,752,463	59,201,426

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

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

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

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. In addition, an unsecured USD 15 million overdraft facility is maintained.

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

	Up to 3 months UShs '000	3 to 12 months UShs '000	Above 12 months UShs '000	Total UShs '000
As at March 31, 2026				
Lease liabilities	34,297	102,890	115,586	252,773
Trade and other payables	<u>50,323,715</u>	-	-	<u>50,323,715</u>
	<u>50,358,012</u>	<u>102,890</u>	<u>115,586</u>	<u>50,576,488</u>
As at March 31, 2025				
Lease liabilities	33,211	99,632	244,769	377,612
Trade and other payables	<u>36,894,308</u>	-	-	<u>36,894,308</u>
	<u>36,927,519</u>	<u>99,632</u>	<u>244,769</u>	<u>37,271,920</u>

d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide employment and returns for shareholders and to maintain a capital structure that optimises the cost of capital. In order to optimise the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or modify its level of borrowings.

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2026 US\$ '000	2025 US\$ '000
4. Revenue		
Local sales	242,291,410	202,689,365
Export sales	<u>48,202,342</u>	<u>64,440,569</u>
	<u>290,493,752</u>	<u>267,129,934</u>
Revenues mainly relate to the sale of ARVs and ACTs as shown in the table below:		
ARVs	212,788,825	203,781,236
ACTs	71,339,726	57,709,006
Other pharmaceutical products	<u>6,365,201</u>	<u>5,639,692</u>
	<u>290,493,752</u>	<u>267,129,934</u>
5. Cost of sales		
Materials consumed	105,404,944	111,824,251
Other overheads	34,169,919	31,783,863
Staff expenses (note 8)	7,655,076	8,650,813
Depreciation of property, plant, equipment and right-of-use assets (note 9)	7,906,526	8,247,728
Stock write-off	-	1,145,064
Royalties	105,940	53,632
Reversal of provision for obsolete inventories	<u>(523,462)</u>	<u>(3,062,993)</u>
	<u>154,718,943</u>	<u>158,642,358</u>
6. Other income		
Sale of scrap	26,949	269,522
Loss on disposal of property, plant, equipment and right-of-use assets	-	(62,548)
	<u>26,949</u>	<u>206,974</u>
7. General and administrative expenses		
Staff expenses (note 8)	42,514,993	30,183,762
Other administration expenses	12,085,273	14,093,925
Office expenses	4,695,656	3,880,909
Advertising and promotions	2,242,124	1,441,302
Depreciation of property, plant, equipment and right-of-use assets (note 9)	1,295,171	1,341,750
Professional fees	1,775,846	648,479
Amortisation of intangible assets (note 16)	1,334,013	489,750
Bank charges	291,682	339,559
Auditor's remuneration	<u>91,087</u>	<u>154,747</u>
	<u>66,325,845</u>	<u>52,574,183</u>

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2026 UShs '000	2025 UShs '000
8. Staff expenses		
Salaries and wages	23,395,561	21,801,832
Provident fund	3,755,125	3,858,109
Medical costs	2,532,444	2,650,619
NSSF contribution	2,581,466	2,395,363
Long-term incentive scheme*	11,019,556	2,269,953
Catering	2,096,083	2,252,250
Provision for staff bonus	2,557,427	1,990,962
Staff welfare	2,269,182	1,538,780
Staff recruitment costs	20,520	53,742
Training costs	28,955	28,447
Reversal of leave provision	(86,250)	(5,482)
	50,170,069	38,834,575
Staff costs are allocated as follows:		
Cost of sales (note 5)	7,655,076	8,650,813
General and administrative expenses (note 7)	42,514,993	30,183,762
	50,170,069	38,834,575

*The Board of Directors had previously approved a long-term incentive scheme in the year ending March 31, 2025, for select employees to align with the Company's growth objectives, which has since been renewed through to 2028.

In accordance with IFRS 2 Share Based Payments, a provision continues to be recognised based on forecast performance. For the year ended March 31, 2026, the increase in the provision reflects improved performance against targets as well as accruals for subsequent periods following the renewal of the scheme through to 2028. The provision is reassessed at each reporting date to ensure the carrying amount represents the Company's best estimate of its obligation.

	2026 UShs '000	2025 UShs '000
9. Depreciation of property, plant, equipment and right-of-use assets		
Depreciation is allocated as follows:		
Cost of sales (note 5)	7,906,526	8,247,728
General and administrative expenses (note 7)	1,295,171	1,341,750
	9,201,697	9,589,478

10. Finance income

Interest income from bank deposits	4,971,986	4,563,153
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11. Finance costs

Net foreign exchange loss	522,115	2,081,782
Interest expense on bank overdraft	82,763	140,404
Interest expense on lease liabilities	45,856	35,330
Commitment fees on term loan	269,625	-
	920,359	2,257,516

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2026 UShs '000	2025 UShs '000
12. Profit before tax		
Profit before tax is stated after charging:		
Depreciation of property, plant, equipment and right-of-use assets	9,201,697	9,589,478
Net foreign exchange loss	522,115	2,081,782
Amortisation of intangible assets	1,334,013	489,750
Auditor's remuneration	91,087	154,747
Loss on disposal of property, plant, equipment and right-of-use assets	-	(62,548)
	<u> </u>	<u> </u>
13. Taxation		
a) Amounts recognised in statement of profit or loss		
Current tax	23,878,964	20,042,570
Deferred tax	(2,415,604)	980,918
	<u>21,463,360</u>	<u>21,023,488</u>
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:		
	2026 UShs '000	2025 UShs '000
Profit before tax	77,892,522	61,676,400
Tax calculated at the statutory income tax rate of 30%	23,367,757	18,502,920
Tax effect on non-deductible expenses	<u>(1,904,397)</u>	<u>2,520,568</u>
	<u>21,463,360</u>	<u>21,023,488</u>
b) Deferred tax asset / (liability)	<u>1,279,604</u>	<u>(1,136,000)</u>
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:		
	2026 UShs '000	2025 UShs '000
Reconciliation of deferred tax		
At the beginning of year	(1,136,000)	(155,083)
Deductible temporary differences on property, plant, equipment and right-of-use assets	467,160	137,511
Deductible / (taxable) temporary difference on provisions	3,131,239	(1,201,492)
Deductible / (taxable) temporary difference on foreign exchange differences	126,701	(186,452)
(Taxable) / deductible temporary differences on impairment allowance	<u>(1,309,496)</u>	<u>269,516</u>
	<u>1,279,604</u>	<u>(1,136,000)</u>
c) Current tax recoverable		
Balance at beginning of the year	-	287,392
Current tax for the year recognised in profit or loss	(23,878,964)	(20,042,570)
Tax paid	23,878,964	19,755,178
Balance at end of the year	<u>-</u>	<u>-</u>

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Leasehold land*	Buildings	Plant & machinery	Furniture & fittings	Motor vehicles	Computers	Tools & equipment	Right-of-use asset	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
COST									
Balance at April 1, 2024	2,776,233	34,024,026	91,806,477	1,823,379	3,499,645	4,397,554	8,467,503	356,459	147,151,276
Additions	-	561,128	804,664	125,384	257,115	251,218	754,750	116,148	2,870,407
Transfer from CWIP (note 15)	-	85,495	1,347,475	2,733	-	131,605	70,597	-	1,637,905
On disposal	-	-	(2,383,606)	(268,083)	-	(409,817)	(415,155)	-	(3,476,661)
Balance at March 31, 2025	2,776,233	34,670,649	91,575,010	1,683,413	3,756,760	4,370,560	8,877,695	472,607	148,182,927
Balance at April 1, 2025	2,776,233	34,670,649	91,575,010	1,683,413	3,756,760	4,370,560	8,877,695	472,607	148,182,927
Additions	-	-	-	5,169	13,814	-	38,848	-	57,831
Transfer from CWIP (note 15)	-	193,659	1,312,632	21,380	-	255,294	-	-	1,782,965
Balance at March 31, 2026	2,776,233	34,864,308	92,887,642	1,709,962	3,770,574	4,625,856	8,916,541	472,607	150,023,723
ACCUMULATED DEPRECIATION									
Balance at April 1, 2024	-	13,486,365	58,511,308	1,691,671	1,699,743	3,869,915	6,457,040	117,863	85,833,905
Depreciation charge for the year	-	1,367,707	5,890,347	94,877	827,773	324,008	989,674	95,092	9,589,478
On disposals	-	-	(2,321,464)	(268,082)	-	(409,745)	(414,821)	-	(3,414,112)
Balance at March 31, 2025	-	14,854,072	62,080,191	1,518,466	2,527,516	3,784,178	7,031,893	212,955	92,009,271
Balance at April 1, 2025	-	14,854,072	62,080,191	1,518,466	2,527,516	3,784,178	7,031,893	212,955	92,009,271
Depreciation charge for the year	-	1,394,572	5,682,927	65,343	706,027	426,723	829,027	97,078	9,201,697
Balance at March 31, 2026	-	16,248,644	67,763,118	1,583,809	3,233,543	4,210,901	7,860,920	310,033	101,210,968
NET CARRYING VALUE									
Balance at March 31, 2026	2,776,233	18,615,664	25,124,524	126,153	537,031	414,955	1,055,621	162,574	48,812,755
Balance at March 31, 2025	2,776,233	19,816,577	29,494,819	164,947	1,229,244	586,382	1,845,802	259,652	56,173,656

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 US\$ 501,233 thousand that was incurred in regularising the lease on the land from Uganda Investment Authority.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Capital work-in-progress

	Buildings	Plant & machinery	Furniture and fittings	Computers	Tools & equipment	Software	Total
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Balance at April 1, 2024	889,711	1,023,074	2,733	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 and equipment	(85,495)	(1,347,475)	(2,733)	(131,605)	(70,597)	-	(1,637,905)
Transfer to intangible assets (note 16)	-	-	-	-	-	(459,750)	(459,750)
Balance at March 31, 2025	48,203	2,220,848	-	-	57,802	1,558,568	3,885,421
Balance at April 1, 2025	48,203	2,220,848	-	-	57,802	1,558,568	3,885,421
Additions	4,702,622	5,838,339	433,291	443,457	741,372	5,867,522	18,026,603
Transfer to property, plant and equipment	(193,659)	(1,312,632)	(21,380)	(255,294)	-	-	(1,782,965)
Balance at March 31, 2026	4,557,166	6,746,555	411,911	188,163	799,174	7,426,090	20,129,059

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2026 UShs '000	2025 UShs '000
16. Intangible assets		
Cost		
At start of year	4,957,550	3,863,948
Transfer from CWIP (note 15)	-	459,750
Additions	2,719,253	633,852
At end of year	7,676,803	4,957,550
Accumulated amortisation		
At start of year	3,902,680	3,412,930
Amortisation for the year	1,334,013	489,750
At end of year	5,236,693	3,902,680
Net carrying value	2,440,110	1,054,870
The intangible asset mainly consists of various IT software applications.		
17. Inventories		
Raw materials	33,656,982	43,516,694
Finished goods	33,455,102	21,713,743
Work-in-progress	12,634,070	7,316,724
Packing materials	6,045,744	6,790,916
Stocks in transit	6,832,042	13,023,187
Spares and consumables	1,618,230	1,571,837
	94,242,170	93,933,101
Less: provision for obsolete inventories	(2,883,667)	(3,407,129)
	91,358,503	90,525,972
18. Trade and other receivables		
Financial assets		
Trade receivables	41,507,160	31,495,748
Less: expected credit losses	(4,752,463)	(9,117,445)
	36,754,697	22,378,303
Non-financial assets		
Advance payments to suppliers	8,390,140	13,870,479
Other receivables*	3,934,625	4,515,027
VAT recoverable	1,149,832	644,331
Prepayments	1,393,756	859,156
Deferred finance charges	660,600	-
Staff advances	40,549	3,108
	52,324,199	42,270,404
Movement in expected credit losses		
Opening balance	9,117,445	12,367,841
Reversal of impairment allowance **	(4,364,982)	(3,250,396)
Closing balance	4,752,463	9,117,445

* 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.

** The reversal of impairment allowance for the year is mainly related to the collection of overdue amounts from the Government of Zambia that had been fully impaired in previous years.

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Trade and other receivables (continued)

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

	2026	2025
	US\$ '000	US\$ '000
Grading of receivables		
High grade (0–90 days)	30,445,149	22,855,629
Standard grade (91–365 days)	6,309,548	19,481
Collectively impaired (over 365 days)	423,227	4,149,370
Individually impaired and over 365 days	4,329,236	4,471,268
Total	41,507,160	31,495,748

The movement in gross trade receivables is as follows:

Movement in trade receivables		
Opening balance	31,495,748	31,848,677
Sales during the year	290,493,752	267,129,934
Receipts	(280,482,340)	(267,482,863)
Closing balance	41,507,160	31,495,748

Expected credit loss assessment for customers

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

As at March 31, 2026	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		US\$ '000	US\$ '000	
Current (not past due)	0.06%	25,459,555	15,117	No
1-30 days past due	0.11%	4,866,192	5,130	No
31-60 days past due	3.96%	542,629	21,481	No
61-90 days past due	61.08%	198,656	121,330	No
90 -180 days past due	18.92%	6,009,429	1,137,231	No
180 -365 days past due	87.30%	101,463	88,577	Yes
More than 365 past due	77.69%	4,329,236	3,363,597	Yes
		41,507,160	4,752,463	
As at March 31, 2025				
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		US\$ '000	US\$ '000	
Current (not past due)	2.08%	22,283,644	464,821	No
1-30 days past due	35.13%	24,432	8,583	No
31-60 days past due	-	-	-	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
180 -365 days past due	-	-	-	No
More than 365 past due	100.00%	8,620,638	8,620,638	Yes
		31,495,748	9,117,445	

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2026 US\$ '000	2025 US\$ '000
19. Cash in hand and at bank		
Cash in hand	2,194	1,486
Cash at bank	<u>22,446,729</u>	<u>34,988,320</u>
	<u>22,448,923</u>	<u>34,989,806</u>

The cash and bank balances are held at Stanbic Bank Uganda Limited and Absa 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 March 31, 2026 (2025: Nil).

The Company obtained an overdraft facility with Stanbic Bank Uganda Limited to support short-term cash flow management. The facility carries a limit of USD 15 million (2025: USD 15 million) and bears interest at 3.75% per annum above the 3-month Secured Overnight Financing Rate (SOFR). The utilised outstanding balance as at March 31, 2026 was US\$ Nil (2025: US\$ Nil).

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

	2026 US\$ '000	2025 US\$ '000
USD	891,168	1,211,268
Uganda Shillings	<u>21,555,561</u>	<u>33,777,052</u>
	<u>22,446,729</u>	<u>34,988,320</u>

20. Share capital

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

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

On October 5, 2016, the shareholders pursuant to Section 71 and Article 45(b) of Table A of the Companies Act Cap. 106 and Article 20(b) of the Company's Articles of Association, resolved that the par value of each share in the Company be adjusted by way of a share split from US\$ 5,000 to US\$ 12.5 per share and the number of shares was increased accordingly from 9,129,773 to 3,651,909,200 ordinary shares.

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

b) Shareholding

The top ten direct shareholders in the Company are shown in the table below.

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Share capital (continued)

b) Shareholding (continued)

	2026		2025	
	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%
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 March 31, 2026	No. of investors	No. of shares held	Percentage holding
Between 0 and 1,000 Shares	461	393,942	0.01%
Between 1,001 and 5,000 Shares	954	2,647,602	0.07%
Between 5,001 and 10,000 Shares	404	3,429,457	0.09%
Between 10,001 and 1,000,000 Shares	745	49,919,320	1.37%
Above 1,000,001 Shares	13	3,595,518,879	98.46%
	2,577	3,651,909,200	100.00%
Holding at March 31, 2025			
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	98.49%
	2,534	3,651,909,200	100.00%

d) Earnings per share

Profit attributable to ordinary equity holders of the Company (US\$)	56,429,162	40,652,912
Weighted average number of ordinary shares in issue during the year	3,651,909,200	3,651,909,200
	15.45	11.13

QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Share capital (continued)

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

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

21. Reserves

On December 21, 2005, the Company leased land at Luzira Industrial Park from Uganda Investment Authority ("lessor") for an initial period of five years. The land was developed and the lease was subsequently extended to 99 years after notification by the Company to the lessor of its intention to renew the lease. The leasehold land was valued at an initial sum of US\$ 2.2 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 at the Annual General Meeting to be held on June 30, 2026, the Board of Directors has recommended a final dividend of US\$ 6.4 per share, increasing the total dividend to US\$ 16.6 per share for the financial year ended March 31, 2026 (2025: a dividend of US\$ 13.5 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.

	2026	2025
	US\$ '000	US\$ '000
23. Right-of-use assets and lease liabilities		
a) Right-of-use assets		
At start of year	259,652	238,596
Additions	-	116,148
Depreciation	(97,078)	(95,092)
At end of year	162,574	259,652
b) Lease liabilities		
Current	106,518	103,145
Non-current	92,525	175,596
At end of year	199,043	278,741
Cash outflows for leases during the year comprised:		
Payments for principal portion of lease liabilities	107,954	91,380
Payments of interest on lease liabilities	45,856	35,330
	153,810	126,710

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2026	2025
	US\$ '000	US\$ '000
23. Right-of-use assets and lease liabilities (continued)		
c) Reconciliation of lease liabilities		
At start of year	278,741	277,726
New lease	-	116,148
Charged to statement of profit or loss:		
Interest on finance lease liabilities	45,856	35,330
Foreign exchange loss / (gain)	28,256	(23,753)
Cash flows:		
Cash flows used in financing activities	(153,810)	(126,710)
At end of year	199,043	278,741

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.

	2026	2025
	US\$ '000	US\$ '000
24. Trade and other payables		
Financial liabilities		
Trade payables	25,321,185	20,937,598
Accruals*	25,002,530	15,956,710
Non-financial liabilities		
Advances from customers	1,892,617	2,472,196
Withholding tax payable	2,618,818	1,628,157
	54,835,150	40,994,661

* Included within accruals is a provision for long-term incentive scheme amounting to US\$ 13.3 billion (2025: US\$ 2.3 billion). Details of the long-term incentive scheme are provided in note 8. The remaining accruals balance relates to outstanding obligations to suppliers.

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 48.82% shareholding is held mainly by the Co-Founders and four institutional 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 US\$ 7.4 billion for the year ended March 31, 2026 (2025: US\$ 6.8 billion).

26. Segment information

The Company operates as a single segment, the financial information presented in the statement of profit or loss and other comprehensive income, statement of financial position, and statement of cash flows represent the results, assets, and liabilities of this segment. No further disaggregation is considered necessary.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Segment information (continued)

Geographic Information

The Company's operations are based in Uganda, with sales made both locally and to regional markets within Africa. Below is the disaggregation between local sales and exports.

Segment revenue

	2026	2025
	UShs '000	UShs '000
Local sales	242,291,410	202,689,365
Exports	48,202,342	64,440,569
	<u>290,493,752</u>	<u>267,129,934</u>

Major customers

For the years ended March 31, 2026 and March 31, 2025, revenue from sovereign customers, including the National Medical Stores (Government of Uganda), together with multilateral agencies such as the Global Fund to Fight AIDS, Tuberculosis and Malaria and the U.S. President's Malaria Initiative, accounted for more than 90% of the Company's total revenue.

Non-current assets

All of the Company's non-current assets are located in Uganda. These primarily comprise property, plant and equipment, intangible assets, and right-of-use assets. No significant non-current assets are held outside Uganda.

27. 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.

28. Commitments

The Company had the following significant outstanding commitments as at March 31, 2026 (2025: UShs Nil)

a) Guarantee to customer

The Company has issued a performance bond/guarantee of UShs 932.5 million (USD 246,044) through Stanbic Bank (U) Limited on behalf of a customer in favour of the Zambia Medicines and Medical Supplies Agency. The bond represents an undertaking by the Company to facilitate the execution of an order between the parties. The guarantee expired on May 11, 2026.

b) Financing arrangements

During the year, the Company entered into a term loan facility agreement with Stanbic Bank Uganda Limited for a facility of up to UShs 136.4 billion (USD 36.0 million) to finance construction activities. The facility bears interest at a variable rate comprising term SOFR plus a margin of 3.75% per annum.

The facility accrues commitment fees daily from the effective date on the undrawn and uncanceled portion of the facility at 30% of the margin per annum.

The facility has a final maturity of 84 months from the date of first utilisation. Principal repayments are payable after a 24-month grace period and thereafter amortised in 20 equal quarterly instalments. The facility is secured by a first ranking fixed and floating charge over all the Company's present and future assets.

As at March 31, 2026, no amounts had been drawn under the facility.

**QUALITY CHEMICAL INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Commitments (continued)

c) Capital commitments

During the year, the Company entered into a contract with a reputable contractor for the construction of a second manufacturing plant and an administrative block intended to expand production capacity, at a total contract value of US\$ 56.0 billion. As at March 31, 2026, advance payments of US\$ 11.2 billion had been made under the contract.

The remaining US\$ 44.8 billion represents outstanding capital commitments which have not been recognised in the financial statements as at the reporting date.

d) Purchase commitments

As at year-end, the Company had committed to raw material purchases totalling US\$ 2.1 billion, payable upon delivery in accordance with the agreed terms.

29. Events after the reporting period

Subsequent to the reporting date, the Company collected USD 1.4 million (US\$ 5.3 billion) from Medpro Pharmaceutica (Pty) Limited in settlement of a portion of the long outstanding receivable balance of USD 3.0 million (US\$ 11.5 billion) outstanding at year end.

30. Comparatives

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