

The Directors of Cipla Quality Chemical Industries Limited ("CiplaQCI" or "the Company") present the summary financial statements for the year ended 31 March 2021.

## Independent auditor's report to members of Cipla Quality Chemical Industries Limited

### Opinion

The summary financial statements, which comprise the statement of financial position as at 31 March 2021, the summary statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and related notes, are derived from the audited financial statements of Cipla Quality Chemical Industries Limited for the year ended 31 March 2021.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements of the Company for the year ended 31 March 2021 on the basis described in the Basis of preparation section of the summary financial statements.

### Summary financial statements

The summary financial statements do not contain all the disclosures as required by International Financial Reporting Standards (IFRS) and the Companies Act, 2012. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statement and the auditor's report thereon.

### The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 30 August 2021. That report also includes the communication of Key Audit Matters. Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 March 2021.

### Directors' responsibility for the summary financial statements

The Directors are responsible for the preparation of the summary financial statements as described in basis of preparation section of the summary financial statements.

### Auditor's responsibilities for the summary financial statements

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material aspects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

  
Grant Thornton

Certified Public Accountants  
30 August 2021  
Kampala, Uganda

## SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2021 UShs '000	2020 UShs '000
Revenue	284,539,939	192,681,692
Cost of sales	(229,514,053)	(160,970,801)
<b>Gross profit</b>	<b>55,025,886</b>	<b>31,710,891</b>
Other income	149,887	38,507
Impairment allowance on financial assets	(9,061,502)	(32,169,969)
General and administrative expenses	(51,646,048)	(31,382,873)
<b>Operating loss</b>	<b>(5,531,777)</b>	<b>(31,803,444)</b>
Finance costs and finance income - net	(4,162,471)	(3,928,097)
<b>Loss before tax</b>	<b>(9,694,248)</b>	<b>(35,731,541)</b>
Income tax (expense)/ credit	(843,995)	12,658,678
<b>Loss for the year</b>	<b>(10,538,243)</b>	<b>(23,072,863)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(10,538,243)</b>	<b>(23,072,863)</b>
<b>Basic loss per share</b>	<b>(2.89)</b>	<b>(6.32)</b>

## 2020-21 Financial Results

### SUMMARY STATEMENT OF FINANCIAL POSITION

	2021 UShs '000	2020 UShs '000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant, equipment and right-of-use assets	62,695,252	54,189,768
Capital work-in-progress	7,194,385	19,279,748
Intangible assets	1,226,370	1,358,075
Deferred tax asset	11,180,841	10,501,984
	<b>82,296,848</b>	<b>85,329,575</b>
<b>CURRENT ASSETS</b>		
Inventories	68,808,084	70,725,283
Trade and other receivables	65,197,093	87,577,601
Current tax receivable	859,240	758,584
Cash in hand and at bank	9,064,768	4,075,600
	<b>143,929,185</b>	<b>163,137,068</b>
<b>TOTAL ASSETS</b>	<b>226,226,033</b>	<b>248,466,643</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	45,648,865	45,648,865
Capital grant	2,275,000	2,275,000
Retained earnings	87,755,099	97,313,531
	<b>135,678,964</b>	<b>145,237,396</b>
<b>NON-CURRENT LIABILITIES</b>		
Term loan	24,472,000	-
Lease liabilities	248,453	406,695
	<b>24,720,453</b>	<b>406,695</b>
<b>CURRENT LIABILITIES</b>		
Term loan	8,740,000	-
Lease liabilities	217,316	289,725
Trade and other payables	55,441,065	55,457,880
Bank overdraft	1,428,235	47,074,947
	<b>65,826,616</b>	<b>102,822,552</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>226,226,033</b>	<b>248,466,643</b>

### SUMMARY STATEMENT OF CHANGES IN EQUITY

	Share Capital UShs'000	Capital grant UShs'000	Retained earnings UShs'000	Total UShs'000
<b>At 1 April 2019</b>	45,648,865	2,275,000	120,386,394	168,310,259
<b>Total comprehensive loss for the year</b>	-	-	(23,072,863)	(23,072,863)
Loss for the year	-	-	(23,072,863)	(23,072,863)
Other comprehensive income	-	-	-	-
<b>At 31 March 2020</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>97,313,531</b>	<b>145,237,396</b>
<b>At 1 April 2020</b>	45,648,865	2,275,000	97,313,531	145,237,396
<b>Total comprehensive loss for the year</b>	-	-	(10,538,243)	(10,538,243)
Loss for the year	-	-	(10,538,243)	(10,538,243)
Gain on purchase of Quality Chemicals Limited human pharmaceutical distribution business	-	-	1,399,730	1,399,730
Tax on gain from purchase of Quality Chemicals Limited human pharmaceutical distribution business	-	-	(419,919)	(419,919)
Other comprehensive income	-	-	-	-
<b>At 31 March 2021</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>87,755,099</b>	<b>135,678,964</b>

### SUMMARY STATEMENT OF CASH FLOWS

	2021 UShs '000	2020 UShs '000
<b>OPERATING ACTIVITIES</b>		
Loss before tax	(9,694,248)	(35,731,541)
Adjustment for:		
Impairment allowance on financial assets	9,061,502	32,169,969
Depreciation	8,114,787	6,393,020
Deferred factory costs written off	1,644,274	-
Amortisation	296,215	- 429,368
Provision for obsolete inventories	1,992,013	1,307,036
Gain on disposal of property and equipment	(33,898)	(2,730)
Interest expense	2,509,130	3,960,507
<b>Cash generated from operations</b>	<b>13,889,775</b>	<b>8,525,629</b>
Interest paid on bank overdraft	(1,698,673)	(3,898,390)
Interest paid on term loan	(753,561)	-
Payment for interest on lease liabilities	(56,896)	(62,116)
Tax paid	(2,043,427)	(758,584)
Changes in:		
- inventories	1,789,219	9,188,843
- trade and other receivables	16,703,353	20,290,407
- trade and other payables	(292,298)	(10,054,877)
<b>Net cash generated from operating activities</b>	<b>27,537,492</b>	<b>23,230,912</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	33,898	2,730
Purchase of property, plant and equipment	(6,199,446)	(3,535,093)
Additions to capital work-in-progress	-	(11,311,254)
Purchase of intangible assets	(164,510)	(49,311)
Purchase of human drug business	(3,848,651)	-
<b>Net cash used in investing activities</b>	<b>(10,178,709)</b>	<b>(14,892,928)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from term loan	35,245,000	-
Repayment of term loan	(1,743,250)	-
Payment for principal portion of lease liability	(224,653)	(132,782)
<b>Net cash from/ (used in) financing activities</b>	<b>33,277,097</b>	<b>(132,782)</b>
Net change in cash and cash equivalents	50,635,880	8,205,202
Cash and cash equivalents at start of year	(42,999,347)	(51,204,549)
<b>Cash and cash equivalents at end of year</b>	<b>7,636,533</b>	<b>(42,999,347)</b>

### Basis of preparation

The summary financial statements of the Company for the year ended 31 March 2021 were prepared in accordance with the criteria established by management under which the Company discloses the summary statements of financial position, profit or loss and other comprehensive income, cash flows and changes in equity. The summary financial statements are derived from the audited financial statements of the Company which are prepared in accordance with International Finance Reporting Standards (IFRS) and in a manner required by the Companies Act, 2012.

### Abbreviations

<b>ARV</b>	Antiretroviral medications that are used for the treatment of HIV/AIDS
<b>FY</b>	Financial Year
<b>GoZ</b>	Government of Zambia
<b>NDA</b>	National Drug Authority
<b>UShs</b>	Uganda Shillings
<b>USD</b>	United States Dollar
<b>WHO</b>	World Health Organization

## Cipla Quality Chemical Industries Limited 2020-21 Financial Results

### About the Company

CiplaQCI is a pharmaceutical manufacturer based in Kampala, Uganda whose manufacturing facility was commissioned in 2009. In September 2018, CiplaQCI became the first publicly listed pharmaceutical company in East Africa following successful Initial Public Offering on the Uganda Securities Exchange. The Company focuses primarily on the production of quality WHO pre-qualified first-line treatments for HIV/AIDS and Malaria. It also manufactures the two first-line WHO-recommended therapies for Hepatitis B. CiplaQCI obtained regulatory approval for the new first line triple combination ARV therapy for males, tenofovir lamivudine dolutegravir, from NDA Uganda.

### Financial Performance

**Revenue**  
Sales grew by 48% from UShs 192.7 billion in FY 2019-20 to UShs 284.5 billion in FY 2020-21. The growth was mainly due to new customers in the export segment and increase in sales to multilateral agencies. Sales were further boosted by increase in contract manufacturing and entry into the private market distribution segment.

**Gross profit margin** remained stable at 19% in both years. The higher margin ARV sales were 74% of the total sales in FY 2020-21 compared to 61% in FY 2019-20. The gross profit margin was diluted by an increase in the lower margin contract manufacturing business. The Company continues to compete on price and win new business leading to reduced margins but increased sales and gross profit.

**Impairment allowance on financial assets** mainly comprised a final allowance for receivables from Government of Zambia (GoZ). The Company has a receivable from GoZ of UShs 42.9 billion which was fully impaired after recording an additional impairment allowance of UShs 9.1 billion in the current period.

GoZ continues to acknowledge this obligation to the Company but payment has taken longer than expected leading to a directors' decision to impair the debt fully. Collection initiatives including government support are continuing and any receipts will improve the results of the period in which they are received.

**General and administrative expenses** increased by UShs 15.0 billion or 41% mainly due to increase in sales promotion efforts to support the aggressive expansion drives, enhancement of the staff medical scheme and normal salary adjustments. Costs were further increased by expenditure on COVID-19 safety related procedures and write off of deferred factory design consultancy costs.

**Finance costs and income** - net movement is partly explained by increase in exchange losses by UShs 1.7 billion due to strengthening of the Uganda Shilling against the USD and increased USD denominated receivables resulting from last quarter sales.

The effect was partly offset by a reduction in interest costs by UShs 1.5 billion after restructuring part of the overdraft facility.

### Dividend

The directors do not recommend the payment of a dividend for the financial year ended 31 March 2021.

### Message from the Directors

The above summary financial statements are derived from the Company's financial statements which were audited by Grant Thornton Certified Public Accountants, who issued an unqualified opinion. A copy of the audited financial statements can be obtained from CiplaQCI's Registrar, M/s Uganda Securities Exchange Nominees Ltd located at 4th Floor, Block A, UAP Nakawa Business Park, Plot 3-4, New Port Bell Road, Kampala, Uganda.

The financial statements can also be viewed on our website: [www.ciplaqci.co.ug](http://www.ciplaqci.co.ug)

The financial statements were approved by the Board of Directors on 30 August 2021.



Emmanuel Katongole  
Executive Chairman



Nevin Bradford  
Chief Executive Officer