

The Directors of Cipla Quality Chemical Industries Limited ("the Company" or "CiplaQCIL") are pleased to present the summary audited financial statements for the year ended 31 March 2023.

### Independent auditor's report on summary financial statements to the members of Cipla Quality Chemical Industries Limited

#### Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 March 2023, 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 2023.

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 2023 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 auditor's report thereon, therefore, is not a substitute for reading the audited financial statements 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 19 May 2023. 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 2023.

#### Directors' responsibility for the summary financial statements

The Directors are responsible for the preparation of the summary financial statements as described in the 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*

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

19 May 2023

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

	2023 UShs '000	2022 UShs '000
Revenue	221,466,376	267,432,354
Cost of sales	(154,457,788)	(196,723,381)
<b>Gross profit</b>	<b>67,008,588</b>	<b>70,708,973</b>
Other income	333,096	127,990
General and administrative expenses	(53,995,292)	(51,726,786)
Reversal of impairment allowance on trade receivable	15,661,237	20,207,101
<b>Operating profit</b>	<b>29,007,629</b>	<b>39,317,278</b>
Finance income	3,843,980	-
Finance costs	(1,068,230)	(1,543,062)
<b>Profit before tax</b>	<b>31,783,379</b>	<b>37,774,216</b>
Taxation	(12,796,661)	(13,723,615)
<b>Profit for the year</b>	<b>18,986,718</b>	<b>24,050,601</b>
Other comprehensive income	-	-
<b>Total comprehensive profit for the year</b>	<b>18,986,718</b>	<b>24,050,601</b>
Basic and diluted earnings per share (UShs)	5.20	6.59

### SUMMARY STATEMENT OF FINANCIAL POSITION

	2023 UShs '000	2022 UShs '000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant, equipment and right-of-use assets	67,339,505	65,055,052
Capital work-in-progress	3,022,079	3,715,964
Intangible assets	901,412	1,332,567
Deferred tax asset	-	5,139,094
	<b>71,262,996</b>	<b>75,242,677</b>
<b>CURRENT ASSETS</b>		
Inventories	66,335,779	80,391,616
Trade and other receivables	62,951,599	82,503,740
Income tax recoverable	2,104,114	58,595
Cash and cash equivalents	10,812,571	8,486,203
	<b>142,204,063</b>	<b>171,440,154</b>
<b>TOTAL ASSETS</b>	<b>213,467,059</b>	<b>246,682,831</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
Proposed dividend	9,129,773	7,303,818
Retained earnings	114,358,827	104,501,882
	<b>171,412,465</b>	<b>159,729,565</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liability	1,074,232	-
Term loan	-	18,888,375
Lease liabilities	67,462	137,536
	<b>1,141,694</b>	<b>19,025,911</b>
<b>CURRENT LIABILITIES</b>		
Term loan	5,400,750	6,868,500
Lease liabilities	49,816	109,850
Trade and other payables	35,462,334	60,949,005
	<b>40,912,900</b>	<b>67,927,355</b>
<b>TOTAL LIABILITIES</b>	<b>42,054,594</b>	<b>86,953,266</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>213,467,059</b>	<b>246,682,831</b>

### SUMMARY STATEMENT OF CHANGES IN EQUITY

	Share capital UShs '000	Capital grant UShs '000	Proposed dividend UShs '000	Retained earnings UShs '000	"Total equity" UShs '000
<b>Balance as at 1 April 2021</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>-</b>	<b>87,755,099</b>	<b>135,678,964</b>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	24,050,601	24,050,601
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>-</b>	<b>111,805,700</b>	<b>159,729,565</b>
<b>Transaction with owners of the Company</b>					
Proposed dividend	-	-	7,303,818	(7,303,818)	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>7,303,818</b>	<b>(7,303,818)</b>	<b>-</b>
<b>Balance as at 31 March 2022</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>7,303,818</b>	<b>104,501,882</b>	<b>159,729,565</b>
<b>Balance as at 1 April 2022</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>7,303,818</b>	<b>104,501,882</b>	<b>159,729,565</b>
<b>Total comprehensive profit for the year</b>					
Profit for the year	-	-	-	18,986,718	18,986,718
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>7,303,818</b>	<b>123,488,600</b>	<b>178,716,283</b>
<b>Transaction with owners of the Company</b>					
Proposed dividend	-	-	9,129,773	(9,129,773)	-
Dividend paid	-	-	(7,303,818)	-	(7,303,818)
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>1,825,955</b>	<b>(9,129,773)</b>	<b>(7,303,818)</b>
<b>Balance as at 31 March 2023</b>	<b>45,648,865</b>	<b>2,275,000</b>	<b>9,129,773</b>	<b>114,358,827</b>	<b>171,412,465</b>

**SUMMARY STATEMENT OF CASH FLOWS**

	2023 UShs '000	2022 UShs '000
<b>Operating activities</b>		
Profit before tax	31,783,379	37,774,216
Adjustment for:		
- Impairment allowance on financial assets	(15,661,237)	(20,207,101)
- Depreciation	9,268,639	8,621,402
- Amortisation	474,448	449,770
- Movement in provision for obsolete stock	(1,209,486)	2,856,625
- Gain on sale of property, plant and equipment	(265,812)	(33,898)
- Interest expense	1,068,230	1,399,016
	25,458,161	30,860,030
Changes in:		
- Inventories	15,265,323	(14,440,157)
- Trade and other receivables	34,503,378	2,900,454
- Trade and other payables	(23,690,439)	4,280,112
<b>Cash generated from operating activities</b>	<b>51,536,423</b>	<b>23,600,439</b>
Interest paid on bank overdraft	(293,227)	(296,257)
Interest paid on term loan	(744,359)	(1,058,854)
Payment of interest on lease liabilities	(30,644)	(43,905)
Tax paid	(8,628,854)	(6,301,922)
<b>Net cash generated from operating activities</b>	<b>41,839,339</b>	<b>15,899,501</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	303,434	33,898
Purchase of property, plant and equipment	(7,884,021)	(3,850,490)
Additions to capital work-in-progress	(3,012,808)	(3,652,294)
Purchase of intangible assets	(43,293)	(555,967)
<b>Net cash used in investing activities</b>	<b>(10,636,688)</b>	<b>(8,024,853)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(7,303,818)	-
Repayment of term loan	(21,424,375)	(6,811,500)
Repayment of lease liability	(148,090)	(213,478)
<b>Net cash used in financing activities</b>	<b>(28,876,283)</b>	<b>(7,024,978)</b>
Net change in cash and cash equivalents	2,326,368	849,670
Cash and cash equivalents at start of year	8,486,203	7,636,533
<b>Cash and cash equivalents at the end of year</b>	<b>10,812,571</b>	<b>8,486,203</b>

**Basis of preparation**

The summary financial statements of the Company for the year ended 31 March 2023 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.

**Financial Performance**
**Revenue**

Revenue decreased compared to FY 2021-22 under difficult trading conditions, which include ongoing cost pressure and supply chain disruptions. Export sales were hit hardest, declining by 38%, mainly because of the reduction in the contract manufacturing business.

Sales for FY 2022-23 were US\$ 221.5 billion compared to US\$ 267.4 billion in FY 2021-22.

**Gross profit**

Gross profit margin improved by 4% compared to FY 2021-22 due to continued focus on operational excellence and product mix.

**Operating profit**

Operating profit reduced by 26% to US\$ 29.0 billion compared to FY 2021-22.

A benefit of reversal of impairment allowance on trade receivables was recorded after recovery of some overdue amounts resulting from earlier sales to Government of Zambia (GoZ). The Company collected US\$ 14.7 billion from GoZ. GoZ continues to acknowledge

the unpaid balance, and the Company's collection initiatives are continuing. The Company has applied collections from GoZ to reducing its related term loan, which now stands at US\$ 5.4 billion compared to US\$ 23.2 billion in FY 2021-22.

This benefit was, however, reduced by increased general and administrative expenses resulting from inflationary headwinds.

**Finance income and costs**

Interest income was earned from short term cash placements with banks.

Early term loan repayments were effected in FY 2022-23 following receipt of long overdue amounts from GoZ. Consequently, loan interest expense reduced by 30% to US\$ 744 million compared FY 2021-22.

**Foreign exchange gain**

Foreign exchange gains in FY 2022-23 amounted to US\$ 3.2 billion compared to foreign exchange loss of US\$ 0.1 billion in FY 2021-22 mainly due to the depreciation of the Uganda Shilling against the foreign currencies.

**Profit for the year**

Profit before tax reduced by 16% to US\$ 31.8 billion compared to FY 2021-22 largely because of reduction in revenue and increased general and administrative expenses. Continued success in part collection of overdue amounts from GoZ improved the performance and supported the reduction in the loan balance and interest expense.

Profit after tax was US\$ 19.0 billion compared to US\$ 24.1 billion in FY 2021-22 representing a net profit margin of 8.6% (FY 2021-22: 9.0%).

Excluding the impact of Zambia collection, profit for the year would have been US\$ 10.3 billion (FY 2021-22: US\$ 13.3 billion) resulting in

a net profit margin of 5% (FY 2021-22: 5%)

**Cash flow**

Net cash generated from operating activities increased from US\$ 15.9 billion in FY 2021-22 to US\$ 41.9 billion in FY 2022-23 mainly due to profitable operations and part collection of the GoZ debt. Net cash used in investing activities of US\$ 10.6 billion (FY 2021-22: US\$ 8.0 billion) was to equip the new store to boost the company's storage capacity of raw materials and finished goods. Other capital expenditure was mainly to maintain factory capacity. Net cash used in financing activities of US\$ 28.9 billion (FY 2021-22: US\$ 7.0 billion) was mainly for term loan and shareholder dividend payments.

**Dividend**

Subject to approval by shareholders, the Directors recommend payment of a dividend of US\$ 2.5 (FY 2021-22: US\$ 2.0) per share for the financial year ended 31 March 2023. The dividend shall be paid to shareholders registered in the books of the Company at close of business on 7 September 2023 and will be paid on 28 September 2023.


**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 CQCIL'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.ciplaqcil.co.ug](http://www.ciplaqcil.co.ug)

The financial statements were approved by the Board of Directors on **19 May 2023**.

  
Emmanuel Katongole  
Chairman

  
Ajay Kumar Pal  
Chief Executive Officer