



ACCESS TO QUALITY AFFORDABLE MEDICINES

## CIPLA QUALITY CHEMICAL INDUSTRIES LIMITED

# CAUTIONARY ANNOUNCEMENT

The Board of Directors (the "Board") wish to inform the shareholders of Cipla Quality Chemical Industries Ltd (the Company) and potential investors that based on the assessment of the Company's performance for the year ended 31st March 2021, it is expected that the Company will record a loss.

**The loss is mainly due to the following non-recurrent events:**

**1. Full provision of the residual receivables from the Republic of Zambia of UGX. 9 billion (2020: UGX. 32 billion).**

IFRS 9 rules require recognition of additional Expected Credit Losses (the "ECL") in the financial statements for the year ending 31 March 2021.

Despite continued commitments from the Government of Zambia, only UGX. 3.9 billion was received as payment towards the long outstanding debt, and therefore the entire amount due from the Republic of Zambia has now been fully provided for.

The Board, with support from Government of Uganda, is continuing to engage the Government of the Republic of Zambia to expedite the settlement of the outstanding balance. Any funds collected from this engagement will result in a reversal of the ECL to that extent.

**2. Write-off of deferred facility construction costs following the revision of the expansion plans.**

In 2012, the Board approved construction of a second facility to increase production capacity. Payments were effected for designs and consultancies for the facility totalling to UGX. 1.6 billion. Since then, new alternative opportunities have arisen that require different configuration from those earlier developed.

Accordingly, the costs incurred for the first designs could no longer be deferred for capitalisation for a potential new facility and have now been expensed.

The impact of these events moved the Company's performance from a profit position to a loss position. The loss will, however, be very significantly lower than that reported in the previous year.

Further details of the Company annual financial performance are expected to be disclosed in the Company's audited financial statements to be published and circulated to shareholders.

By order of the Board,

  
Doreen Awanga  
COMPANY SECRETARY

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"Access to quality affordable medicines"