



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**



***Tensae and Zelalem TZ
Audit Partnership***

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY

Unqualified Opinion

We have audited the accompanying financial statement of Kilitch Estro Biotech Private Limited Company, which comprise the statement of financial position as at 31 March 2022 and statements of profit and loss for the year then ended, cash flow and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of Kilitch Estro Biotech Private Limited Company present fairly, in all material respect, the financial position of the company as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Basis for Opinion

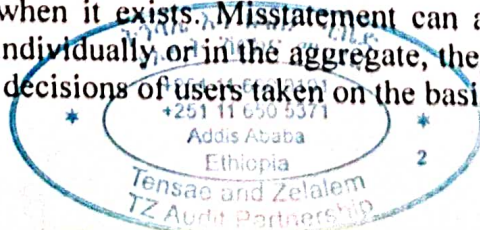
We conducted our audit in accordance with international standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements section of our report*. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management's and those Charged with Governance

Management is responsible for the preparation of the financial statements in accordance with the generally accepted accounting principle, and for such internal control as management determines 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, management is responsible for assessing the organization ability to continue as a going concern basis of accounting unless the management either intend to liquidate the organization or cease operations, or has no realistic alternative but to do so.

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 include our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statement.



As part of an audit in accordance with International Standards on Auditing, an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We 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 management regarding, among other matters, the planned scope and timing of the audit and significant audit findings.



Tensae and Zelalem TZ
Audit Partnership

Addis Ababa
1 June 2022

KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

Currency: Ethiopian Birr

	<u>Note</u>		<u>2021</u>
ASSETS			
NON CURRENT ASSETS			
Fixed Assets	2a,3	238,758,712.06	225,072,138
Leasehold land	4	4,006,295.80	4,614,978
Pre-operational costs	5	58,730,681.97	39,898,912
		<u>301,495,689.83</u>	<u>269,586,027</u>
CURRENT ASSETS			
Trade and other receivables	6	1,147,180.37	9,772,236
Stocks	7	57,669,293.85	30,791,215
Withholding tax Receivable		175,617.17	127,591
Cash and bank balances	8	50,930,046.30	36,730,777
		<u>109,922,137.69</u>	<u>77,421,819</u>
		<u>411,417,827.52</u>	<u>347,007,846</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Registered Capital	9	23,778,000.00	23,415,000
Retained earning		(22,865,947.30)	363,085
Customs difference		3,043,283.83	-
		<u>3,955,336.53</u>	<u>23,778,085</u>
NON CURRENT LIABILITIES			
Leasehold land payable		299,183.57	-
Bank term loan	10	160,000,000.00	140,000,000
		<u>160,299,183.57</u>	<u>140,000,000</u>
CURRENT LIABILITIES			
Trade and other payables	11	76,959,816.25	18,473,239
Shareholders payable		169,913,459.69	164,603,593
Other current tax payables	12	290,031.48	152,928
Profit tax payable	13	-	-
		<u>247,163,307.42</u>	<u>183,229,761</u>
		<u>411,417,827.52</u>	<u>347,007,846</u>



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 MARCH 2022

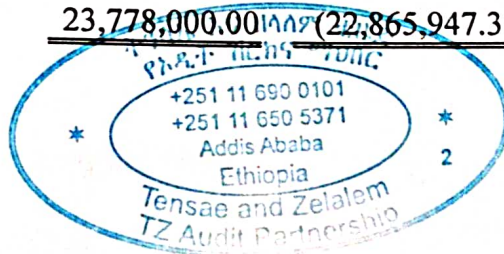
		<i>Currency: Ethiopian Birr</i>	
	<u>Note</u>		<u>2021</u>
INCOME (Anti-ceptic Department)	14	63,841,573.65	3,047,937
COST OF SALES	15	62,877,808.99	1,945,952
GROSS PROFIT		963,764.66	1,101,985
OTHER INCOME		655,582.47	-
GENERAL AND ADMINISTRATIVE EXPENSES			
General and Administrative expenses	16	9,136,931.98	583,297
Financial Charges	17	15,348,362.45	-
		24,485,294.43	583,297
NET PROFIT		(22,865,947.30)	1,101,985
PROFIT TAX		-	(155,608)
NET PROFIT AFTER TAX		(22,865,947.30)	946,377



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
STATEMENT OF CHARGE IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

Currency: Ethiopian Birr

	<u>Registered Capital</u>	<u>Retained Earnings</u>	<u>Customs Difference</u>	<u>Total</u>
Balance at 01 April 2021	23,415,000.00	363,085.43	-	23,778,085.43
Prior period adjustment	-	-	-	-
Restated balance 01 April 2021	23,415,000.00	363,085.43	-	23,778,085.43
Addition	363,000.00	(363,085.43)	3,043,283.83	3,043,198.40
Net loss for the year	-	(22,865,947.30)	-	(22,865,947.30)
Balance at 31 March 2022	<u>23,778,000.00</u>	<u>(22,865,947.30)</u>	<u>3,043,283.83</u>	<u>3,955,336.53</u>



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2022

Currency: Ethiopian Birr

		2021
Cash flow from operating activities		
Net profit/loss before tax	(22,865,947.30)	518,693
Add: Depreciation charges	4,129,433.92	187,808
Amortization	102,725.53	7,671
Prior period adjustment	505,956.29	-
	(18,127,831.56)	714,173
Decreases (increase) in trade and other receivables	8,625,055.13	(9,061,944)
Decreases (increase) in stock	(26,878,078.57)	(30,791,215)
Increase(decrease) in shareholders account	5,309,866.39	17,230,735
Increase(decrease) in trade and other payables	61,829,044.20	13,301,270
Increase(decrease) in other current taxes	137,103.37	(20,389)
	49,022,990.52	(9,341,543)
<i>Cash In/Outflow from operating activities</i>	30,895,158.96	(8,627,370)
Interest expense	-	-
Tax payment during the year	(48,026.37)	(283,199)
<i>Net cash in/outflow from operating activities</i>	30,847,132.59	(8,910,569)
Cash flows from investing activities		
Acquisition of fixed assets	(17,816,008.33)	(46,057,582)
Pre-operational	(18,831,770.00)	(20,908,885)
Dividend paid	(85.43)	-
Lease acquired	-	-
	(36,647,863.76)	(66,966,467)
Cash flows from financing activities		
Additional capital	-	10,215,000
Term loan received/ Repayments	20,000,000.00	100,000,000
<i>Net cash inflow from financing activities</i>	20,000,000.00	110,215,000
<i>Net cash inflow</i>	14,199,268.83	34,337,964
Cash and bank balance, opening	36,730,777.47	2,392,814
Cash and cash equivalents, ending	50,930,046.30	36,730,777
Represented by:		
Cash and banks	50,930,046.30	36,730,777
	50,930,046.30	36,730,777



**KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. GENERAL INFORMATION

Currency: Ethiopian Birr

Kilitch Estro Biotech Private Limited Company is a company registered by the Ethiopian Investment Commission. The company is engaged in manufacturing medical products and related business activities.

2. ACCOUNTING POLICIES

The principal accounting policies adopted by the company are stated as following:

a) Basis of Preparation of Financial Statements

The financial statements are prepared on the basis of historical cost convention in accordance with generally accepted accounting principle.

b) Property, Plant and Equipment

Property, plants and equipment are stated at cost less accumulated depreciation. For Depreciation on the fixed asset of the company before the commencement of the Council of Ministers Federal Income Tax Regulation No. 410/2017 were charged on pooling basis in accordance with the repealed income tax proclamation number 286/2002 as the Council of Ministers Federal Income Tax Regulation No. 410/2017 enacted for the Federal Income Tax Proclamation No. 979/2016 ordered.

The following rates are applied on the written down values of the respective assets per annum.

	<u>%</u>
Computer and accessories	25
Other fixed assets	20

The depreciation on the acquisition of depreciable assets after the commencement of the Federal Income Tax Proclamation No. 979/2016 and the Council of Ministers Federal Income Tax Regulation No. 410/2017 are computed on a declining depreciation method on individual depreciable assets as per the following rates per annum.

	<u>%</u>
Structural improvements other than greenhouse	5
Computers, software, & data storage equipment	25
Any other depreciable assets	20

c) Intangible assets

Intangible assets (pre-operational costs) are amortized on straight line basis as 25% per annum. Starting from the full year after the starting of the operation.



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

Currency: Ethiopian Birr

d) Debtors and prepayment

Trade receivables originated from the business activities are recognized and carried at original invoice amounts less provision for any doubtful amounts. Bad debts are written off as and when identified and provision is made in the accounts for debts considered doubtful when collections of the full amount is no longer probable.

e) Cash and cash equivalent

Cash in hand and banks in current and deposit accounts are carried at cost. Cash and cash equivalents are defined as cash in hand, cash at banks in current and deposit accounts and short-term finances readily convertible to known amounts of cash and subject to insignificant risks of changes in values. Cash and cash equivalents include cash in hand and at banks net of bank overdraft balances, if any, for the purposes of cash flow statement.

f) Creditors and accrual

Trade and other payable amounts are recorded initially at the transaction price.

g) Borrowing and the related costs

Borrowings are recorded initially at the transaction price, i.e. the present value of cash payable to the financial institutions, including transaction costs. Borrowings are classified as current and noncurrent on the basis of the unconditional provisions stated in the borrowing contracts. They are classified as current if the borrowing contracts do not show unconditional provisions to defer settlements after 12 months after the reporting date. Interest or mark-up directly attributable to acquisition, construction or installation of qualifying assets is capitalized. All other interest or mark-up is treated as period expenses in the profit and loss account.

h) Share capital

Ordinary shares are classified as equity.

i) Current and deferred income taxes

Current income tax expense is computed as per Income Tax Proclamation No. 286/2002 of the Federal Democratic Republic of Ethiopia. Deferred tax has not been recognized in these financial statements as the entity uses the Income Tax Proclamation to depreciate property, plant and equipment as stated under (a) and (b) above.



**KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Currency: Ethiopian Birr

j) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sales of goods and or services in the ordinary courses of the activities of the company net of value added and turnover taxes. Revenue is recognized only when it is realized and prudently expected that economic benefits from sales transaction will flow to the company and expenses are recognized when incurred.

1. Construction income is recognized based on the actual work executed and approved payments certificates.
2. Interest income is recognized using the effective rates.

k) Financial Instruments

All other financial assets and liabilities are recognized at cost which is the fair value of the consideration given or received at the time when the entity becomes a party to the contractual provisions of the instruments. Investment in subsidiary is valued at cost as fair value of the shares cannot be reliably determined due to the absence of active market.

l) Offsetting of financial assets and liabilities

A financial asset and liability are set-off and reported in the balance sheet with net amount if the entity has legally enforceable right to set-off the recognized amounts and intends either to settle on a net amount.

m) Foreign Currencies

Transactions in foreign currencies are recorded in the accounts of the entity converting using the exchange rates prevailing at the dates of the transactions or the contracted rates. Assets and liabilities in foreign currencies, if any, are translated into Birr at the exchange rates at the date of balance sheet.



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Currency: Ethiopian Birr

3. FIXED ASSET	Balance as at			Balance as at
<u>COST</u>	<u>1/4/2021</u>	<u>Additions</u>	<u>Reclassification</u>	<u>31/3/2022</u>
Building	-	91,680,878.07	-	91,680,878.07
Motor vehicle	1,018,277.39	-	-	1,018,277.39
Furniture and equipment	5,677,712.28	2,732,274.56	-	8,409,986.84
Plant and machinaries	136,932,477.39	4,820,652.70	-	141,753,130.09
Computer and accessories	302,548.89	179,004.35	-	481,553.24
Construction in progress	81,596,801.35	10,084,076.72	(91,680,878.07)	-
	<u>225,527,817.30</u>	<u>109,496,886.40</u>	<u>(91,680,878.07)</u>	<u>243,343,825.63</u>
<u>DEPRECIATION</u>				
Building	-	1,528,014.64	-	1,528,014.64
Motor vehicle	370,854.50	129,484.56	-	500,339.06
Furniture and equipment	78,498.36	1,119,842.76	-	1,198,341.12
Plant and machinaries	-	1,278,036.48	-	1,278,036.48
Computer and accessories	6,326.79	74,055.48	-	80,382.27
	<u>455,679.65</u>	<u>4,129,433.92</u>	<u>-</u>	<u>4,585,113.57</u>
<u>NET BOOK VALUE</u>	<u>225,072,137.65</u>			<u>238,758,712.06</u>

4. LEASEHOLD LAND

Leasehold land	4,622,649.00	2021 4,622,649
Less: Accumulated amortization	7,671.38	-
Prior periods adjustment	505,956.29	-
Current amortization	<u>102,725.53</u>	<u>7,671</u>
	616,353.20	7,671
<u>NET BOOK VALUE</u>	<u>4,006,295.80</u>	<u>4,614,977</u>

The company has entered in to a lease agreement with Oromia Regional State Oromia Investment Commission for the use of 0.56825 Hectare land for factory for 45 Years. The leasehold land value includes the future lease payments, compensation for farmers and other related costs.



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Currency: Ethiopian Birr

5. PRE-OPERATIONAL COSTS

		<u>2021</u>
Pre-Operational costs as at 1 April 2021	39,898,911.97	18,990,027
Current year addition		
Materials and consumables	2,225,596.13	618,176
Depreciation	551,409.50	187,808
Amortization	548,758.60	-
Factory overheads	3,207,554.94	5,712,453
Travel and per diem	627,724.98	714,454
Vehicle running cost	90,493.57	273,108
Advertisement	-	31,363
Repair and maintenance	60,780.61	8,540
Printing and stationery	167,032.59	339,495
Communication	48,283.65	141,438
Plantation expense	33,757.77	504,082
Office equipments	8,365.21	15,860
Household expenses	11,869.50	154,635
Interest expense	9,970,273.98	11,591,048
Bank and other charges	36,770.43	70,392
Audit fee	-	21,600
Insurance	423,248.81	-
Documentation	10,495.91	17,381
Conveyance expense	80,266.46	24,235
Rent	-	8,520
Immigration expense	49,440.00	95,107
Unclaimed VAT and TOT	454,891.97	166,459
Utility - Water	17,262.00	69,367
Disallowed expenses	-	545,139
Miscellaneous Write off	207,493.39	(4,366)
Exchange rate gain	-	(397,409)
	<u>18,831,770.00</u>	<u>20,908,885</u>
Pre-Operational costs as at 31 March 2022	<u>58,730,681.97</u>	<u>39,898,912</u>



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Currency: Ethiopian Birr

6. TRADE AND OTHER RECEIVABLES

Sundry debtors
 Staff debtors
 Deposits and prepayments

565,918.99
 210,127.04
 371,134.34
1,147,180.37

2021

156,219
 -
 9,616,016
9,772,236

7. STOCK

Raw materials
 Work in process
 Finished Goods
 Packing materials
 Spareparts and consumables

 Goods in transit

23,009,938.38
 2,434,274.51
 14,123,567.01
 15,994,781.19
 174,848.79
55,737,409.88
 1,931,883.97
57,669,293.85

2021

356,980
 -
 352,166
 299,719
 1,499,604
 2,508,469
 28,282,740
30,791,209

8. CASH AND BANK BALANCES

Cash on hand
 Cash at bank

21,428.80
 50,908,617.50
50,930,046.30

2021

9,521
 36,721,257
36,730,777

9. PAID UP CAPITAL

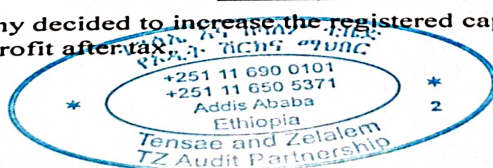
KILITCH Drugs LTD
 ESTRO Import and Export PLC
 Daniel Waktale
 Samuel Waktale

No. of shares
 15,931
 401
 6,144
 1,302
23,778

Par Value
 1,000.00
 1,000.00
 1,000.00
 1,000.00

Total
 15,931,000.00
 401,000.00
 6,144,000.00
 1,302,000.00
23,778,000.00

The shareholders of the company decided to increase the registered capital of the company by transferring the previous year profit after tax.



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Currency: Ethiopian Birr

10. BANK TERM LOAN

		<u>2021</u>
Term Loan - Project	120,000,000.00	120,000,000
Term Loan - Manufacturing	40,000,000.00	20,000,000
	<u>160,000,000.00</u>	<u>140,000,000</u>

The company has obtained a re-schedule manufacturing term loan and working capital loan amount to Birr 120,000,000.00 and Birr 40,000,000.00 respectively from Cooperative Bank of Oromia bearing an interest of 15.75% per annum. The loan will be paid on/before 19 February 2027.

11. TRADE AND OTHER PAYABLES

		<u>2021</u>
Sundry creditors	1,715,916.35	1,236,764
Accrued payables	42,209,852.60	16,626,293
Guarantee deposit payable	32,423,864.50	-
Retention payable	610,182.80	610,182.80
	<u>76,959,816.25</u>	<u>18,473,239</u>

12. OTHER CURRENT TAX PAYABLES

		<u>2021</u>
Income tax payable	136,250.32	79,501
Withholding tax payable	58,729.22	29,853
Pension fund payable	95,051.94	43,574
	<u>290,031.48</u>	<u>152,928</u>

13. PROFIT TAX PAYABLE

		<u>2021</u>
Net profit before tax	<u>(22,865,947.30)</u>	<u>1,101,984.56</u>
Profit tax (30%)	-	155,608
Less: Withholding tax receivable	-	(155,608)



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KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14. INCOME

Currency: Ethiopian Birr

Sanitizers sales
 Antiseptic Sales
 DPI Sales
 OSD Sales
 Less:- Sales discount

	2021
-	3,048,617
7,813,170.90	-
31,924,840.75	-
24,103,562.00	-
-	(680)
<u>63,841,573.65</u>	<u>3,047,937</u>

15. COST OF SALES

Opening finished goods
 Material consumed (15a)
 Factory overhead (15b)

Less Ending finished goods

	2021
352,166.00	-
66,520,898.62	1,350,883
10,128,311.38	947,235
77,001,376.00	2,298,118
(14,123,567.01)	(352,166)
<u>62,877,808.99</u>	<u>1,945,952</u>

15a. Material Consumed

Opening stock balance
 Add:- Purchases

Less:- Ending stock raw material



	2021
2,156,303.36	-
105,978,438.13	3,507,186
108,134,741.49	3,507,186
(41,613,842.87)	(2,156,303)
<u>66,520,898.62</u>	<u>1,350,883</u>

**KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

15b. Factory Overhead

Currency: Ethiopian Birr

		<u>2021</u>
Salary and wages	5,338,162.32	-
Amortization	59,923.22	-
Fuel and lubricants	-	473,854.00
Packing materials	-	385,061.41
Canteen Expenses	467,744.57	-
Conveyance	44,938.00	-
Immigration	101,140.00	-
Depreciation	3,578,024.42	-
Insurance	91,948.27	-
Laboratory	99,000.00	-
Loading and Unloading	12,220.00	-
Medical Expenses	48,151.00	-
Transportation	189,550.00	88,320.00
Repair and maintenance	97,509.58	-
	<u>10,128,311.38</u>	<u>947,235.41</u>



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Currency: Ethiopian Birr

16. GENERAL AND ADMINISTRATION COSTS

		<u>2021</u>
Salary and wage	1,443,098.01	428,898
Audit fee	21,600.00	-
Transportation	27,682.00	14,500
Documentation	11,929.19	-
Car rent	9,000.00	-
Vehicle running cost	330,341.40	-
Fuel and lubricants	4,300.00	-
Insurance	4,731.39	-
Membership fee	102,000.00	-
Office equipments	3,194.35	-
Travel and per diem	933,275.96	-
Pest control	75,885.63	-
Plantation	96,563.54	-
Repair and maintenance	14,162.77	-
Materials and consumables	1,992,531.71	-
Printing and stationery	431,300.95	-
Immigration expense	11,990.00	-
Unclaimed VAT and TOT	2,418,140.38	-
Utility (Waret and electricity)	36,165.00	-
Communication	111,954.14	-
Marketing expense	360,009.56	-
Disallowed expenses	464,855.27	-
Canteen expense	232,220.73	139,899
	<u>9,136,931.98</u>	<u>583,297</u>

17. FINANCIAL CHARGES

Interest expenses
Bank service charges



15,325,068.48
23,293.97
15,348,362.45

2021

-
-
-