



**KILITCH ESTRO BIOTECH
PRIVATE LIMITED COMPANY**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**



**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 2023 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 2023, 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

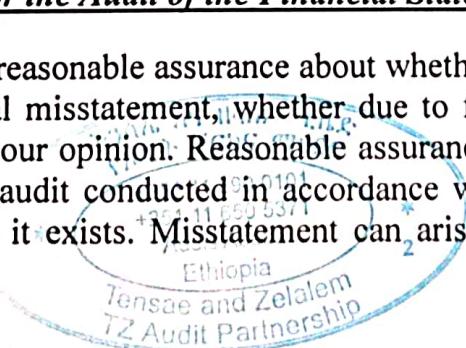
We conducted our audit in accordance with international standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements section of our report*. We are independent of the company in accordance with 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.



Addis Ababa
2 June 2023

KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

Currency: Ethiopian Birr

	<u>Note</u>		<u>2022</u>
ASSETS			
NON CURRENT ASSETS			
Fixed Assets	2a,3	236,332,463.91	238,758,712
Leasehold land	4	3,903,569.79	4,006,295
Pre-operational costs	5	44,048,012.10	58,730,683
		<u>284,284,045.80</u>	<u>301,495,690</u>
CURRENT ASSETS			
Stocks	6	15,240,948.77	57,669,294
Trade and other receivables	7	51,989,871.34	1,147,180
Withholding tax Receivable		202,534.79	175,617
Cash and bank balances	8	13,110,876.42	50,930,046
		<u>80,544,231.32</u>	<u>109,922,138</u>
		<u>364,828,277.12</u>	<u>411,417,828</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Registered Capital	9	23,778,000.00	23,778,000
Retained earning		(62,099,490.69)	(22,865,947)
Customs difference		4,285,128.66	3,043,284
		<u>(34,036,362.03)</u>	<u>3,955,337</u>
NON CURRENT LIABILITIES			
Leasehold land payable		291,512.57	299,184
Bank term loan	10	160,000,000.00	160,000,000
		<u>160,291,512.57</u>	<u>160,299,184</u>
CURRENT LIABILITIES			
Trade and other payables	11	54,112,949.23	76,959,816
Shareholders payable		184,204,858.07	169,913,460
Other current tax payables	12	255,319.28	290,031
Profit tax payable	13	-	-
		<u>238,573,126.58</u>	<u>247,163,308</u>
		<u>364,828,277.12</u>	<u>411,417,828</u>



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 MARCH 2023

	<u>Note</u>	<u>Currency: Ethiopian Birr</u>	
		<u>2022</u>	
INCOME (Anti-ceptive Department)	14	146,191,317.90	63,841,574
COST OF SALES	15	<u>146,497,158.53</u>	<u>62,877,809</u>
GROSS PROFIT		(305,840.63)	963,765
OTHER INCOME		56,502.65	655,582
GENERAL AND ADMINISTRATIVE EXPENSES			
General and Administrative expenses	16	11,169,360.08	9,136,932
Financial Charges	17	<u>27,814,845.33</u>	<u>15,348,362</u>
		<u>38,984,205.41</u>	<u>24,485,294</u>
NET PROFIT		(39,233,543.39)	(22,865,947)
PROFIT TAX		-	-
NET PROFIT AFTER TAX		<u>(39,233,543.39)</u>	<u>(22,865,947)</u>



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KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
STATEMENT OF CHARGE IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	<u>Registered Capital</u>	<u>Retained Earnings</u>	<u>Customs Difference</u>	<u>Currency: Ethiopian Birr</u>	<u>Total</u>
Balance at 01 April 2022	23,778,000.00	(22,865,947.30)	3,043,283.83	3,955,336.53	
Prior period adjustment	-	-	-	-	-
Restated balance 01 April 2022	23,778,000.00	(22,865,947.30)	3,043,283.83	3,955,336.53	
Addition	-	-	1,241,844.83	1,241,844.83	
Net profit/(loss) for the year	-	<u>(39,233,543.39)</u>	-	<u>(39,233,543.39)</u>	
Balance at 31 March 2023	<u>23,778,000.00</u>	<u>(62,099,490.69)</u>	<u>4,285,128.66</u>	<u>(34,036,362.03)</u>	



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2023

<u>Currency: Ethiopian Birr</u>		
	<u>2022</u>	
Cash flow from operating activities		
Net profit/loss before tax	(39,233,543.39)	(22,865,947)
Add: Depreciation charges	8,982,973.76	4,129,434
Amortization	14,785,396.21	102,726
Prior period adjustment	-	505,956
	<u>(15,465,173.42)</u>	<u>(18,127,832)</u>
Decreases (increase) in trade and other receivables	(50,842,690.97)	8,625,055
Decreases (increase) in stock	42,428,345.08	(26,878,079)
Increase(decrease) in shareholders account	14,291,398.05	5,309,866
Increase(decrease) in trade and other payables	(21,612,693.19)	61,829,044
Increase(decrease) in other current taxes	<u>(34,712.20)</u>	<u>137,103</u>
	<u>(15,770,353.23)</u>	<u>49,022,991</u>
<i>Cash In/Outflow from operating activities</i>	<i>(31,235,526.65)</i>	<i>30,895,159</i>
Interest expense	-	-
Tax payment during the year	<u>(26,917.62)</u>	<u>(48,026)</u>
<i>Net cash in/outflow from operating activities</i>	<i><u>(31,262,444.27)</u></i>	<i><u>30,847,133</u></i>
Cash flows from investing activities		
Acquisition of fixed assets	(6,556,725.61)	(17,816,008)
Pre-operational	-	(18,831,770)
Dividend paid	-	<u>(85)</u>
	<u>(6,556,725.61)</u>	<u>(36,647,864)</u>
Cash flows from financing activities		
Additional capital	-	-
Term loan received/ Repayments	-	20,000,000
<i>Net cash inflow from financing activities</i>	<i><u>(37,819,169.88)</u></i>	<i><u>20,000,000</u></i>
<i>Net cash inflow</i>	<i><u>50,930,046.30</u></i>	<i><u>14,199,269</u></i>
Cash and bank balance, opening	<u>13,110,876.42</u>	<u>36,730,777</u>
Cash and cash equivalents, ending	<u>13,110,876.42</u>	<u>50,930,046</u>
Represented by:		
Cash and banks	<u>13,110,876.42</u>	<u>50,930,046</u>
	<u>13,110,876.42</u>	<u>50,930,046</u>



**KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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



**KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023**

Currency: Ethiopian Birr

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.

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.



**KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

Currency: Ethiopian Birr

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.

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 2023

3. FIXED ASSET

COST

Building
 Motor vehicle
 Furniture and equipment
 Plant and machinaries
 Computer and accessories
 Construction in progress

	Balance as at 1/4/2022	Additions	Reclassification	Currency: Ethiopian Birr Balance as at 31/3/2023
Building	91,680,878.07	392,386.65	-	92,073,264.72
Motor vehicle	1,018,277.39	-	-	1,018,277.39
Furniture and equipment	8,409,986.84	636,759.43	-	9,046,746.27
Plant and machinaries	141,753,130.09	5,485,579.53	-	147,238,709.62
Computer and accessories	481,553.24	42,000.00	-	523,553.24
Construction in progress	-	-	-	-
	243,343,825.63	6,556,725.61	-	249,900,551.24
DEPRECIATION				
Building	1,528,014.64	4,527,262.28	-	6,055,276.92
Motor vehicle	500,339.06	103,587.72	-	603,926.78
Furniture and equipment	1,198,341.12	1,442,329.08	-	2,640,670.20
Plant and machinaries	1,278,036.48	2,809,501.92	-	4,087,538.40
Computer and accessories	80,382.27	100,292.76	-	180,675.03
	4,585,113.57	8,982,973.76	-	13,568,087.33
NET BOOK VALUE	238,758,712.06			236,332,463.91

4. LEASEHOLD LAND

Leasehold land

Addition

Less: Accumulated amortization

Prior periods adjustment

Current amortization

NET BOOK VALUE

	<u>2022</u>
4,622,648.50	4,622,649
-	-
4,622,648.50	4,622,649
616,353.19	7,671.38
-	505,956
102,725.52	102,726
719,078.71	616,353
3,903,569.79	4,006,295

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 2023

5. PRE-OPERATIONAL COSTS

Currency: Ethiopian Birr

		<u>2022</u>
Preoperational costs	58,730,682.78	58,730,683
Less: Accumulated amortization		
Current amortization	<u>14,682,670.69</u>	-
<u>NET BOOK VALUE</u>	<u>14,682,670.69</u>	<u>-</u>
	<u>44,048,012.10</u>	<u>-</u>
		<u>58,730,683</u>

6. STOCK

	<u>2022</u>
Raw materials	3,637,689.85
Work in process	1,257,894.13
Finished Goods	2,775,225.11
Packing materials	2,268,099.09
Spareparts and consumables	<u>2,924,858.65</u>
Goods in transit	<u>12,863,766.83</u>
	<u>2,377,181.94</u>
	<u>15,240,948.77</u>
	<u>57,669,294</u>

7. TRADE AND OTHER RECEIVABLES

	<u>2022</u>
Sundry debtors	7,955,172.28
Suppliers credit -Bank Blocked Amount	39,231,908.05
Staff debtors	94,036.18
Advance - Leasehold land *	4,351,863.39
Deposits and prepayments	<u>356,891.44</u>
	<u>51,989,871.34</u>
	<u>1,147,180</u>

* The balance represents the advance payment for the newly acquired leasehold land. The Lease agreement were not yet finalized.

8. CASH AND BANK BALANCES

	<u>2022</u>
Cash on hand	10,437.11
Cash at bank	<u>13,100,439.31</u>
	<u>13,110,876.42</u>
	<u>50,930,046</u>



**KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

9. PAID UP CAPITAL

Currency: Ethiopian Birr

	<u>No. of shares</u>	<u>Par Value</u>	<u>Total</u>
KILITCH Drugs LTD	15,931	1,000.00	15,931,000.00
ESTRO Import and Export PLC	401	1,000.00	401,000.00
Daniel Waktole	6,144	1,000.00	6,144,000.00
Samuel Waktole	1,302	1,000.00	1,302,000.00
	<hr/> <u>23,778</u>	<hr/> <u>1,000.00</u>	<hr/> <u>23,778,000.00</u>

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

10. BANK TERM LOAN

	<u>2022</u>
Term Loan - Project	120,000,000.00
Term Loan - Manufacturing	40,000,000.00
	<hr/> <u>160,000,000.00</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>2022</u>
Sundry creditors	3,985,699.18
Accrued payables	16,488,258.90
Guarantee deposit payable	33,638,991.15
Retention payable	-
	<hr/> <u>54,112,949.23</u>
	<hr/> <u>76,959,816</u>

12. OTHER CURRENT TAX PAYABLES

	<u>2022</u>
Income tax payable	171,876.98
Withholding tax payable	10,515.71
Pension fund payable	72,926.59
	<hr/> <u>255,319.28</u>
	<hr/> <u>290,031</u>



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Currency: Ethiopian Birr

13. PROFIT TAX PAYABLE

	<u>2022</u>
Net profit before tax	(39,233,543.39)
Add: Disallowed Costs	845,545.00
	<u>(38,387,998.39)</u>
Profit tax (30%)	-
Less: Withholding tax receivable	-
	<u>-</u>
	<u>-</u>

14. INCOME

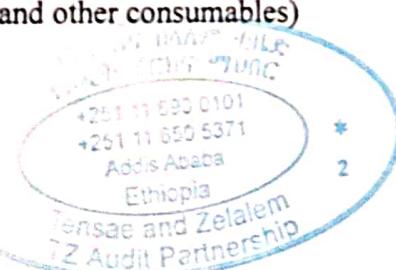
	<u>2022</u>
Antiseptic Sales	6,242,657.00
DPI Sales	91,199,554.55
OSD Sales	48,749,106.35
	<u>146,191,317.90</u>
	<u>63,841,574</u>

15. COST OF SALES

	<u>2022</u>
Opening finished goods	14,123,567.01
Material consumed (15a)	94,852,817.47
Factory overhead (15b)	40,295,999.16
	<u>149,272,383.64</u>
Less Ending finished goods	(2,775,225.11)
	<u>146,497,158.53</u>
	<u>62,877,809</u>

15a. Material Consumed

	<u>2022</u>
Opening stock (Raw materials and other consumables)	41,613,842.87
Add:- Purchases	63,327,516.32
	<u>104,941,359.19</u>
Less:- Ending stock (Raw materials and other consumables)	(10,088,541.72)
	<u>94,852,817.47</u>
	<u>66,520,899</u>



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Currency: Ethiopian Birr

15b. Factory Overhead

	<u>2022</u>
✓ Salary and wages	9,878,822.03
✓ Custom values on imported items	705,537.36
✓ Utility (Waret and electricity)	3,329,682.35
✓ Canteen Expenses	1,153,551.98
Conveyance	54,111.25
Immigration	106,619.00
✓ Amortization	14,785,396.20
✓ Depreciation	8,982,973.76
Insurance	739,671.94
✓ Laboratory	133,540.00
Loading and Unloading	4,445.00
Medical Expenses	96,367.80
✓ Transportation	169,595.00
✓ Repair and maintenance	155,685.49
	<u>40,295,999.16</u>
	<u>10,128,311.38</u>



KILITCH ESTRO BIOTECH PRIVATE LIMITED COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

16. GENERAL AND ADMINISTRATION COSTS

Currency: Ethiopian Birr

	<u>2022</u>
✓ Salary and wage	1,420,655.65
✓ Audit fee	54,865.94
✓ Transportation	21,600
✓ Documentation	16,601.05
✓ Car rent	27,682
✓ Vehicle running cost	114,915.00
Fuel and lubricants	11,929
Insurance	9,000
✓ Membership fee	452,481.29
Office equipments	330,341
✓ Travel and perdiem	-
✓ Staff uniform	4,300
✓ Pest control	-
✓ Plantation	4,731
✓ Legal and professional fee	50,000.00
✓ Repair and maintenance	102,000
✓ Materials and consumables	-
✓ Printing and stationery	3,194
✓ Immigration expense	933,276
✓ Unclaimed VAT and TOT	1,101,846.75
✓ Utility (Waret and electricity)	147,712.02
✓ Communication	-
✓ Marketing expense	93,680.00
✓ Disallowed expenses	75,886
✓ Canteen expense	8,740.00
	96,564
	69,085.74
	-
	51,132.01
	14,163
	4,662,659.27
	1,992,532
	792,193.36
	431,301
	16,418.08
	11,990
	97,874.29
	2,418,140
	36,380.95
	36,165
	124,366.94
	111,954
	785,720.68
	360,010
	845,545.00
	464,855
	226,486.06
	232,221
	<u>11,169,360.08</u>
	<u>9,136,932</u>

17. FINANCIAL CHARGES

Interest expenses	27,763,013.65
Bank service charges	51,831.68
	<u>27,814,845.33</u>

<u>2022</u>
15,325,068.48
23,293.97
<u>15,348,362.45</u>

