UNIVERSAL CORPORATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	: Perviz Rajnikant Dhanani
	: Rupen Haria
	: Coutts Akolo Otolo
	: Venkata Seetha Rama Raju Pakalapati
	: Chai Loo Wai (Appointed wef 3rd June 2020)
	: Umesh Pralhadrao Kale (Cease to be Director wef 12th March 2020)
	: Mohana Kumar Pillai (Cease to be Director wef 3rd June 2020)
	: Shashank Surendra Sinha (Cease to be Director wef 4th Feb 2020)
	: Vimalendu Kumar Singh (Appointed on 12th Mar 2020, cease to be Director wef 15th Jul 2020)
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: L.R. No. 13777
	: Club Road, Kikuyu
	: P.O. Box 1748, 00902
	: KIKUYU
	: Telephone: +254 066 32305/31459/61/62
	: Fax: +254 066 31461
	: info@ucl.co.ke
INDEPENDENT AUDITOR	: PKF Kenya LLP
	: Certified Public Accountants
	: P.O. Box 14077, 00800
	: NAIROBI
COMPANY SECRETARY	: Azali Certified Public Secretaries LLP
	: Certified Public Secretary
	: P.O. Box 6219, 00200
	: NAIROBI
PRINCIPAL BANKER	: NCBA Bank
	: NAIROBI

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 March 2020, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activities of the company are those of manufacturing and selling of pharmaceutical products.

BUSINESS REVIEW

During the year, total turnover of the company decreased from Shs 2.18 billion to Shs 1.65 billion due to management decision to drop certain low margin products.

The (loss) before tax increased from of Shs 184.8 million to Shs 445.4 million reflecting the effects of drop in sales.

As at 31 March 2020, the net asset position of the company was Shs 1.15 billion compared to Shs 1.48 billion as at 31 March 2019.

KEY PERFORMANCE INDICATORS	2020 Shs	2019 Shs
Turnover	1,650,562,051	2,181,185,886
Gross profit	173,135,145	416,177,778
(Loss) before tax	(447,011,436)	(184,849,053)
Net assets	1,116,241,150	1,476,777,767

PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging and this has a resultant effect on overall demand of the company's products and services. The company's strategic focus is to enhance sales growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions and other factors such as the impact of the recent coronavirus outbreak. Whilst at this stage it is too early to predict the full potential impact of this outbreak on the company operations, the directors continue to monitor this situation closely with a view to assessing and mitigating its impact on the company.

In addition to the business risk discussed above, the company's activities expose it to a number of financial risks which are described in detail in Note 22 to the financial statements.

DIVIDENDS

The directors do not recommend the declaration of a dividend for the year (2019: Nil).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

REPORT OF THE DIRECTORS (CONTINUED)

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

(a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya, a partnership, was on 10 March 2020 converted to PKF Kenya LLP, a Limited Liability Partnership under the Limited Liability Partnership Act, 2011. PKF Kenya LLP continues in office in accordance with the company's Articles of Association and Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fee.

BY ORDER OF THE BOARD

DIRECTOR
NAIRGBI

30/09 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the the company that comply with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
ii. Selecting and applying appropriate accounting policies; and
iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 March 2020 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

In preparing these financial statements the directors have assessed the company's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 30 September 2020 and signed on its behalf by:

DIRECTOR **DIRECTOR**

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF UNIVERSAL CORPORATION LIMITED

Report on the financial statements

We have audited the financial statements of Universal Corporation Limited set out on pages 8 to 37 which comprise the statement of financial position as at 31 March 2020, statement of profit or loss, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Universal Corporation Limited as at 31 March 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the report of the directors, statement of directors' responsibilities, manufacturing account and schedule of other expenditure but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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PKF

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF UNIVERSAL CORPORATION (CONTINUED)

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine 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, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have 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 includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements 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 statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- 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.

PKF

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF UNIVERSAL CORPORATION LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements.

PKF Kenya LLP

Certified Public Accountants
NAIROBI

18 December **2020**

CPA Salim Alibhai - Practising certificate No. 2151
Signing partner responsible for the independent audit

1488/20

STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2020	2019
CAPITAL EMPLOYED	**Notes**	**Shs**	**Shs**
Share capital	8	182,248,000	182,248,000
Share premium		723,949,006	723,949,006
Retained earnings		210,044,144	570,580,761
Shareholders' funds		1,116,241,150	1,476,777,767
Non-current liabilities			
Borrowings	9	319,294,134	374,517,268
Deferred tax	10	17,698,978	105,082,957
Lease liabilities	18	2,884,488	-
		339,877,600	479,600,225
		1,456,118,750	1,956,377,992
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	11	1,604,349,204	1,604,914,730
Intangible assets	12	90,395,255	120,109,976
Investment in associate	13	100	5,813,188
Right-of-use assets	18	7,082,455	-
		1,701,827,014	1,730,837,894
Current assets			
Inventories	14	693,832,293	787,962,755
Trade and other receivables	15	744,995,411	948,835,582
Cash and cash equivalents	16	6,429,553	2,207,461
		1,445,257,257	1,739,005,798
Current liabilities			
Borrowings	9	1,016,256,128	1,079,403,293
Trade and other payables	17	669,477,973	434,062,407
Lease liabilities	19	5,231,420	-
		1,690,965,521	1,513,465,700
Net current (liabilities)/assets		(245,708,264)	225,540,098
		1,456,118,750	1,956,377,992

The financial statements on pages 8 to 37 were approved and authorised for issue by the Board of Directors on 30 September 2020 and were signed on its behalf by:

_______________ DIRECTOR   _______________ DIRECTOR

The notes on pages 12 to 37 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 7.

STATEMENT OF PROFIT OR LOSS

	Notes	2020 Shs	2019 Shs
Revenue	2	1,650,562,051	2,181,185,886
Cost of sales		(1,477,426,906)	(1,765,008,108)
Gross profit		173,135,145	416,177,778
Other operating income	3	115,166	1,091,732
Depreciation on property, plant and equipment	11	(95,312,959)	(98,788,489)
Administrative expenses		(245,366,558)	(286,104,896)
Other operating expenses		(93,585,447)	(82,408,776)
Operating (loss)	4	(261,014,653)	(50,032,651)
Finance costs	6	(185,996,783)	(134,816,402)
(Loss) before tax		(447,011,436)	(184,849,053)
Tax credit	7	87,111,231	108,542,472
(Loss) for the year		(359,900,205)	(76,306,581)

The notes on pages 12 to 37 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 7.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019	Share capital Shs	Share premium Shs	Retained earning Shs	Total Shs
At start of year	182,248,000	723,949,006	646,887,342	1,553,084,348
(Loss) for the year	-	-	(76,306,581)	(76,306,581)
At end of year	182,248,000	723,949,006	570,580,761	1,476,777,767
Year ending 31 March 2020				
At start of year	182,248,000	723,949,006	570,580,761	1,476,777,767
IFRS 16 initial adoption	-	-	(636,412)	(636,412)
(Loss) for the year	-	-	(359,900,205)	(359,900,205)
At end of year	182,248,000	723,949,006	210,044,144	1,116,241,150

The notes on pages 12 to 37 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 7.

STATEMENT OF CASH FLOWS

	Notes	2020 Shs	2019 Shs
Operating activities			
Cash from operations	20	413,098,105	376,253,027
Interest paid		(131,490,014)	(119,163,717)
Net cash from operating activities		281,608,091	257,089,310
Investing activities			
Purchase of property, plant and equipment	11	(105,646,200)	(461,641,818)
Purchase of intangible assets	12	-	(3,411,900)
Proceeds from disposal of property and equipment		278,612	-
Net cash (used in) investing activities		(105,367,588)	(465,053,718)
Financing activities			
Proceeds from long-term borrowings		9,158,291	240,172,390
Repayments of long-term borrowings		(33,859,940)	(148,853,108)
Payments under finance leases		(3,336,958)	(9,474,925)
Net cash (used in)/from financing activities		(28,038,607)	81,844,357
Increase/(decrease) in cash and cash equivalents		148,201,896	(126,120,051)
Movements in cash and cash equivalents			
At start of year		(856,940,188)	(715,167,452)
Increase/(decrease)		148,201,896	(126,120,051)
Effects of exchange rate changes		(53,648,112)	(15,652,685)
At end of year	16	(762,386,404)	(856,940,188)

The notes on pages 12 to 37 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 7.

1. **Significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of profit or loss represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

a) **Basis of preparation**

The financial statements have been prepared under the historical cost convention, and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

Going concern

The financial performance of the company is set out in the report of the directors and in the statement of profit or loss. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management and capital management are set out in notes 22 and 23 respectively.

At the reporting date, current liabilities exceeded current assets by Shs 243,420,397. The financial statements have been prepared on a going concern basis which assumes that the company will be in operational existence for the foreseeable future. The directors expect the company to be cash generative in the foreseeable future. The directors therefore consider it appropriate to prepare these financial statements on a going concern basis.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

New standards, amendments and interpretations adopted by the company

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2019 have been adopted by the company. Of those, the following has had an effect on the company's financial statements:

International Financial Reporting Standard 16 (IFRS 16): Leases

From 1 January 2019, to comply with IFRS 16, Leases, which replaced IAS 17, Leases, the company now recognises lease liabilities relating to leases under which the company is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 January 2019 and leases of low value items). Such liabilities have been measured at 1 January 2019 at the present value of the remaining lease payments discounted using the company's incremental borrowing rate as at 1 January 2019. Corresponding right-of-use assets have been recognised, measured as if the company's new accounting policy (see Note 1(r)) had been applied since the commencement of each lease but discounted using the company's incremental borrowing rate as at 1 January 2019. The difference between the lease liabilities and right-of-use assets at 1 January 2019 has been recognised as an adjustment to retained earnings at that date.

As permitted by the transition provisions in the new standard, comparative amounts have not been restated. The company's accounting policy for leases under which the company was lessee was, up to 31 December 2018, as follows:

Leases of property, plant and equipment including hire purchase contracts where the company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations adopted by the company (continued)

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the lease year. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease year.

The measurement of assets and liabilities that were recognised as finance leases under the previous accounting policy has continued unchanged, but the assets have been reclassified from Property, plant and equipment to Right-of-use assets (see Notes 18 and 19). Right-of-use assets and lease liabilities in respect of operating leases (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) in force at 1 January 2019 have been recognised in accordance with the transition requirements of IFRS 16, as described above.

The resulting adjustment passed at 1 January 2019 as a result of applying IFRS 16, was as follows:

	Shs.
Lease liabilities	(10,733,211)
Right-of-use assets	9,824,051
Deferred tax	272,748
Net adjustment to retained earnings at 1 January 2019	(636,412)

Other standards and amendments

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the company's financial statements.

- Amendments to IAS 12 'Income Taxes' effective for annual years beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.

- Amendments to IAS 19 'Employee Benefits' effective for annual years beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.

- Amendments to IAS 23 'Borrowing Costs' effective for annual years beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual years beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.

- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual years beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.

- Amendments to IFRS 9 'Financial Instruments' effective for annual years beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amostised cost classification.

- Amendments to IFRS 11 'Joint Arrangements ' effective for annual years beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual years beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these company financial statements the following standards and interpretations, which have not been applied in these company financial statements, were in issue but not yet effective for the year presented:

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014) applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should berecognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual years beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The company does not issue insurance contracts.

- Amendments to IFRS 3 'Definition of a Business' (issued in October 2018) applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting year beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that year, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

- Amendments to IAS 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual years beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future years. The company plans to apply the changes above from their effective dates.

b) **Critical accounting estimates and judgement**

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Measurement of expected credit losses (ECL):**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and associated ECL; and
- Establishing companys of similar financial assets for the purposes of measuring ECL.

1. **Significant accounting policies (continued)**

b) **Critical accounting estimates and judgement (continued)**

- **Measurement of expected credit losses (ECL) (continued):**

  - Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

  - Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting years, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

  - When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

  Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments that are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its financial assets unless there is persuasive evidence available to rebut these presumptions.

  For trade receivables, the company has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

- **Useful lives and residual values of property, plant and equipment and right-of-use assets**

  Management reviews the useful lives and residual values of the items of property, plant and equipment and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

- **Accounting for leases under IFRS 16**

  Management has made various judgements and estimates under IFRS 16 as detailed below:

  Incremental borrowing rate: To determine the incremental borrowing rate, the company:
  - where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
  - uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
  - makes adjustments specific to the lease, e.g.. term, country, currency and security.

1. **Significant accounting policies (continued)**

b) **Critical accounting estimates and judgement (continued)**

- **Accounting for leases under IFRS 16 (continued)**

Lease term/year: In determining the lease term, management considers all.facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or years after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

- **Tax losses** - The company has recognised deferred tax assets on tax losses. In determining whether these tax losses will be utilised, the management makes judgement as to whether these will be utilised before they are forfeited based on the requirement of the Income Tax Act.

c) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria has been been met for the company's activity. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

Sale of goods are recognised upon delivery of products and customer acceptance.

d) **Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings (the functional currency), at the rates ruling at the transaction dates.

At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

1. **Significant accounting policies (continued)**

e) **Property, plant and equipment**

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated on the reducing balance basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

	Rate %	
Buildings	2.5	(Straight line basis)
Motor vehicles	25	
Plant and machinery	7.5	
Computers	30	
Furniture and equipment	12.5	
Generator	25	

Leasehold land has been depreciated over the remaining lease year.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit/(loss).

f) **Intangible assets**

Software costs

Costs associated with developing or maintaining intangible assets are recognised as an expense as incurred in profit or loss. Costs that are directly associated with the purchase of identifiable software products controlled by the company, that will probably generate economic benefits exceeding beyond one year, are recognised as intangible assets. Intangible assets are amortised over their useful life on a straight line basis at the rate of 20%.

Trade marks and licences

Trade marks and licences are shown at historical cost less accumulated amortisation. Amortisation is calculated using the straight line method to write down the cost of trademarks and licences over their estimated useful lives based on a pattern of benefits that are expected to accrue to the company.

g) **Investment in associate**

The investment in the associate is shown at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in the value. Where there has been a permanent diminution in value, it is recognised as an expense in the year in which the diminution is identified.

1. **Significant accounting policies (continued)**

h) **Accounting for leases**

The company as lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or 'less and leases for which the underlying asset is of low value) the company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the company's incremental borrowing rate is used.

For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the company at the end of the lease term, the estimated useful life would not exceed the lease term.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are recognised in profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the retained earnings to revaluation surplus reserve.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease year.

The above accounting policy has been applied from 1 January 2019. Note 1 (a) sets out the equivalent policy applied in the previous year and the impact of the change in accounting policy.

The company as lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss on a straight-line basis over the lease term.

1. **Significant accounting policies (continued)**

h) **Accounting for leases (continued)**

The company as lessor (continued)

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting years so as to reflect a constant yearic rate of return on the company's net investment outstanding in respect of the leases.

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position.

i) **Financial instruments**

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

Financial assets

The company classifies its financial assets into the following categories:

i) **Amortised cost;**
Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

ii) **Fair Value Through Other Comprehensive Income (FVTOCI):**
Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

iii) **Fair Value Through Profit or Loss (FVTPL):**
Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

Notwithstanding the above, the company may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income

- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

1. **Significant accounting policies (continued)**

i) **Financial instruments (continued)**

Financial assets (continued)

At initial recognition of a financial asset, the company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The company reassess its business models each reporting year to determine whether the business models have changed since the preceding year. For the current and prior reporting year the company has not identified a change in its business models.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the company has transferred substantially all risks and rewards of ownership, or when the company has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment

The company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognised on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express **intention of holding for less than 12 months from the reporting date or those that are** required to be sold to raise operating capital, in which case they are classified as current assets.

1. **Significant accounting policies (continued)**

i) **Financial instruments (continued)**

Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

- All other financial liabilities are classified and measured at **amortised cost.**

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

j) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out (FIFO) method. The cost of packing materials, raw materials, finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads incurred in bringing the inventory to its present location and condition, but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling.

k) **Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss.

Current tax
Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax
Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

l) **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

1. **Significant accounting policies (continued)**

m) **Retirement benefit obligations**

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate they relate.

The company operates a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The scheme is administered by an insurance company. The company's contributions to the defined contribution retirement benefit scheme are charged to profit or loss in the year to which they relate. The company has no further payment obligations once the contributions have been paid.

n) **Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

o) **Share capital**

Ordinary and preference shares are classified as equity.

p) **Impairment of non-financial assets and intangible assets other than goodwill**

At the end of each reporting year, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are companyed at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

q) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTES (CONTINUED)

	2020 Shs	2019 Shs
2. Revenue		
Revenue from sale of pharmaceutical products	1,650,562,051	2,181,185,886
3. Other operating income		
Insurance claims	115,166	1,091,732

4. Operating (loss)

The following items have been charged in arriving at the operating (loss):

	2020 Shs	2019 Shs
Depreciation on property, plant and equipment (Note 11)	95,312,959	98,788,489
Amortisation of intangible assets (Note 12)	29,714,721	27,354,474
Depreciation on right-of-use assets (Note 18)	2,741,596	-
Staff costs (Note 5)	282,768,007	347,089,040
Directors' remuneration	70,781,028	48,282,528
Auditors' remuneration	1,110,000	1,541,000
Repairs and maintenance		
- Production	7,960,189	31,110,600
- Administration	8,243,890	16,827,225
Rent and rates	-	9,105,109
Provision for bad debts	-	7,179,086

5. Staff costs

	2020 Shs	2019 Shs
Salaries and wages		
- Production	220,733,460	228,636,089
- Administration	33,870,609	75,888,257
Other staff costs		
- Staff medical expenses	2,468,520	6,413,982
- Staff welfare expenses	11,768,914	20,470,264
- Work permit	1,357,151	3,515,010
Pension costs:		
- Defined contribution scheme	11,784,353	11,490,438
- National Social Security Fund (NSSF)	785,000	675,000
	282,768,007	347,089,040

The average number of persons employed during the year, by category, were:	2020 No.	2019 No.
Production	170	171
Quality control	85	108
Engineering	25	26
Administration	50	77
	330	382

6. Finance costs

	2020 Shs	2019 Shs
Net foreign exchange loss	53,648,112	15,652,685
Interest expense:		
- Bank overdraft	7,475,483	11,380,135
- Bank term loans	123,521,375	105,726,626
- Finance leases	493,156	2,056,956
- Interest operating lease	858,657	-
	185,996,783	134,816,402

7. Tax

	2020 Shs	2019 Shs
Current tax	-	-
Deferred tax (credit) (Note 10)	(87,111,231)	(108,542,472)
	(87,111,231)	(108,542,472)

The tax on the company's (loss) before tax differs from the theoretical amount that would arise using the basic rates as follows:

	2020 Shs	2019 Shs
(Loss) before tax	(447,011,436)	(184,849,053)
Tax calculated at a tax rate of 30% (2019: 30%)	(134,103,431)	(55,454,716)
Tax effect of:		
- capital expenditure eligible for 150% deduction	-	(66,636,775)
- overprovision in prior years	14,795,111	
- expired losses	7,391,123	-
- expenses not deductible for tax purposes	24,805,967	13,549,019
Tax charge	(87,111,231)	(108,542,472)

8. Share capital

	2020 Shs	2019 Shs
Authorised, issued and fully paid:		
182,248 (2019: 182,248) ordinary shares of Shs. 1 000 each.	182,248,000	182,248,000
	182,248,000	182,248,000

9. Borrowings

The borrowings are made up as follows:

	2020 Shs	2019 Shs
Non-current		
Bank borrowings	319,294,134	371,570,689
Finance leases	-	2,946,579
	319,294,134	374,517,268
Current		
Bank borrowings	247,140,912	219,566,006
Finance leases	299,259	689,638
Inventory loan (Note 16)	667,191,529	757,377,187
Bank overdraft (Note 16)	101,624,428	101,770,462
	1,016,256,128	1,079,403,293
Total borrowings	1,335,550,262	1,453,920,561

The borrowings are secured by the following:

a) Bank term loans, inventory loan and bank overdraft:
   - First ranking fixed debenture over plant and machinery of the company for Shs. 82 million and USD 15.8 million.
   - Legal charge over L.R. No. 13777 of Shs. 82 million and USD 15.8 million.

b) Finance leases - joint registration and blank signed transfers

9. **Borrowings (continued)**

Reconciliation of liabilities arising from financing activities:

Year ended 31 March 2020	**Borrowings Shs**	**Finance leases Shs**	**Total Shs**
At start of year	591,136,695	3,636,217	594,772,912
Interest charged to profit or loss	123,521,375	493,156	124,014,531
Cash flows:			
- Operating activities (interest paid)	(123,521,375)	(493,156)	(124,014,531)
- Proceeds from long-term borrowings	9,158,291	-	9,158,291
- Repayments of long-term borrowings	(33,859,940)	-	(33,859,940)
- Repayments under finance leases	-	(3,336,958)	(3,336,958)
At end of year	566,435,046	299,259	566,734,305
Year ended 31 March 2019			
At start of year	499,046,644	13,881,910	512,928,554
Interest charged to profit or loss	105,726,626	2,056,956	107,783,582
Foreign exchange loss	13,361,166	-	13,361,166
Cash flows:			
- Operating activities (interest paid)	(105,726,626)	(2,056,956)	(107,783,582)
- Proceeds from long-term borrowings	226,811,225	-	226,811,225
- Repayments of long-term borrowings	(148,082,340)	-	(148,082,340)
- Repayments under finance leases	-	(10,245,693)	(10,245,693)
At end of year	591,136,695	3,636,217	594,772,912

The borrowing facilities expiring within one year are subject to review at various dates during the next financial year.

The exposure of the company's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	2020 Shs	**2019 Shs**
6 months or less	768,815,957	859,147,649
6 - 12 months	247,440,171	220,255,644
1 - 5 years	319,294,134	374,517,268
	1,335,550,262	1,453,920,561

Weighted average effective interest rates at the reporting date were as follows:	**2020 %**	**2019 %**
Inventory loan	8	8
Bank borrowings	8	8
Bank overdraft	8 - 13	8 - 14
Finance leases	14	14

9. **Borrowings (continued)**

In the opinion of the directors, the carrying amounts of short-term borrowings approximate to their fair value.

In the opinion of the directors, it is impracticable to assign fair values to the company's long-term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

The carrying amounts of the company's borrowings are denominated in the following currencies:

	2020 Shs	2019 Shs
Kenya Shilling	31,990,022	38,447,061
United States Dollar	1,303,560,240	1,415,473,500
	1,335,550,262	1,453,920,561

Maturity based on the repayment structure of non-current borrowings (excluding finance lease liabilities) is as follows:

	2020 Shs	2019 Shs
Between 1 and 2 years	247,140,912	219,566,006
Between 2 and 5 years	72,153,222	152,004,683
	319,294,134	371,570,689

Gross finance lease liabilities - minimum lease payments

	2020 Shs	2019 Shs
Not later than 1 year	299,259	689,638
Later than 1 year but not later than 2 years	-	2,946,579
	299,259	3,636,217

Undrawn facilities at the reporting date were as follows:

	2020 Shs	2019 Shs
Bank overdraft	1,785,390	701,198
Inventory loan	13,293,471	211,622,813
Bank borrowings	163,149,564	242,203,305
	178,228,425	454,527,316

10. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2019: 30%). The movement on the deferred tax account is as follows:

	2020 Shs	2019 Shs
At start of year	105,082,957	213,625,429
IFRS 16 transition adjustment	(272,748)	-
(Credit) to profit or loss (Note 7)	(87,111,231)	(108,542,472)
At end of year	17,698,978	105,082,957

Deferred tax (asset)/liability in the statement of financial position and deferred tax (credit) to profit or loss are attributable to the following items:

	At start of year Shs	IFRS 16 transition adjustment Shs	Charge/(credit) to profit or loss Shs	At end of year Shs
Deferred tax liabilities				
Property, plant and equipment				
- accelerated tax depreciation	404,660,841	-	1,337,713	405,998,554
Right-of-use assets	-	2,947,215	(822,478)	2,124,737
	404,660,841	2,947,215	515,235	408,123,291
Deferred tax (assets)				
Tax losses carried forward	(297,961,215)	-	(84,142,259)	(382,103,474)
Lease liabilities	-	(3,219,963)	785,191	(2,434,772)
Provision for leave days	(410,566)	-	67,853	(342,713)
Unrealised exchange differences	(1,206,103)	-	(4,337,251)	(5,543,354)
	(299,577,884)	(3,219,963)	(87,626,466)	(390,424,313)
Net deferred tax liabilities	105,082,957	(272,748)	(87,111,231)	17,698,978

Under the Kenyan Income Tax Act, tax losses are allowable as a deduction for a year of ten years (including the year that they are incurred in).

An analysis of the company's tax losses are as follows:

	Shs
Tax losses arising in 2010	(24,637,075)
Tax losses arising in 2011	(31,799,671)
Tax losses arising in 2013	(3,179,482)
Tax losses arising in 2018	(178,794,779)
Tax losses arising in 2019	(705,476,007)
Tax losses arising in 2020	(354,428,306)
Less: 2010 expired losses	24,637,075
	(1,273,678,245)

11. Property, plant and equipment

Year ended 31 March 2020

	Buildings Shs	Leasehold land Shs	Motor vehicles Shs	Plant and machinery Shs	Computers Shs	Furniture and equipment Shs	Generator Shs	Capital-work-in progress Shs	Total Shs
Cost									
At start of year	801,480,840	2,500,000	28,737,418	1,514,055,171	68,658,734	20,003,847	6,562,500	64,943,233	2,506,941,743
Additions	7,576,906	-	-	67,376,322	229,000	5,642,257	-	24,821,715	105,646,200
Transfer	-	-	-	12,066,410	-	-	-	(12,066,410)	-
Impairment of assets	-	-	-	(45,476,271)	-	-	-	-	(45,476,271)
Disposal	-	-	(775,000)	-	(48,000)	-	-	-	(823,000)
At end of year	809,057,746	2,500,000	27,962,418	1,548,021,632	68,839,734	25,646,104	6,562,500	77,698,538	2,566,288,672
Depreciation									
At start of year	172,708,702	555,550	22,402,782	644,388,146	48,046,365	7,889,929	6,035,539	-	902,027,013
On impairment of assets	-	-	-	(34,645,230)	-	-	-	-	(34,645,230)
On disposal	-	-	(727,266)	-	(28,008)	-	-	-	(755,274)
Charge for the year	19,040,039	0	1,576,840	67,352,991	5,382,160	1,960,929	-	-	95,312,959
At end of year	191,748,741	555,550	23,252,356	677,095,907	53,400,517	9,850,858	6,035,539	-	961,939,468
Net book value	617,309,005	1,944,450	4,710,062	870,925,725	15,439,217	15,795,246	526,961	77,698,538	1,604,349,204

11. Property, plant and equipment

Year ended 31 March 2019

	Buildings Shs	Leasehold land Shs	Motor vehicles Shs	Plant and machinery Shs	Computers Shs	Furniture and equipment Shs	Generator Shs	Capital-work-in progress Shs	Total Shs
Cost									
At start of year	696,624,983	2,500,000	28,737,418	1,174,665,861	67,162,105	15,727,479	6,562,500	53,319,579	2,045,299,925
Additions	104,855,857	-	-	339,389,310	1,496,629	4,276,368	-	11,623,654	461,641,818
At end of year	801,480,840	2,500,000	28,737,418	1,514,055,171	68,658,734	20,003,847	6,562,500	64,943,233	2,506,941,743
Depreciation									
At start of year	154,742,283	555,550	20,291,236	575,086,093	40,368,469	6,159,354	6,035,539	-	803,238,524
Charge for the year	17,966,419	-	2,111,546	69,302,053	7,677,896	1,730,575	-	-	98,788,489
At end of year	172,708,702	555,550	22,402,782	644,388,146	48,046,365	7,889,929	6,035,539	-	902,027,013
Net book value	628,772,138	1,944,450	6,334,636	869,667,025	20,512,369	12,113,918	526,961	64,943,233	1,604,914,730

12. Intangible assets

	2020 Shs	2019 Shs
Cost		
At start of year	260,331,087	256,919,187
Additions	-	3,411,900
At end of year	260,331,087	260,331,087
Amortisation		
At start of year	140,221,111	112,866,637
Charge for the year	29,714,721	27,354,474
At end of year	169,935,832	140,221,111
Net book value	90,395,255	120,109,976

13. Investment in associate

	% Holding	2020 Shs	2019 Shs
342 Ordinary shares of Ethiopian Birr 1,000 each in Regional Bioequivalence Centre Limited	24.98%	5,813,188	5,813,188
Impairment		(5,813,088)	-
		100	5,813,188

14. Inventories

	2020 Shs	2019 Shs
Packaging materials	164,556,203	136,089,553
Raw materials	259,736,307	320,012,828
Finished goods	220,051,276	207,311,159
Work in progress	49,488,507	172,835,457
Goods in transit	-	28,213,758
Impairment provisions	-	(76,500,000)
	693,832,293	787,962,755

15. Trade and other receivables

	2020 Shs	2019 Shs
Trade receivables	636,836,532	858,950,368
Other receivables	70,385,628	47,208,054
Receivable from related parties (Note 21)	57,129,217	26,415,789
Amounts due from directors (Note 21)	16,362,764	23,440,457
Less: provision for expected credit losses	(35,718,730)	(7,179,086)
	744,995,411	948,835,582

Impairment provisions	Gross amount Shs	2020 ECL allowance Shs	Carrying amount Shs
Trade receivables	636,836,532	(35,048,663)	601,787,869
Other receivables	70,385,628	-	70,385,628
Receivable from related parties	57,129,217	(670,067)	56,459,150
Amounts due from directors	16,362,764	-	16,362,764
	780,714,141	(35,718,730)	744,995,411

15. Trade and other receivables (continued)

Impairment provisions (continued)	Gross amount Shs	2019 ECL allowance Shs	Carrying amount Shs
Trade receivables	858,950,368	(6,872,848)	852,077,520
Other receivables	47,208,054	-	47,208,054
Receivable from related parties	26,415,789	(306,238)	26,109,551
Amounts due from directors	23,440,457	-	23,440,457
	956,014,668	(7,179,086)	948,835,582

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

The carrying amounts of the company's trade and other receivables are denominated in the following currencies:

	2020 Shs	2019 Shs
Kenya Shilling	265,153,115	539,545,595
United States Dollar	479,842,296	409,289,987
	744,995,411	948.835,582

16. Cash and cash equivalents

Cash at bank and in hand	6,429,553	2,207,461

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

Cash at bank and in hand	6,429,553	2,207,461
Bank overdraft (Note 9)	(101,624,428)	(101,770,462)
Inventory loan (Note 9)	(667,191,529)	(757,377,187)
	(762,386,404)	(856,940,188)

The carrying amounts of the company's cash at bank and cash in hand are denominated in the following currencies:

	2020 Shs	2019 Shs
Kenya Shilling	372,234	122,348
Euro	77,683	744,642
United States Dollar	5,979,636	1,340,471
	6,429,553	2,207,461

17. Trade and other payables

Trade payables	526,693,550	371,934,044
Accruals and other payables	58,612,386	8,895,420
Payable to related parties (Note 21)	84,172,037	53,232,943
	669,477,973	434,062,407

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

17. **Trade and other payables (continued)**

The carrying amounts of the company's trade and other payables are denominated in the following currencies:

	2020 Shs	2019 Shs
Kenya Shilling	448,898,585	213,483,019
United States Dollar	220,579,388	220,579,388
	669,477,973	434,062,407

The maturity analysis of trade and other payables is as follows:

Year ended 31 March 2020	**0 to 3 months Shs**	**4 to 12 months Shs**	**Total Shs**
Trade payables	237,012,098	289,681,452	526,693,550
Other payables	58,612,386	-	58,612,386
Payable to related parties	-	84,172,037	84,172,037
	295,624,484	373,853,489	669,477,973
Year ended 31 March 2019			
Trade payables	167,370,320	204,563,724	371,934,044
Other payables	8,895,420	-	8,895,420
Payable to related parties	-	53,232,943	53,232,943
	176,265,740	257,796,667	434,062,407

18. **Right-of-use assets**

	2020 Shs	2019 Shs
At start of year	-	-
Effect of change in accounting policy	9,824,051	-
Depreciation charge for the year	(2,741,596)	-
At end of year	7,082,455	-

The company leases an office space. The leases of this office space is typically for year of 2 years with options to renew. This lease does not contain any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

19. **Lease liabilities**

	2020 Shs	2019 Shs
Current	5,231,420	-
Non current	2,884,488	-
	8,115,908	-

Reconciliation of lease liabilities arising from financing activities:

At start of year		-
Transition adjustment	10,733,211	-
Interest charged to profit or loss	858,657	-
Cash flows:		
- Payments under leases	(3,475,960)	-
At end of year	8,115,908	-
Interest expense (included in finance cost)	858,657	-

Weighted average effective interest rates at the reporting date was 13%.

The carrying amounts of the company's lease liabilities are all denominated in Kenya Shillings.

20. Cash from operations

Reconciliation of (loss) before tax to cash from operations:	2020 Shs	2019 Shs
(Loss) before tax	(447,011,436)	(184,849,053)
Adjustments for:		
Depreciation on property, plant and equipment (Note 11)	95,312,959	98,788,489
Amortisation of intangible assets (Note 12)	29,714,721	27,354,474
Depreciation on right of use assets (Note 18)	2,741,596	-
Impairment of property and equipment	10,831,041	-
Impairment of investment in associate (Note 13)	5,813,088	-
(Gain) on disposal of property and equipment	(210,886)	-
Payments under leases	(3,475,960)	-
Interest expenses	131,490,014	119,163,717
Interest operating lease	858,657	-
Foreign exchange loss	53,648,112	15,652,685
Changes in working capital		
- inventories	94,130,462	140,218,146
- trade and other receivables	203,840,171	213,569,923
- trade and other payables	235,415,566	(53,645,354)
Cash from operations	413,098,105	376,253,027

21. Related party transactions and balances

a) The following transactions were carried out with related parties:

	2020 Shs	2019 Shs
(i) Sale of goods and services	30,373,291	-
(ii) Purchase of goods	29,287,336	38,885,826
(iii) Provision of legal and professional services	55,283,065	-

b) Outstanding balances

	2020 Shs	2019 Shs
(i) Payable to related parties (Note 17)	84,172,037	53,232,943
(ii) Receivable related parties (Note 15)	57,129,217	26,415,789
(iii) Amount due from directors (Note 15)	16,362,764	23,440,457

c) Key management compensation

	2020 Shs	2019 Shs
Short term employee benefits - directors	70,781,028	48,282,528

22. **Risk management objectives and policies**

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management.

- *Foreign exchange risk*

The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar and the Euro. The risk arises from future transactions, assets and liabilities in the statement of financial position.

The table below summarises the effect on post-tax profit had the Kenya Shilling weakened by 10% against the each currency, with all other variables held constant. If the Kenya Shilling strengthened by the same percentage against each currency, the effect would have been the opposite.

		Year 2020	
	Euro Shs	US Dollar Shs	Total Shs
Effect on loss - (decrease)	5,438	(72,682,239)	(72,676,801)
		Year 2019	
	Euro Shs	**US Dollar Shs**	**Total Shs**
Effect on loss - (decrease)	52,125	(85,779,570)	(85,727,445)

(a) **Market risk (continued)**

- *Cash flow and interest rate risk*

The company's exposure to interest rate risk arises primarily from borrowings. Borrowings obtained at different rates expose the company to interest rate risk. Borrowings obtained at fixed rates expose the company to fair value interest rate risk.

At 31 March 2020, if interest rates at that date had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been Shs. 10,120,792 (2019: Shs. 8,718,750) lower/higher, arising mainly as a result of higher interest expense on variable borrowings. Had interest rates been 100 basis points lower, the effect would have been the opposite.

(b) **Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

22. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the company companys financial assets on the basis of shared credit risk characteristics, such as:
- type of instrument;
- industry in which the debtor operates; and
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the the following events:
- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Basis for measurement of loss allowance	**Lifetime expected credit losses 2020 Shs**	**2019 Shs**
Trade receivables	636,836,532	858,950,368
Other receivables	70,385,628	47,208,054
Receivable from related parties	57,129,217	26,415,789
Amounts due from directors	16,362,764	23,440,457
Cash at bank	6,429,553	2,207,461
Gross carrying amount	787,143,694	958,222,129
Loss allowance	(35,718,730)	(7,179,086)
Exposure to credit risk	751,424,964	951,043,043

22. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The age analysis of the trade receivables at the end of each year was as follows:

	Not past due Shs	30 to 60 days past Shs	61 to 90 days past Shs	Over 90 days past Shs	Total Shs
As at 31 March 2020	432,971,187	77,552,210	3,534,599	122,778,536	636,836,532
As at 31 March 2019	533,558,972	119,035,476	26,721,477	179,634,443	858,950,368

The changes in the loss allowance during the year were as follows:

	2020 Shs	2019 Shs
At start of year	7,179,086	-
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	28,539,644	7,179,086
At end of year	35,718,730	7,179,086

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Notes 9 and 17 disclose the maturity analysis of borrowings and trade and other payables respectively.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

The key assumptions made in the maturity profile are:

- changes in interest rates have not been accounted for as these cannot be predicted;
- changes in foreign exchange rates have not been accounted for as these cannot be predicted; and
- the borrowings will be repaid based on the repayment schedule agreed with the lenders.

Year ended 31 March 2020	Interest rate %	Between 1 - 3 months Shs	Between 4 - 12 months Shs	over 12 months Shs	Total Shs
Interest bearing liabilities					
- Bank term loans	8.0%	61,785,228	185,355,684	344,837,665	591,978,577
- Finance leases	14.0%	299,259	-	-	299,259
- Inventory loan	8.0%	667,191,529	-	-	667,191,529
- Bank overdraft	8 - 14%	101,624,428	-	-	101,624,428
Non-interest bearing liabilities					
- Trade and other payables	NIL	669,477,973	-	-	669,477,973
		1,500,378,417	185,355,684	344,837,665	2,030,571,766

22. Risk management objectives and policies (continued)

Financial risk management (continued)

(c) Liquidity risk (continued)

Year ended 31 March 2020	Interest rate %	Between 1 - 3 months Shs	Between 4 - 12 months Shs	Over 12 months Shs	Total Shs
Interest bearing liabilities					
- Bank term loans	8.0%	54,891,502	164,674,505	401,296,344	620,862,350
- Finance leases	14.0%	172,410	517,229	3,359,100	4,048,738
- Inventory loan	8.0%	757,377,187	-	-	757,377,187
- Bank overdraft	8 - 14%	101,770,462	-	-	101,770,462
Non-interest bearing liabilities					
- Trade and other payables	NIL	434,062,407	-	-	434,062,407
		1,348,273,967	165,191,733	404,655,444	1,918,121,144

23. Capital management

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products commensurately with the level of risk;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business; and
- to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Capital comprises all components of equity.

The debt-to-capital ratios at 31 March 2020 and 2019 were as follows:	2020 Shs	2019 Shs
Total borrowings (Note 9)	1,335,550,262	1,453,920,561
Less cash and cash equivalents (Note 16)	(6,429,553)	(2,207,461)
Net debt	1,329,120,709	1,451,713,100
Total equity	1,116,241,150	1,476,777,767
Gearing ratio	119%	98%

The increase in the debt-to-capital ratio during 2020 resulted primarily from increase in borrowings.

24. Incorporation

Universal Corporation Limited is incorporated in Kenya under the Kenyan Companies Act as a private limited liability company and is domiciled in Kenya.

25. Presentation currency

The financial statements are presented in Kenya Shillings (Shs).

MANUFACTURING ACCOUNT

		2020 Shs	2019 Shs
1.	**COST OF SALES**		
	Opening stock of finished goods and work in progress	303,646,616	167,032,700
	Cost of raw and packing materials consumed (1.1)	1,108,055,884	1,487,734,580
	Production costs (1.2)	335,264,189	413,887,444
	Closing stock of finished goods and work in progress	(269,539,783)	(303,646,616)
	Total cost of sales	1,477,426,906	1,765,008,108
(1.1)	**COST OF RAW AND PACKING MATERIALS CONSUMED**		
	Opening stock of raw and packaging materials	456,102,381	754,014,626
	Purchases	1,046,281,703	1,163,432,862
	Freight and forwarding	29,964,310	26,389,473
	Closing stock of raw and packaging materials	(424,292,510)	(456,102,381)
	Total cost of raw and packaging materials consumed	1,108,055,884	1,487,734,580
(1.2)	**PRODUCTION COSTS**		
	Salaries and wages	233,302,813	240,801,527
	Lab consumables	8,471,723	24,801,606
	Electricity and water	35,068,603	50,266,892
	Analysis and inspection	-	226,246
	KBS levy	400,000	400,000
	Fuel and gas	23,099,403	32,478,292
	Repairs and maintenance	7,960,189	31,110,600
	Sanitation expense	-	4,953,617
	General expenses	26,961,458	28,848,664
	Total production costs	335,264,189	413,887,444

SCHEDULE OF OTHER EXPENDITURE

	2020 Shs	2019 Shs
1. DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT		
Depreciation on property, plant and equipment	95,312,959	98,788,489
2. ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	33,870,609	75,888,257
Staff medical expenses	2,468,520	6,413,982
Staff welfare expenses	11,768,914	20,470,264
Work permit	1,357,151	3,515,010
Total employment costs	49,465,194	106,287,513
Other administrative expenses:		
Directors' remuneration	70,781,028	48,282,528
Travelling and entertainment	13,415,642	26,451,099
Postages and telephones	4,463,700	4,109,823
Printing and stationery	5,316,154	7,310,953
Advertising	3,715,740	14,193,083
Vehicle running expenses	7,381,846	12,421,026
Audit fees	1,110,000	1,541,000
Legal and professional fees	22,567,349	34,254,338
Bank charges	10,615,485	14,561,398
Bad debts written off	35,718,730	-
Provision for bad debts	-	7,179,086
Donations	69,600	139,595
Subscriptions	774,002	687,958
Miscellaneous expenses	19,972,088	8,685,496
Total other administrative expenses	195,901,364	179,817,383
Total administrative expenses	245,366,558	286,104,896
3. OTHER OPERATING EXPENSES		
Establishment:		
Rent and rates	-	9,105,109
Security	2,578,860	2,499,306
Repairs and maintenance	8,243,890	16,827,225
Insurance	13,588,661	15,850,650
Licences	20,284,476	10,772,012
Impairment of investment in associate	5,813,088	-
Impairment of property, plant and equipment	10,831,041	-
(Gain) on disposal of property, plant and equipment	(210,886)	-
Amortisation of intangible assets	29,714,721	27,354,474
Depreciation on right of use assets	2,741,596	-
Total other operating expenses	93,585,447	82,408,776

SCHEDULE OF OTHER EXPENDITURE

3. **FINANCE COSTS**	**2020**	**2019**
	Shs	**Shs**
Interest expense:		
- Bank overdraft interest	7,475,483	11,380,135
- Bank term loans interest	123,521,375	105,726,626
- Finance lease interest	493,156	2,056,956
- Interest operating lease	858,657	-
Foreign exchange loss:		
- realised exchange loss	43,342,934	11,632,341
- unrealised exchange loss	10,305,178	4,020,344
Total finance costs	185,996,783	134,816,402

TAX COMPUTATION **FILE NO. 4/997**

year COVERED - 12 MONTHS

		KShs.	KShs.
(Loss) before tax			(447,011,436)
Add:	Depreciation on property, plant and equipment	95,312,959	
	Amortisation of intangible assets	29,714,721	
	Unrealised exchange loss	10,305,178	
	Prior year unrealised exchange gain now realised	4,152,326	
	Depreciation on right of use assets	2,741,596	
	Interest on operating lease	858,657	
	Impairment of property, plant and equipment	10,831,041	
	Impairment of investment in associate	5,813,088	
	Donations	69,600	
	Legal and professional fees	100,000	
	Bad debts written off	35,718,730	
	Kitchen expenses	8,779,558	
	Fringe benefits tax	1,230,591	
	Excess pension	4,520,151	210,148,196
			(236,863,240)
Less:	Wear and tear allowance	17,086,976	
	Industrial building allowance	12,930,715	
	Software allowance	4,191,621	
	Investment deduction allowance	79,442,732	
	Gain on disposal of property, plant and equipment	210,886	
	Payments under leases	3,475,960	
	Decrease in provision for leave	226,176	(117,565,066)
ADJUSTED (LOSS) FOR THE YEAR			(354,428,306)

<u>**SUMMARY**</u>	**Trading KShs.**
(Loss) brought forward	(943,887,014)
Expired losses	24,637,075
(Loss) for the year	(354,428,306)
(Loss) carried forward	(1,273,678,245)

<u>**WEAR AND TEAR SCHEDULE**</u>	**Class (ii) 30% KShs.**	**Class (iii) 25% KShs.**	**Class (iv) 12.5% KShs.**	**Total KShs.**
W.D.V brought forward	14,543,694	5,422,559	85,321,833	105,288,086
Additions	229,000	-	5,642,257	5,871,257
Disposals	(26,612)	(252,000)	-	(278,612)
	14,746,082	5,170,559	90,964,090	110,880,731
Wear and tear allowance	(4,423,825)	(1,292,640)	(11,370,511)	(17,086,976)
W.D.V carried forward	10,322,257	3,877,919	79,593,579	93,793,755

TAX COMPUTATION (CONTINUED)

INDUSTRIAL BUILDING ALLOWANCE

	Year	Cost KShs.	Residue B/F KShs.	IBA KShs.	Residue C/F KShs.
Additions to buildings	2009	4,043,299	2,931,395	101,082	2,830,313
Additions to buildings	2011	17,593,577	11,875,664	1,759,358	10,116,306
Additions to buildings	2012	7,275,885	2,182,766	727,589	1,455,177
Additions to buildings	2013	973,126	389,250	97,313	291,937
Additions to buildings	2015	8,918,090	4,459,045	891,809	3,567,236
Additions to buildings	2016	82,294,975	57,606,483	8,229,498	49,376,985
Additions to buildings	2017	3,663,752	2,564,626	366,375	2,198,251
Additions to buildings	2020	7,576,906	-	757,691	6,819,215
		132,339,610	82,009,229	12,930,715	76,655,420

DIMINUTION ALLOWANCE SCHEDULE

	Year	Cost KShs.	Diminution allowance KShs.	Residue B/f KShs.	Annual allowance KShs.	Residue c/f KShs.
Computer software	2017	18,051,103	20%	10,830,662	3,610,221	7,220,441
Computer software	2018	2,907,000	20%	2,325,600	581,400	1,744,200
		20,958,103		13,156,262	4,191,621	8,964,641

SCHEDULE OF ADDITIONS	Total KShs.	IDA 100% KShs.	Wear and tear allowance Class (ii) 30% KShs.	Wear and tear allowance Class (iv) 12.5% KShs.	IBA KShs.	No allowance KShs.
Buildings	7,576,906	-	-	-	7,576,906	-
Plant and machinery	79,442,732	79,442,732	-	-	-	-
Furniture, fixtures and equipment	5,642,257	-	-	5,642,257	-	-
Computer, copiers and faxes	229,000	-	229,000	-	-	-
Work in progress	24,821,715	-	-	-	-	24,821,715
	117,712,610	79,442,732	229,000	5,642,257	7,576,906	24,821,715