



ONDERSTEPOORT  
BIOLOGICAL PRODUCTS

ANNUAL REPORT  
2016 • 2017



# BUILDING A STABLE FUTURE

THROUGH DOMESTIC  
& INTERNATIONAL  
MARKETS

# BUILDING A STABLE FUTURE

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BOTULISM

S19



PASTEURELLA

RIFT VALLEY FEVER



LUMPY SKIN DISEASE

AFRICAN HORSE SICKNESS



INNOVATIVE  
BIO-SCIENCE







**GALLSICKNESS**

**B-PHEMERAL**



**ANTHRAX**

**BLUE TONGUE**



**BRUCELLA ABORTUS S19**

**REDWATER**









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# COMPANY OVERVIEW

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Onderstepoort Biological Products SOC Ltd (OBP) was corporatised in 2000 under the Onderstepoort Biological Products Incorporation Act 1999 (Act 19 of 1999). The primary objective of the corporate conversion was to create a favourable environment for the organisation to build capacity in manufacturing technologies, infrastructure and the development of new products – the critical success factors in the development of profitable products.

## VISION

To be a recognised global biotech manufacturer of animal health products, founded upon a team of skilled, innovative and passionate professionals.

## MISSION

To translate science into exceptional biological health products and technologies, that will result in improved animal and human health; hence food security for all stakeholders.

## MANDATE

OBP's mandate is the prevention and control of animal diseases that impact food security, human health and livelihood. This mandate is delivered through the continued development of innovative products, and efficient manufacturing processes that ensure vaccine affordability and accessibility through a diversity of distribution channels.

## VALUES

Onderstepoort Biological Products SOC Ltd conducts its business in such a way as to ensure:

- A high level of integrity.
- A high level of ethical standards.
- High standards of quality.
- Excellence in everything that we do.

## WE ACCEPT THAT

- Our employees are our enduring advantage.
- As a state-owned company, we have a responsibility to provide for the public as stakeholders.
- We have a responsibility to society and to the environment.

## KEY STRATEGIC GOALS

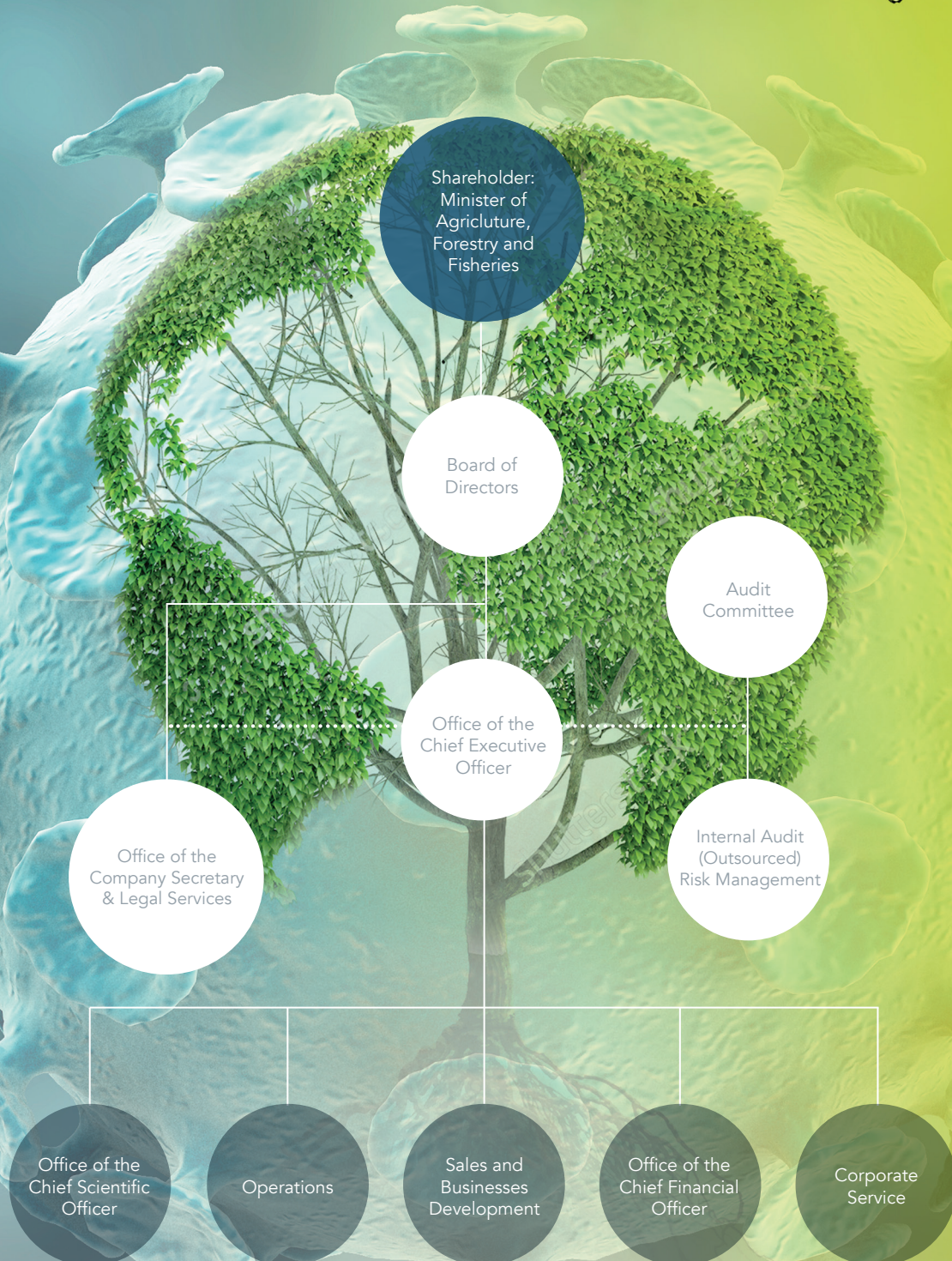
- Build a successful, high-performance organisation.
- Improve stakeholder relations management and communications.
- Facilitate a more aggressive national and international market access and implement an effective distribution strategy.
- Implement research and development strategies in-line with market trends.
- Contribute to government priorities in respect to emerging farmers, food security and economic growth.



# ORGANISATIONAL STRUCTURE



## MACRO STRUCTURE







# LETTER TO THE MINISTER OF AGRICULTURE, FORESTRY & FISHERIES

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The Honourable Mr. Senzeni Zokwana  
Minister of Agriculture, Forestry and Fisheries  
Private Bag x100  
Pretoria  
0001

Dear Minister,

We have the honour of presenting to you the 2016/2017 Annual Report of Onderstepoort Biological Products SOC Ltd, for submission to Parliament as required by the Public Finance Management Act 1999 (Act 1 of 1999).

The Report covers the operations of Onderstepoort Biological Products SOC Ltd for the financial year 1 April 2016 to 31 March 2017.


Yours faithfully,

BOARD OF DIRECTORS

Onderstepoort Biological Products SOC Ltd







# BOARD MEMBERS

Mr Yaasir Haffejee, Mr Ronald Ramabulana, Dr Charlotte Nkuna,  
Ms Fulufhelo Mphuthi, Dr Pieter Vervoort, Ms Koekie Mdlulwa,  
Ms Zodwa Mobeng





# CORPORATE GOVERNANCE

## 1. INTRODUCTION

Corporate governance embodies processes and systems by which State-owned entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the Protocol on Corporate Governance which encapsulates the principles contained in the King Report on Corporate Governance.

## 2. KING III COMPLIANCE

OBP's Board of Directors recognises the need to conduct the affairs of OBP with integrity and in line with best corporate practices. For that reason, OBP is fully committed to the principle of the code of corporate practices and conduct ("the code") set out in the King Report on Corporate Governance (King III).

OBP has complied with and applied the requirements of King III throughout the year under review.

## 3. APPLICATION OF KING III AND APPROACH TO CORPORATE GOVERNANCE

The Board believes that compliance with the standards of governance practice is important and that OBP has to continue embracing the spirit and principles of King III. The Board strives to ensure that good governance is applied in all departments within OBP.

## 4. KING IV COMPLIANCE

The King IV came into effect on 1 April 2017. OBP is assessing the principles of King III with a view to the adoption of principles that have not yet been adopted within OBP. OBP's compliance and application of King IV will be reported in the 2017/18 annual report.

## 5. CORPORATE GOVERNANCE STATEMENT

### ROLE OF OBP DIRECTORS

The Board has overall responsibility for OBP's compliance and is the focal point of the company's corporate governance system.

### BOARD OF DIRECTORS AND BOARD COMMITTEES

OBP has a unitary board structure. The Board has a balance of executive, non-executive, and independent directors. The majority are independent directors.

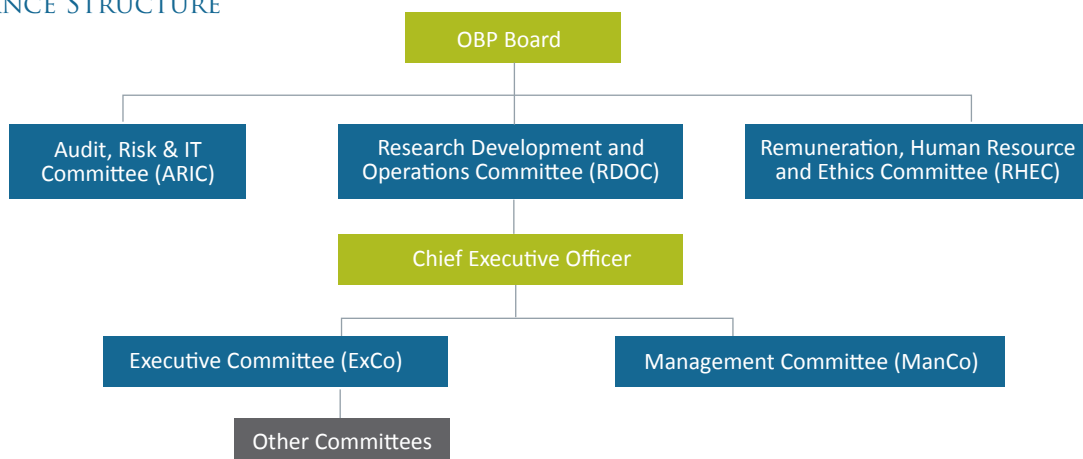
The Chairperson of the Board is an independent director.

Collectively, the directors bring a diverse wealth of skills, knowledge and experience to the Board. They are able to deliberate, discuss and debate on all OBP's business and matters of strategy, performance, employment equity, research & development and policy in a way that is robust, informed and constructive.

## 6. BOARD PROCEDURES

The Board has full control over OBP and it monitors executive management's implementation of approved corporate plans and annual performance plans.

## GOVERNANCE STRUCTURE







## 7. BOARD MEETINGS

The Board meets four times per annum. Special Board meetings are convened as and when necessary. Meetings are scheduled well in advance according to a Board-approved calendar.

When Board members are unable to attend meetings, teleconferencing facilities are made available to include them in the proceedings, so that they can participate in discussions and decision-making.

- **BOARD DOCUMENTS AND ACCESS TO INFORMATION**

Management ensure that Board members are provided with all relevant information and facts to enable them to reach objectives and well informed decisions.

The Board has unrestricted access to all company information, records, documents and property. Board members are kept informed of key developments affecting OBP.

- **BOARD INTERACTION WITH MANAGEMENT**

The Board meets with management annually to agree on OBP's strategy and consider long term issues facing OBP as well as the environment in which OBP operates.

- **THE OBP CHARTER**

The Board charter regulates how the Board and its members discharge their responsibilities according to the principle of good governance. The main aim of the charter is to ensure that all board members understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct.

- **BOARD APPOINTMENTS**

Board members are appointed by the Minister of Agriculture, Forestry and Fishers for a period of three (3) years in terms of the Memorandum of Incorporation, and can be appointed for a further term of three (3) years. Reappointment is at the discretion of the Minister.

- **DIRECTOR INDUCTION, TRAINING AND DEVELOPMENT PROGRAMMES**

Training and orientation workshops are held for both new and existing Board members. Board members are encouraged to attend development programmes that focus on the duties, responsibilities, powers and potential liabilities of directors. During year under review, board members attended the Board Leadership programme at Gordon Institute Business Science.

- **ORIENTATION FOR NEW BOARD MEMBERS**

New Board members go through a formal orientation programme with members of executive management. A detailed file is provided, setting out the following:

- Legislation including the OBP Act
- Board and Committee governance structure
- Board Calendar
- Board and Board Committee charters
- Presentations from ExCo
- Key Company Policies
- Memorandum of Incorporation

The Company Secretary meets with new Board members to take them through the governance file.

## 8. BOARD REMUNERATION

Board members are remunerated as per the category of fees outlined by the National Treasury.

The Board's remuneration is detailed on page 113.





## CORPORATE GOVERNANCE

### 9. ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name	Board	Special Board	Audit Risk & IT	Special Audit, Risk & IT	Research Development Operations	Human Resources Remuneration and Ethics	Special Human Resources Remuneration and Ethics
Meetings Held	3	4	4	2	3	3	1
Dr JH Adams	3	2	-	-	1	-	-
Dr ST Cornelius	3	4	4	2	3	3	1
Dr MJ Mashaba	3	4	4	2	3	3	1
Dr Mashego	3	4	4	2	3	0	0
Ms TK Mdlulwa	2	3	3	1	0	3	1
Dr ME Mogajane	3	3	-	-	3	3	1

### 10. BOARD COMMITTEES

The Board has committees which helps it to meet its responsibilities. Each Board Committee has its own terms of reference that has been approved by the Board.

Chairpersons of the committees provide the Board with a verbal report on committee activities at each Board meeting.

Minutes of committee meetings are available to all Board members. Board Committees are also empowered to take independent outside professional advice when they believe it to be necessary.

The office of the Company Secretary provides secretarial services to each of the committees.

### 11. AUDIT, RISK & IT COMMITTEE

Committee Members: Dr Mashaba, Ms Mdlulwa Dr Mashego  
All members were appointed to the committee in May 2014.

Meetings of the committee are held once a quarter and are attended by the CEO, CFO, Risk Manager, internal and external auditors and the Company Secretary by invitation. Members of

Executive Committee are also invited to the meetings, as well as staff members that work in the finance departments.

The Audit, Risk & IT Committee assists the board with regard to reporting the financial information, selecting and properly applying accounting principles, monitoring OBP's internal control systems, and various compliance-related matters.

During the year under review, activities and decisions included:

- Dealing with matters relating to financial and internal control, accounting policies, reporting and disclosure.
- Reviewing and recommending to the Board interim and annual financial statements.
- Reviewing, together with the external auditors, the compliance of the annual financial statements.
- Reviewing and approving internal audit, compliance policies, plans, reports and findings.
- Reviewing the effectiveness of the internal audit function.
- Ensuring compliance with the applicable legislation and regulations.



- Reviewing and approving external audit plans, findings report and fees.
- Meeting with the external auditors and internal auditors on a regular basis.
- Recommending OBP's risk appetite to the Board for approval and monitoring the actual risk taken on against the Board-approved appetite on a quarterly basis.
- Evaluating the adequacy and efficiency of the risk policies procedures, practices and controls applied in OBP in the day-to-day management of the business.
- Monitoring OBP's emerging risk profiles and report its findings to the Board.
- Assessing OBP's risk management approach.

## 12. REMUNERATION, HUMAN RESOURCES AND ETHICS COMMITTEE

Committee Members: Ms Mdlulwa, Dr Mogajane & Dr Mashaba.

The committee assists with and advises the board on various remuneration, human resources and ethics matters.

Activities and decisions included:

- Approving OBP's remuneration philosophy / principles and policy.
- Mandating ExCo to negotiate a salary increase with Organised Labour.
- Recommending the approval of the ManCo structure to the board.
- Evaluating employment and human resources retention strategies.
- Approving a salary increase for ExCo and ManCo during the year under review.

## 13. RDO COMMITTEE

Committee Members: Dr Mogajane, Dr Mashaba & Dr Mashego

The committee reviews and makes recommendations on:

- The development of strategies, policies and standards related to the Research Development and Operations (RDO) committee functions.

- The establishment of a process for the support of the core mandate of the organisation.
- The facilitation of collaborations and partnerships with respect to the RDO functions of the organisation.

The committee further oversees the development of the research agenda for the institution. It ensures that all intellectual property is managed in accordance with the Intellectual Property Policy. The Committee recommended the approval of the new distribution strategy.

## 14. COMPANY SECRETARY

All board members have access to a suitably qualified and experienced Company Secretary.

The Company Secretary provides guidance to the board as a whole and to individual directors with regard to how their responsibilities should be discharged in the best interests of OBP.

The Company Secretary oversees the induction of new board members and assists the Chairperson in determining the annual Board calendar and board agendas as well as formulating governance and Board-related issues.







# REPORT OF THE ACTING CHIEF EXECUTIVE OFFICER

OBP'S FINANCIALS REFLECT AN IMPROVED PERFORMANCE AS COMPARED TO 2015/16. REVENUE IMPROVED FROM R92,7 MILLION TO R173,7 MILLION AND COST OF SALES INCREASED FROM R22,9 MILLION TO R25,8 MILLION WHICH MEANS THAT GROSS PROFIT IMPROVED FROM R69,8 MILLION TO R147,9 MILLION. OPERATING EXPENSES INCREASED FROM R82,0 MILLION TO R125,8 MILLION WITH A SLIGHT INCREASE IN ADMINISTRATIVE EXPENSES. THIS ULTIMATELY REDUCED THE OPERATING LOSS FROM R17,1 MILLION IN 2015/2016 TO A PROFIT OF R5,5 MILLION IN 2016/17. THE INVESTMENT INCOME INCREASED THE PROFIT TO R75,1 MILLION.

The Company is continuing with the upgrade and modernisation of the current facility to ensure that it becomes GMP compliant. to the current facility and the building of the new plant. The new plant has been designed to be Good Manufacturing Practice (GMP) compliant. This certification will allow OBP to access previously inaccessible international markets. A GMP facility requires specialised infrastructure, updated/current processes which suit the facilities and staff who are appropriately and sufficiently trained to work within this environment. Phase two of the planning was completed and submitted to the local authority for approval.

Upgrading and purchasing of new equipment for the current facility remains a priority. The main production equipment is more than 40 years old and therefore affects the efficiency of the plant and the availability of products. Although OBP has done much in this regard (80% of the allocated funding has been utilised), there is still much to be done.

The troubleshooting process, which started in the previous financial year (FY) improved product availability. This was achieved through rigorous analysis of processes and the institution of corrective measures. All products could be manufactured except for three, which has since been resolved. This is reflected in the increased sales figures.

The performance information indicates that more than 64% of the targets were fully or partially met. Some of the highlights and lowlights during this period are as follows:





- The organisational performance for the FY 2016/17 is in accordance with the strategic goals and Annual Performance Plan for the 2016/17 FY.
- Performance during the FY 2016/17 showed significant improvement from the previous year. There is remarkable improvement in the achievement of annual targets across most areas of the organisation.
- OBP generated net sales (after discount) of R169 million, compared to the budget of R145 million. There was an overachievement of 17%.
- Key successes achieved during this period are increased exports and government sales, a slight increase in local sales compared to the previous FY, new export markets gained, improvements to our stakeholder engagements, equipment upgrades in the current facility, International Organisation for Standardisation (ISO) accreditation, maintenance, and support of co-operatives (co-ops) and emerging farmers.
- The percentage achievement for the FY is 64%. There were 36 deliverables identified for the year, of which 12 were achieved, including 11 targets that were overachieved.
- OBP continues to focus its energies on ensuring that production is taking place and is in line with the needs of the market.
- Considerable effort has gone into forecasting sales for 2016/17 to ensure that products are available when the market needs them.
- The Corporate Plan for 2017/18 to 2019/20 was developed and approved in this period and it takes cognisance of the requirements for implementation. To that extent, the organisational structure is being reviewed and aligned to ensure delivery of the new strategic objectives for the new financial period. The focus for the 2016/17 financial period is on building relationships with OBP clients in order to implement OBP's new distribution strategy which involves distributing directly to its clients.
- OBP is proud of the new external markets that have been captured. There has been a significant increase in generation of export revenue, due to new markets.
- The organisation has progressed significantly since the production problems experienced in 2014. This is due to the efforts of the executive team and management as well as the support of all OBP staff.
- The audit for 2016/17 financial year was conducted and OBP has achieved an unqualified audit opinion with material adjustments.
- Lastly, I would like to express my gratitude to OBP's shareholders, the Honourable Mr. Senzeni Zokwana, his deputy, General Bheki Cele and the Acting Director General, Mr Mooketsa Ramasodi and DAFF officials for their continued support to OBP during the year under review. I would also like to extend my sincere appreciation to the Board, the Executive Committee and OBP Employees for all the hard work and commitment during the year under review.



**MS ZODWA MOBENG**

Onderstepoort Biological Products SOC Ltd  
**ACTING CHIEF EXECUTIVE OFFICER**



A group of six executives, four men and two women, are posed on the back of a large brown horse. They are all wearing white shirts and dark trousers or skirts. One woman is seated on a green chair. The background features a city skyline and a wind turbine under a sky with many birds flying. The overall theme suggests a blend of traditional and modern business values.

# EXECUTIVE COMMITTEE

Dr J Modumo (Business Development Officer),  
Dr Nthangeni (Chief Scientific Officer),  
Ms M Ramutle (Human Resources Executive),  
Ms Z Mobeng (Company Secretary and Acting Chief Executive Officer),  
Mr M Gololo (Chief financial Officer) and  
Mr S Ntombela (Operations Executive)



# REPORT OF THE SECRETARIAT

## 1. RISK MANAGEMENT

Onderstepoort Biological Products SOC Ltd (OBP) Enterprise Wide Risk Management has adopted a more proactive approach that is aimed at preventing and minimising negative consequences as well as enhancing the likelihood of opportunities in its operational activities. We regard opportunities as positive deviations from objectives and negatives as deviations from projected or target objectives for our potential future developments.

OBP understands the direct impact of threats and opportunities on the shareholders' value and reputation. The operations and decisions with strategic importance not being made at the right level, are the main root causes of the risks across the business divisions. OBP addresses this by reviewing the risk management framework, risk assessment and risk management processes. OBP is challenged with many systematic and unsystematic risks, both internal and external, that significantly impact the achievement of the financial and nonfinancial objectives. Rooted in our strategy and planning processes, risk management is an integral part of corporate governance.

OBP recognises that an effective risk management process of defining and identifying the risks with their treatment approaches, by incorporating OBP's strategic vision and stakeholders' interest, is a prerequisite to remaining globally competitive.

Significantly, risk management has long been a part of the company and is an ongoing process, evaluating the key risks on a monthly and quarterly basis. The business performance and operational risk were assessed as follows:

- A risk management workshop was organised to evaluate the overall strategic risks of the business.
- An operational risk monitoring and evaluation was conducted. The focus was on each business operation's residual risks, emerging risks, risk reduction plans and effectiveness over time.
- A project and product risk assessment was conducted to evaluate the key hazards which could cause business functions to fail.





## REPORT OF THE SECRETARIAT

- OBP is committed to good business ethics, the application of sovereign regulations and laws, and has assessed compliance risk to discourage unlawful and irresponsible conduct by employees at all levels of business operations.
- We conducted a business continuity management (BCM) workshop to ensure effective response to catastrophic events.

A BCM Policy was developed to ensure continuity of the identified critical processes, equipment and products to meet our financial and nonfinancial stakeholder obligations.

OBP's Risk Management Charter and Risk Management Policy and Framework, together with the core values sets out an approach for identifying, managing and reporting internal and external threats while enhancing the opportunities. The organisation seeks to ingrain a risk management process that are consistent, with methodologies and processes for regular risk assessments and performance, in all the operational activities.

Our annual business plan and budgeting process incorporated identifying risks during the risk management process. Residual risks were defined and identified after mitigation approaches

have been applied on primary and secondary risks by considering the effectiveness of the risk mitigation approaches. The risk mitigation actions are developed to bring the risks to a tolerable level.

The risk management champion(s), together with the Risk Steering Committee (RSC), the Executive Committee (ExCo), the Audit, Risk & IT Committee (ARIC), review OBP's risk profile annually to identify emerging strengths, weaknesses, opportunities and threats (SWOT) for both internal and external environmental factors of the company.

The result of the end of the year (2015/16) review captured the key risks as they are listed in Table 1. These risks were identified as the key risks that could affect OBP's business performance for the 2016/17 financial year. In addition, Table 1 shows the key risks management progress and their mitigation strategies in 2016.

Figure 1 shows OBP's risk matrix - "medium", "high" and "low" - which included residual risk ratings and changes from 2015. The sequence in which the risks are listed does not imply any order of significance.

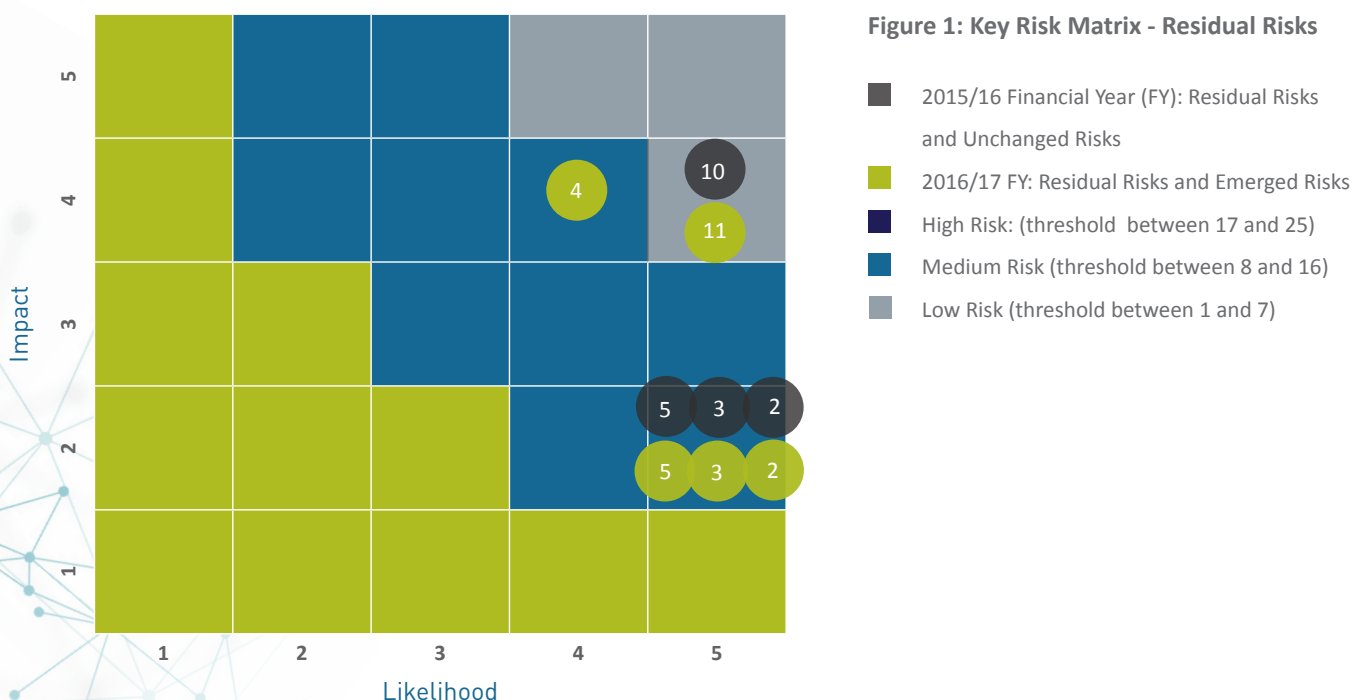






Table1. Key Risks for 2016/17

Risk no	Strategic Objective	Risk Name	Mitigation Strategy	Progress in 2016	Change from 2015
1	Ensure financial sustainability	Inability to generate sufficient revenue from business operations	<ol style="list-style-type: none"> <li>1. Continuous engagements with DAFF to fund orphan vaccines</li> <li>2. New distribution model that will reduce the impact of the discount on costs</li> <li>3. Implementation of the Board-approved R&amp;D strategy</li> <li>4. Follow up on combination vaccines for approval</li> <li>5. Reduction of cost of sales and all other costs</li> <li>6. Implementation of production equipment maintenance plan (shutdown period)</li> </ol>	<p>New distribution model has made a positive revenue difference and reduced the risk significantly</p> <p>The progress made by implementing the R&amp;D strategy including the introduction of combination vaccines contributes in preventing the risk from materialising and the benefits will be experienced at a later stage</p>	↔
2	Ensure production efficiency	Product availability (disruptions of product supply)	<ol style="list-style-type: none"> <li>1. Identify alternative product supplier</li> <li>2. Identification of alternative sources of quality raw materials</li> <li>3. Quality management of raw material</li> <li>4. Equipment maintenance management</li> <li>5. Development of cell culture competence</li> <li>6. Upgrade of facility and equipment</li> </ol>	<ol style="list-style-type: none"> <li>3. Raw material quality tests are done as per quality standard before production</li> <li>5. Cell culture competence achieved</li> </ol>	↔



## REPORT OF THE SECRETARIAT

Risk no	Strategic Objective	Risk Name	Mitigation Strategy	Progress in 2016	Change from 2015
3	Produce quality products	Compliance with quality standards	1. GMP modernisation for current facility 2. New GMP facility construction and validation 3. Maintenance of ISO quality standard certification	GMP project is still a work in progress ISO 9001:2008 certification has been maintained	↑
4	Develop new markets	Updating of dossier to register products per specific country	1. Amend dossier to country-specific requirements for registration 2. Implementation of the Board-approved R&D strategy	All actions completed and fundraising for projects is underway	New
5	Maintain current markets	Competitiveness and market share	Increase our product portfolio using the existing bilateral relations	Contractual negotiations with potential partners is underway. Progress has been on the action plan and the direct impact on the risk will be monitored once the contract is in place	↔

↑	↓	↔	
Control effectiveness has increased from the previous reporting period – residual risk decreased	Control effectiveness has decreased from the previous reporting period - residual risk increased	Residual risk/control effectiveness has remained the same from the previous reporting period	New Risk





## OVERALL MANAGEMENT ASSESSMENT OF OPPORTUNITIES AND THREATS

The overall risk assessment was based on the consolidated views of all key risk management champions. During the year 2016/17, OBP's risk management activity was conducted in an iterative process. The effectiveness of the risk management process in the year under review has improved against the base years' risk management reports. The residual risks in the year's risk management report shows that the residual risks were brought to the risk appetite levels of stakeholders. In addition, there were two (2) emerging strategic risks identified and added to the base year's strategic risk register. The 2016/17 risk management report(s) shows that the two (2) highest risks were 1(9) and 4(19), and the mitigation action plan progress is satisfactory in relation to the target dates. The key risks and performance indicators related to production output and access to new markets are monitored continuously to determine the progress in the mitigation of risks to the overall achievement of the performance objectives.

In view of the 2016/17 risk report, OBP's risk management process guarantees the company's economic sustainability for the foreseeable future.

Finally, the 2016/17 risk management report guarantees the going concern of the company.

## INTERNAL COMMUNICATIONS

*Zwashesu* magazine was published on a quarterly basis to keep employees abreast of the new development in the organisation.

## CORPORATE SOCIAL INVESTMENT (CSI)

As a good corporate citizen, OBP realises the importance of giving back to the communities in which the company operates in by engaging in sustainable development programmes for underprivileged communities. This is done through development of knowledge and skills either through financial contribution or in kind.

### FOCUS AREAS WERE:

- Health
- Education
- Job creation
- Ad-hoc CSI projects

As part of OBP's CSI focus areas, two NGOs were identified and selected to benefit from a contribution of groceries to drive the government and UN Sustainable Development Goal of food security. In October 2016, the CSI department made a donation of non-perishable food to the following NGOs:

- Tateni Community Care Services in Mamelodi
- Mohau Childcare Centre in Atteridgeville

OBP also joined the Department of Agriculture, Forestry and Fisheries (DAFF), together with the Department of Social Development, KwaZulu-Natal Department of Agriculture and Rural Development, uMlalazi Local Municipality, and FAO in commemorating World Food Day on 14 October 2016 in uMlalazi Local Municipality in Eshowe, KwaZulu-Natal. OBP participated by assisting with a donation of non-perishable food to the value of R70 000.



# REPORT OF THE HUMAN RESOURCES EXECUTIVE

## 1. INTRODUCTION

This is a report of the key activities that were undertaken by the Human Resources and Security Division during the 2016/17 financial year.

The Human Resources Department is responsible for rendering human resources management and development, labour relations, organizational development, safety, health and environment as well as security and facilities management solutions to Onderstepoort Biological Products (OBP). The aim is to partner with and empower line divisions to recruit, develop, and retain skilled, committed, engaged and accountable employees within OBP.

The functions of the Division contribute towards the achievement of the strategic goal aimed at building a successful and high-performance organisation.

## 2. OVERVIEW

Out of a total of 246 (two hundred and forty-six) approved positions, 179 (one hundred and seventy-nine) of these are filled. This translates to a 27% (twenty-seven percent) vacancy rate for the period under review.

The ratio between employees within the core functions vs support functions is 4:1.





The table below indicates the total number of positions in the establishment per division, as well as the number of filled positions and vacancies.

**TABLE 1: Posts and Vacancies per Division**

Division	Number of Posts	Number of Posts Filled	Vacancies
Chief Executive Officer's Office	2	2	0
Operations	98	72	26
Research and Development	20	18	2
Strategic Projects and Planning	2	2	0
Quality	67	44	23
Business Development	11	8	3
Finance	30	24	6
Human Resources	11	5	6
Company Secretariat	5	4	1
<b>Total</b>	<b>246</b>	<b>179</b>	<b>67</b>

### 3. TURNOVER RATE

OBP's turnover rate remains at 3%. This is below the norm of between 4% and 12%.

The turnover rate has been reduced by 2% compared to the 2015/16 financial year. A retention strategy has been implemented to ensure that OBP retains key talent.

### 4. EMPLOYEE ENGAGEMENT SURVEY

The Human Resources Department undertook an employee engagement survey and requested staff participation. It took the form of an electronic survey, which took approximately five to ten (5-10) minutes to be completed.

The aim of the survey was to assist the Human Resources Department to quantify the impact of its processes and measure the success or failure of HR initiatives, particularly the interventions aimed at retaining employees. This will enable HR to make the necessary changes in critical areas that are important to the employees.

The responses were completely anonymous. This approach was adopted in order to ensure that staff are able to give HR genuine feedback in order to enable the HR team to grow and improve.

It was clear from the responses that employees have unique areas of challenges and this survey has helped to identify these and develop targeted intervention for their concerns.

The identified areas of concern will be included in the Human Resources Plan for 2017/18 in order to improve employees' levels of satisfaction.

### 5. AGE PROFILE

OBP's age profile is as follows:

**TABLE 2: Age Profile**

Age Category	Total
Below 30	19
30 to 39	54



## REPORT OF THE HUMAN RESOURCES EXECUTIVE

Age Category	Total
40 to 49	60
50 to 54	29
55 to 59	15
60	2
<b>Total</b>	<b>179</b>

The 50 to 60 age bracket comprises 26% of OBP's staff and are considered a retirement risk. Succession plans have been put in place for critical and key positions.

### 6. EMPLOYMENT EQUITY AND WORKFORCE PROFILE

**TABLE 3: Race and Gender Profile of Employees**

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	1	0	0	0	0	0	0	0	0	1
Executive management	4	0	0	1	2	0	0	0	0	0	7
Management	4	2	0	3	7	0	0	0	0	0	16
Skilled employees	28	1	0	2	29	0	2	5	0	0	67
Semi-skilled employees	29	0	0	2	25	0	0	6	0	0	62
Basic – skilled employees	14	0	0	0	6	0	0	0	0	0	20
<b>TOTAL PERMANENT</b>	<b>79</b>	<b>4</b>	<b>0</b>	<b>8</b>	<b>69</b>	<b>0</b>	<b>2</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>173</b>
Temporary employees	2	0	0	0	3	0	0	0	1	0	6
<b>GRAND TOTAL</b>	<b>81</b>	<b>4</b>	<b>0</b>	<b>8</b>	<b>72</b>	<b>0</b>	<b>2</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>179</b>

OBO has 179 employees.

The table below indicates the workforce profile of OBP employees. The highlights of OBP's employee profile are:

- Workforce profile of 179 employees. 24 employees are at management level and 155 employees form part of the bargaining unit.
- African employees represent 85% of OBP's workforce.
- Female employees represent 47% of OBP's workforce.
- Females represent 37.5% of employees at management level (ManCo and ExCo)

The Equity and Development Committee has been re-established. The Committee is in the process of analysing current HR policies in order to revise the Employment Equity Strategy and Employment Equity Plan for OBP.

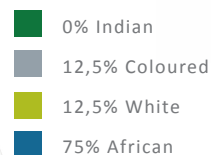
One of the deliverables of the Employment Equity Plan is to ensure that OBP achieves 50% female representation at management level.



### Gender Distribution | ExCo



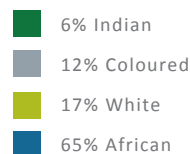
### Race Distribution | ExCo



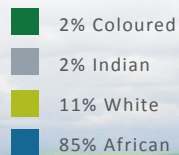
### Gender Distribution | Management



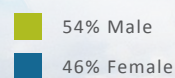
### Race Distribution | Management



### Race Distribution | OBP Staff



### Gender Distribution | OBP Staff





# REPORT OF THE HUMAN RESOURCES EXECUTIVE

## 7. LEARNING AND DEVELOPMENT

**Table 4: Employee Training for Q4**

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	0	1	0	0	0	0	0	0	1
Executive management	1	0	0	0	0	0	0	0	1
Management	2	2	0	2	1	0	0	0	7
Skilled employees	20	1	0	1	25	0	1	3	51
Semi-skilled employees	12	0	0	0	19	0	0	5	36
Basic – skilled employees	12	0	0	0	4	0	0	0	16
<b>TOTAL PERMANENT</b>	<b>47</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>49</b>	<b>0</b>	<b>1</b>	<b>8</b>	<b>112</b>
Temporary employees	4	0	0	0	3	0	0	0	7
<b>GRAND TOTAL</b>	<b>51</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>52</b>	<b>0</b>	<b>1</b>	<b>8</b>	<b>119</b>

## 8. PERFORMANCE MANAGEMENT

The performance management system has now been implemented at all levels. In the past year, the entire workforce was measured against contracted Key Performance Areas and objectives. OBP remains committed to the continued facilitation of a dynamic performance driven culture through individual targets for the achievement of the overall business objectives.

During the 2016/17 financial year, employees who achieved a satisfactory performance rating were awarded a pay progression of 1%.

No performance bonuses were paid as the Company did not declare profits for the year under review. The incentive scheme is self-funding, i.e. there must be an operating profit (the benefit to the Company must exceed the cost of pay-out).

However, an incentive of 6% of total guaranteed package were paid to employees as approved by the Board.

## 9. SALARY INCREASES

The negotiations for 2016/17 salary increases went smoothly, resulting in a general salary increase of 6% for all employees.

## 10. EMPLOYEE WELLNESS

OBP has an Employee Wellness Programme in place which aims to sustain employee wellbeing.

OBP provides therapeutic services for employees on-site.

The most pertinent areas that were addressed are the following:

- Couples-and family-related challenges
- Legal Issues
- Psychosocial matters (stress)

It is evident from the problems addressed that employees have trust in the programme and are seeking assistance for problems of a personal, work-related and practical nature.





Furthermore, OBP has a clinic on the premises. The internal OBP clinic operates for three working days per week. It is managed by the Occupational Health Nurse and the Occupational Health Doctor. During the year under review, a total number of 345 (Three hundred and forty-five) cases were managed at the clinic.

## 11. SECURITY AND FACILITIES MANAGEMENT

OBP still operates under the National Key Point Act 102 of 1980 and the security department is responsible for ensuring that OBP complies with the Act as reaffirmed in 2003.

To realise this, the security department is supported by a private security service provider responsible for the static protection of OBP staff, premises and assets.

Force multipliers are used to further enhance the security capabilities in the form of a CCTV system and electronic access control system.

For compliance, the security department is supported by the State Security Agency and the SAPS NKP Regulator.

Emergency Services such as Disaster Management and the Local Fire and Emergency Services ensure that OBP is prepared for emergencies.

The facilities (offices and laboratories) are maintained by a cleaning service provider and their staff are specifically trained in the prescriptions that entail the cleaning of said laboratories.





# REPORT OF THE BUSINESS DEVELOPMENT OFFICER

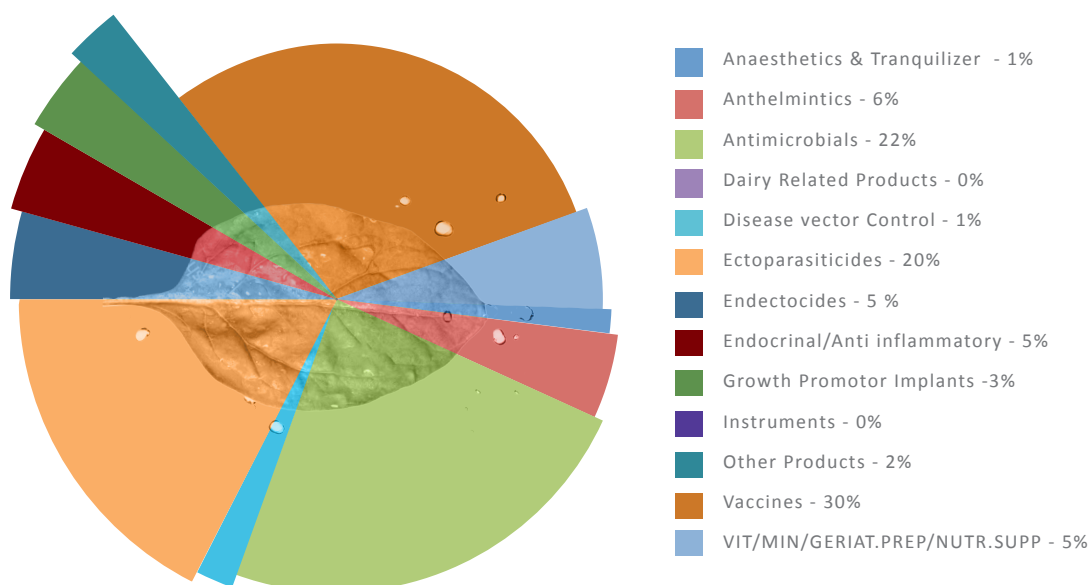
## INDUSTRY ANALYSIS

The South African economy continued to be under severe pressure in 2016/17 financial year with growth of less than 0.5%. The agricultural sector also under-performed even though the country had average rainfall. The majority of livestock farmers kept their stock in an attempt to increase their herd or flock. Provinces such as the Western Cape continued to experience drought and this had a serious negative impact on livestock numbers in that province, as most farmers opted to sell their livestock. This impacted negatively on general animal health products especially the sheep segment.

In spite of these challenges the animal health industry grew by 3.4% from R2,7 billion to R2,9 billion, which is the current estimated animal health market size (SAAHA, 2016). Figure 1 below shows the total market size and other segments. It can be seen from Figure 1 below that the vaccine segment is the biggest, with almost 30% of the total animal health market.

**Figure 1: Total Value in Rands of the South African Pharmaceutical Animal Health Industry**

**Figure1: Value of Animal**



Source: SAAHA, 2016

OBP's market share increased by 0,02% in the total animal health market. The vaccine segment grew by 6,6%, with OBP maintaining its growth of 7%. Though the livestock vaccine segment grew by 5,3% OBP's market share dropped by 1% due to the drought in the Western Cape that resulted in sheep farmers selling their livestock. Table 1 (on the next page) summarises the value of different segments within the animal health industry and OBP's market share.



**Table 1: OBP's Total Market Share per Sector**

	2016	2015	%Growth
Total Animal Market	2 873 434 907	2 777 764 350	3,44%
Market share	2,05%	2,03%	0,02%
Total Vaccine Segment	865 408 894	811 503 777	6,6%
Market share	7%	7%	1%
Livestock Vaccines Sub	325 498 424	309 260 964	5,3%
Market share	14%	15%	-1%





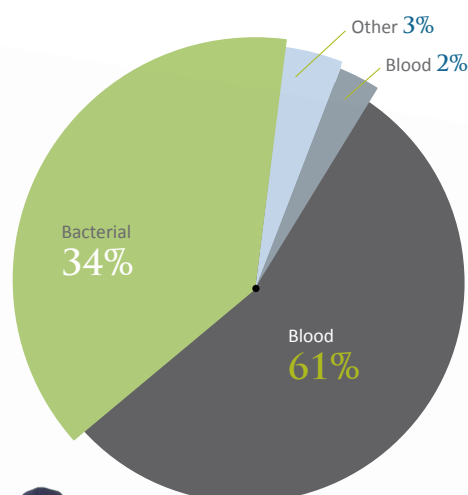
## REPORT OF THE BUSINESS DEVELOPMENT OFFICER

According to the 2016/17 SAAHA figures, MSD, Virbac, Zoetis, Elanco and Bayer are the top animal health companies with MSD still ranked no 1.

### OBP PERFORMANCE

The company performed extremely well in the 2016/17 financial year. Overall sales revenue was 17% above budget and 86% above 2015/16 performance. Though domestic did not achieve its budget, the department was 72% above the 2015/16 financial year. The export market continued its growing with the department ending being 118% above budget and 99% above 2015/16 performance. Figure 2 depicts top-performing products and their sales contribution to the total revenue.

Figure 2: Contribution by Product Segment







Viral vaccines contribute almost 61% of OBP's total revenue followed by bacterial vaccines (34%). Below is a summary of activities as per company's strategic plans (2016/17).

### DOMESTIC ANALYSIS

#### CUSTOMER RELATIONSHIPS AND STAKEHOLDER SATISFACTION

The customer relationship strategy was submitted for review and co-operatives, vets, state vets, farmer associations and wholesalers were visited in this financial year as part of improving relationships. There was an over-achievement in the implementation of this strategy.

### COMMUNICATION INITIATIVES

Different communication channels were used to address various concerns from stakeholders. For issues such as product availability, sales promotions and disease awareness, radio and print media channels were used to contact stakeholders which included government, co-ops, professional bodies such as SAVA, SAVC and AHT, and farmer associations such as RPO, MPO NERPO and NWGA.

### BRANDING ACTIVITIES

OBP participated in various activities to promote both its corporate brand and its service to all stakeholder functions. The company held exhibitions at government, vets, co-ops and farmer associations events.





## REPORT OF THE BUSINESS DEVELOPMENT OFFICER

### DISTRIBUTION STRATEGY

A new distribution network was developed and implemented in which OBP distributed its products directly to co-ops, wholesalers and vets. Sales agents were appointed and a meeting was held at the beginning of the financial year.

### SMALLHOLDER FARMERS SUPPORT

There was a significant support for smallholder farmers and government in this financial year. There was support for projects and farmers days which supported smallholder farmers. More doses of vaccines were donated to government on behalf of smallholder farmers.

### EXPORT DEPARTMENT

The total number of doses sold to the export market improved by 3%. About 10 export agents were appointed and this resulted into 8 new markets being identified. The department continued to support and grow its market share both within the SADC region and more significantly, within the European union.

This was successfully achieved through activities in East European countries. Training on Lumpy Skin Disease (LSD) was offered to vets in this region of the European Union. The export department focused its strategy on the following regions:

- Eastern Europe
- North-East Africa
- Middle East
- SADC

### CONCLUSION

The company showed significant growth in the 2016/17 financial year, both in the domestic and export markets. The company's performance in the export market has shown OBP's potential in penetrating new markets. Product supply in response to market demand has improved and contributed to this positive growth.





# REPORT OF THE CHIEF SCIENTIFIC OFFICER



## RESEARCH AND DEVELOPMENT

The process of developing vaccines is complex, costly, time-consuming and for some diseases, the development process may take over a decade. The highlight for the 2016/17 FY was the implementation of the Research and Development (R&D) strategy. The strategy aims to build competencies that will lay a solid foundation for the development of differentiated, innovative and effective animal health products. The competence areas addressed by the strategy encompass attainment of different goals pertaining to antigen culture collections, product development platforms, bioprocessing technologies and clinical and regulatory affairs excellence.

The R&D Unit is working on a number of pipeline concepts with several projects geared towards improving products and processes. Two of these projects were advanced to pre-clinical validation stages and three were advanced to the clinical validation stage. The R&D Unit continued to assist the Production departments with a number of process optimisation and improved production processes. Three projects have been advanced to the technology transfer stage from R&D to Production.

The R&D unit continued to benefit from collaborations with external stakeholders, notably TIA, who are funding certain R&D projects, the Agricultural Research Council (ARC), the Council for Scientific and Industrial Research (CSIR), and the Universities of Pretoria, North West and Johannesburg. The three projects with external collaborators were advanced to the technology transfer stage. The R&D unit continued to invest in infrastructure and investigations on the use of new technology platforms. The unit has collaborated with national and international manufacturers of new technology platforms to fast-track vaccine development.

During the year under review, OBP submitted new applications in accordance with Act 36/1947 for approval. Two of these applications for dose reductions of existing vaccines were approved. As part of OBP's strategy of expanding its customer base, various technical documents were submitted to foreign customers for possible registration of various vaccines. As a result, OBP was granted marketing authorisation for the OBP LSD vaccine in Armenia.

Vaccine development, testing and approval processes are subject to compliance with national regulatory requirements and International Quality Control and Assurance standards. The





## REPORT OF THE CHIEF SCIENTIFIC OFFICER

animal facilities were audited by the South African Veterinary Council (SAVC) and no findings were raised. Recommendations made following audits by the National Council of the Society for the Prevention of Cruelty to Animals (NSPCA) were duly implemented. OBP maintained its accreditation for the ISO 9001:2008. OBP applied for and was granted Research Approvals in compliance with Section 20 of the Animal Diseases Act (35 of 1984) for the various vaccine development projects. As part of routine requirements, international client countries audited the OBP vaccine production plant and facilities and the suggested corrective measures were implemented satisfactorily. OBP was audited by the Department of Agriculture, Forestry and Fisheries (DAFF) for compliance with the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act No. 36 of 1947) and appropriate corrective actions were put in place.

Two staff members from the R&D Unit are continuing with PhDs with the University of Pretoria and North West University, one staff member is continuing an MSc degree with the University of Cape Town and one staff member is pursuing a qualification in Pharmaceutical Sciences at Tshwane University of Technology. OBP has a vested interest in R&D projects being undertaken by students at various national universities.

### SCIENTIFIC PUBLICATIONS

- Elisabeth Mathijs, Frank Vandenbusschea, Andy Haegeman, Alasdair King, **Bethuel Nthangeni**, Christiaan Potgieter, Louis Maartens, Steven Van Borma, Kris De Clercq 2016. *Complete Genome Sequences of the Neethling-Like Lumpy Skin Disease Virus Strains Obtained Directly from Three Commercial Live Attenuated Vaccines*. Genome Announc. vol. 4 no. 6 e01255-16, doi: 10.1128/genomeA.01255-16.
- Tinyiko Mokoena, Ereck Chakauya, Michael Crampton, Boet Weyers, Malefa Tselanyane, Tsepo Tsekoa, Rachel Chikwamba. *Evaluation of plant-produced Clostridium perfringens type D epsilon toxoid in a vaccine against enterotoxaemia in sheep*. Onderstepoort Journal of Veterinary Research. In Press.
- **Nobalanda Betty Mokoena**, Shonisani Wendy Limani, Ignatious Ncube, Lizelle Ann Piater, Derek Lithauer, and **Mulalo Bethuel Nthangeni**. *Genetic determinant of Bacillus pumilus lipase lethality and its application as positive selection cloning vector in Escherichia coli*. **Protein Expression and Purification**. In press.

### SCIENTIFIC PRESENTATIONS

- **Dr Faranani Ramagoma** was invited as a guest lecturer to University of Johannesburg, to speak on Vaccines for the Current Advances in the Biotechnology Honours course
- Mr. **Ian Louw** and Dr **Nobalanda Mokoena** presented at the Joint CIFSRF Scaling-Up Innovations for Impact: Meeting the Food Security Challenge held on October 11 - 12, 2016 at VIDO-InterVac, University of Saskatchewan, 120 Veterinary Rd, Saskatoon, Canada.





# REPORT OF THE OPERATIONS EXECUTIVE

The 2016/17 financial year (FY) was a resounding success for OBP, having come from a challenging period of acute stock shortages. The strategy of producing surplus antigen stock for both bacterial and viral vaccines while reducing batch failure rates enabled the Operations Division to swiftly respond to ever-increasing market demand. In return, OBP was able to schedule preventative maintenance on critical equipment as well as the execution of upgrades to the facility to counter the effects of decaying infrastructure.

This report summarises the achievements and challenges that the Operations Division had to overcome in order to achieve such a sterling effort.

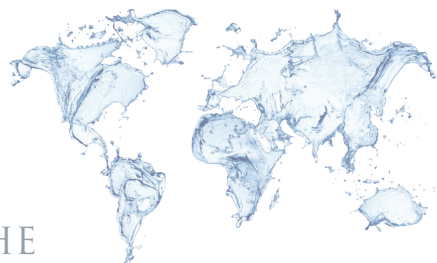
In 2016/17 FY, there was a strong focus on producing antigens in advance of when they are needed in order to cater for unexpected product demands.

In 2016/17 FY, a total number of 165 batches were packed and transferred to Distribution for sale. These included vaccines against Lumpy Skin Disease (LSD), Bluetongue, Rift Valley Fever, Brucellosis, African Horse Sickness and Enterotoxaemia (Pulpy Kidney) to name a few.

In total, packed batches amounted to 33,3 million doses transferred to Distribution between 01 April 2016 and 31 March 2017 in addition to the stock that was carried over from the previous year.







## REPORT OF THE OPERATIONS EXECUTIVE

### EFFICIENCY AND ADHERENCE TO PRODUCTION PLAN

The division showed resilience in the 2016/17 FY, which was demonstrated by increased production output with a marked reduction in batch failure rate. Yield consistency was demonstrated across the spectrum, resulting in predictable batch sizes.

Process streamlining and restructuring within the filling and packaging operations improved efficiencies, resulting in a record number of batches filled and packed. Adherence to the production plan was high and this ensured that targets were met.

### PLANNED SHUTDOWN MAINTENANCE

The OBP manufacturing facility is almost 40 years old and has been showing signs of infrastructural decay that manifests in the form of unexpected breakdowns and production downtime. The Engineering, Maintenance and Utilities (EMU) department worked tirelessly over the past year to ensure that OBP remained in operation.

It is a pleasure to report that for the first time in many years, OBP successfully executed planned preventative maintenance mid-year as well as end-of-year shutdown maintenance over the festive holidays on the following critical equipment with minimal impact to operations:





- Aseptic Filling Lines
- Freeze Driers
- Production Fermenters
- Refrigeration and HVAC Systems
- Water Plant
- Boilers

### CHALLENGES:

Despite a sterling performance, there were challenges and lessons learnt, but we take pride in our ability to overcome most of them. Recruitment of highly-skilled mechanical, refrigeration and electrical technicians was one major challenge of note which OBP rose above.

### LOOKING AHEAD TO 2017/18:

Judging by the performance of 2016/17, OBP is in a far better position to tackle the 2017/18 financial year with vigour and passion. The next financial year will focus on process streamlining and efficiency, two critical processes which are already underway.

AS THE OPERATIONS DIVISION,  
WE CAN'T WAIT TO CONTINUE  
WHERE WE LEFT OFF!









# REPORT OF THE CHIEF FINANCIAL OFFICER

## 1. INTRODUCTION

The vaccines market continued to be under pressure during the current financial year, with slow growth experienced by the industry players year-on-year and, in addition, from OBP's perspective, the ageing equipment continued to weigh heavily on our overall performance. The equipment's which needed an urgent replacement going forward.

The competition has also increased over the period and eaten into OBP's market share together with other industry players.

During the 2012/13 financial year, the shareholders approved the funding of R492 million over the Medium-Term Expenditure Framework period for modernisation of the current facility, of which R492 million was transferred by the shareholder to the company to date. The cash injection by the shareholder will

bring some production stability within the organisation and position OBP as a force to be reckoned with in the market by claiming back the lost market share with improved economies of scale.

During the current financial year, the business changed its distribution strategy from a single distribution channel to multiple channels. The strategy has been implemented successfully and is showing positive results.

## 2. FINANCE

Finance Department is responsible for the Financial Management, Supply Chain Management and Information Technology sections within Onderstepoort Biological Products SOC Limited. It strives for effective and efficient financial management and internal controls in alignment with the strategic objectives of the organisation.





## REPORT OF THE CHIEF FINANCIAL OFFICER

The department is guided by the following statutes in the execution of its duties:

- Public Finance Management Act No.1 of 1999
- Treasury Regulations
- Preferential Procurement Policy Framework
- Income Tax Act 58 of 1962
- VAT Act 89 of 1991

### 2.1. FINANCIAL MANAGEMENT

This section focuses on maintaining and implementing sound financial management processes and controls, and ensuring compliance to all relevant legislation. Key functions of the department include financial administration, accounting, treasury management and reporting. The finance, sales and procurement, and Enterprise Resource Planning system

(ERP) modules have been fully operational during the current financial year. The response to the system by users has been positive and the improved reporting process is evident.

### 2.2 SUPPLY CHAIN AND DISTRIBUTIONS

The Supply Chain Management Division is made up of three departments, namely Procurement, Production Planning and Distribution (Dispatch). The main role of the division is to provide an integrated Supply Chain through effective Planning, Sourcing, Manufacture and Delivery of OBP products, that is underpinned by a strong technology platform. OBP's Supply Chain Management Division has a corporate mandate to work closely with other key functions in the company in ensuring that these functions are fully supported. One of the key functions of the Procurement sub-division is the management







of a supplier base and inventory to ensure continuous supply of quality materials to the production functions. Also key to the procurement function is the compliance to relevant Treasury Regulations and Public Finance Management Act.

Onderstepoort Biological Product SOC Ltd achieved an average of 81% procurement spend on BEE individuals/organisations for the year under review. The procurement policy has been updated and approved by the Board during the year under review.

The company is in the process of obtaining the BEE certification from the accredited Agency SERR.

### 2.3 INFORMATION TECHNOLOGY

The section focuses on IT governance, security and support of users within the organisation. Information Technology is a critical department within the organisation in ensuring that the business meets its objectives through utilisation of technology.

The IT Strategy and Governance Framework was developed and concluded during the period under review.

The IT Steering Committee became fully functional with the development of its Terms of Reference, IT Governance Charter and Governance Framework.

In line with the new distribution strategy, the new online ordering system was rolled out for our customers to order products online. OBP partnered with F4F Adaptris in this regard. We are busy rolling the platform out to major Co-operatives within the country. The following Co-operatives are on board: VKB, Kaap Agri, Suidwes and Hinterland.

## 3. RESULTS FROM OPERATIONS

The financial performance of the company has been under pressure in light of the production challenges and tough market conditions locally. Our international sales have exceeded the target in line with our strategic view - that export is our future.





## REPORT OF THE CHIEF FINANCIAL OFFICER

	2017	% Change	2016
Revenue	173 691 772	87%	92 699 421
Expenditure	147 453 226	49%	99 000 942
Plant Investment	156 560 490	6%	148 349 470
Cash Equivalent	481 933 493	6%	456 350 092

### 3.1 Revenue

Revenue increased to R173,7 million from R92,7 million for the year under review. The 87% increase realised is mainly attributable to the increase in production of finished products compared to the prior year. During the 2014/15 financial year we saw most of our products not being able to be produced. The troubleshooting exercise reported in the prior year began to show positive results in 2016/17, going into the financial year under review.

The favourable international market conditions and rand devaluation against our major trading partner currencies also contributed positively to our revenue growth. International markets for our products continue to be our strategic route in diversification.

### 3.2 Gross margin

Gross margin of 85% was realised compared to gross profit of 75% for the same period last year. The increase in gross profit by 10% is mainly due to product mix with higher margin products being sold, for example, African Horse Sickness, Blue Tongue, international sales (Dollar and Euro denominated) and cost control relating to direct input costs.

### 3.3 Other Income

Other income amounted to R5 million due to a foreign exchange gain of R3 million for the year under review. The amount is down compared to prior year income R10 million.

### 3.4 Operating and Administrative Expenses

The overall business expenditure increased by 46% year-on-year. The biggest contributor is personnel costs amounting to R82 million for the year under review. The personnel costs increased by 38%, mainly attributed to inflationary salary and bonus provisions of R13 million.

### 3.5 Investment Income

Investment income increased to R45 million in the current financial year compared to R28 million reported during the prior year, and the increase is attributable to positive cash inflow from The National Treasury for recapitalization and upgrade. During the financial year under review OBP received R268,4 million in ring-fenced capital injections.



## 4. ORGANISATION PERFORMANCE

Figure 1.5 (A) Five Year Financial Performance of OBP

### FINANCIAL PERFORMANCE

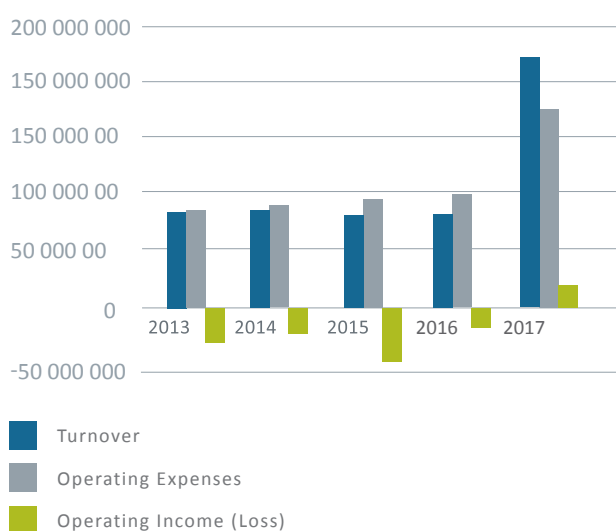


Figure 1.5 (B) Five Year Financial Position of OBP

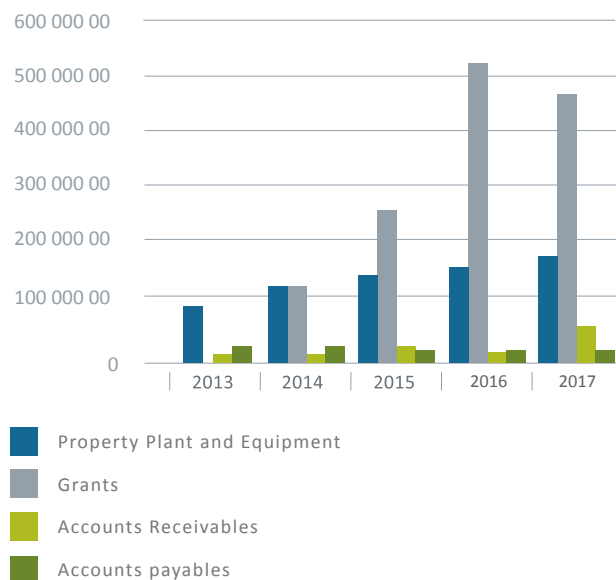
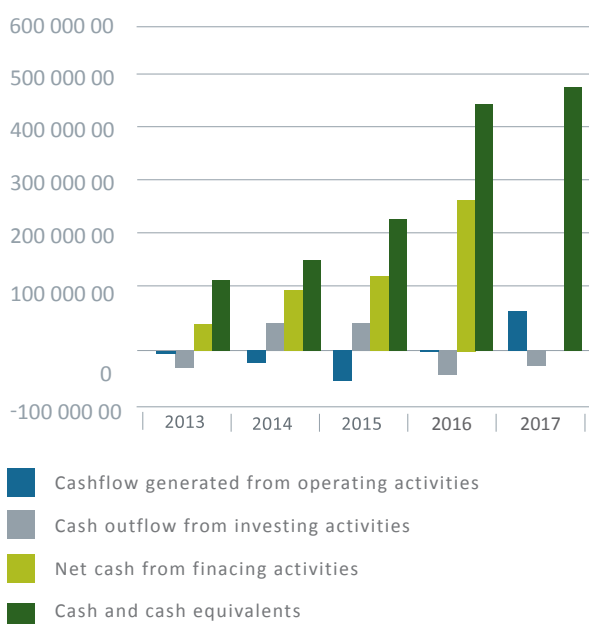


Figure 1.5 (B)-Five year Cash Flows and Cash Reserves of OBP

### CASH FLOWS AND CASH RESERVES



## 5. FINANCIAL POSITION

Our financial position has improved over the period primarily due to the cash injection by the shareholders for plant recapitalisation programme.

Net cash balances at 31 March 2017 of R481 million represent an improvement of R456 million over the period under review.

Our strong financial position allows us to build a Good Manufacturing Practice (GMP) facility to access the international markets and pursue growth opportunities across Africa and the rest of the world when they arise.

## 6. DELIVERING VALUE TO STAKEHOLDERS

We return value to our shareholders in the form of ensuring that government priorities are met, more especially alleviating poverty through food security.



# REPORT OF THE CHIEF FINANCIAL OFFICER

## 7. ISSUES GOING FORWARD

We remain cognisant of the need to deliver continually to our stakeholders by improving operational performance and pay attention to efficiency, revenue maximisation, cutting costs and affordable pricing of our products.

Increased production of sufficient doses to cater for local and export market.

## 8. KEY FINANCIAL RISKS

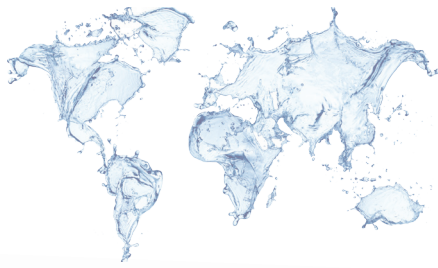
Significant number of machinery acquisition from overseas suppliers is envisaged over the Medium-term Expenditure Framework (MTEF). Exchange rate risk will be managed through awareness of currency risk-related transactions. The company has a formal foreign exchange policy approved by the Board, which guides currency risks management carried out by the business. Currency risks are partially hedge through set-off effect of foreign currency assets and liabilities and by means of forward exchange contracts.



Figure 1.5 (C) Five Year Key Ratios of OBP

	2013	2014	2015	2016	2017
Gross margins	61%	70%	74%	75%	85%
Current ratio	7,11	4,62	7,34	23,6	10,68
Quick ratio	5,85	0,90	1,38	0,29	0,12
Return on asset	-1%	-13%	-10%	2,1%	6,9%





# MANAGERS



**From Left To Right** Nonela Dilima , Richard Pitso, Cynthia Ntsumele, Itumeleng Masege, Gerrie Van Wyk, Johan Nel, Ian Low, Zinhle Ngubane, Raynard Macdonald, Dumisane Mangwane, Boet Weyers, Bongani Khumalo, Kenneth Malahlela, Nolwazi Bam, Zanale Nkumane, Nobalanda Mokoena, Pieter Wright



# PERFORMANCE REPORT

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## ANNUAL PERFORMANCE REPORT FOR FINANCIAL YEAR 2016/2017

### 1. EXECUTIVE SUMMARY

The organisational performance for the 2016/17 financial year is in accordance with the strategic goals and Annual Performance Plan for 2016/17 financial year.

The performance during the financial year 2016/17 showed significant improvement from the previous year. We have achieved remarkable improvement in the annual targets across most areas of the organisation.

OBP generated net sales (after discount) of R169 million (from vaccine sales), compared to the budget of R145 million. There was an over performance of 17%.

Key successes achieved during this period are increased in export sales due to market gained. There were slight improvements in our stakeholder engagements, equipment upgrades of current facility, ISO accreditation maintenance, support to co-ops and emerging farmers.

OBP continues to focus its energy on ensuring that production is taking place in line with the needs of the market.

Considerable effort has gone into forecasting sales for 2017/18 to ensure that products are available when the market needs them.

The Corporate Plan for 2017/18 to 2019/20 was developed and approved in this period and it takes cognisance of the requirements for implementation. The focus for 2017/18 financial year is to increase sales in the local markets.

OBP is proud of the new external markets that have been captured. There has been significant increase in the generation of export revenue due to new markets.





# PERFORMANCE REPORT



## ANNUAL TARGETS 2016/17

### 2.1 Strategic Goal 1 and Objective Annual Targets for 2016/17

<b>Strategic Goal 1</b>	<b>Build a global high-performing organisation equipped with modern technology and expertise to develop and manufacture competitive products to achieve financial sustainability</b>
<b>Goal statement</b>	To attain a high-performance organisation underpinned by appropriate structures, institutional stability, competitive products, shared values and financial sustainability.
<b>Strategic Objective 1.1</b>	<b>Align organisational structure to strategy</b>
<b>Objective Statement</b>	To align the current organisational structure to OBP corporate plan for 2016/17 to 2018/19.
<b>Baseline</b>	Current organisational structure.
<b>Justification</b>	This objective will assist in ensuring that OBP is appropriately resourced (skills and headcount) to deliver on its mandate.
<b>Strategic Objective 1.2</b>	<b>Ensure institutional stability</b>
<b>Objective Statement</b>	To maintain institutional capability by implementing the following human resources programmes, succession planning, retention strategy and incentive scheme.
<b>Baseline</b>	<ul style="list-style-type: none"> <li>• Turnover rate of 3%</li> <li>• Draft succession planning policy</li> <li>• Draft retention strategy</li> <li>• Remuneration policy</li> </ul>
<b>Justification</b>	This objective will assist in ensuring that critical skills are retained, whilst a certain percentage (below 4%) of workforce leaves OBP to enable to attract new skills.





Strategic Objective 1.3	Manage performance of employees
Objective Statement	To implement a new performance management policy throughout the organisation.
Baseline	Revised draft performance management policy.
Justification	Optimal organisational performance is dependent on an enabling environment, which is underpinned by behavioural standards agreed upon by all employees.
Strategic Objective 1.4	Ensure financial sustainability
Objective Statement	Increase sales revenue to R169 million in 2018/19 financial year and reduce total costs in relation to sales by 15%.
Baseline	<ul style="list-style-type: none"> <li>• Sales revenue for 2014/15 financial year (audited): R81,7 million</li> <li>• Estimated sales revenue for 2015/16 financial year: R97 million</li> <li>• Export sales revenue for 2014/15 financial year (audited): R34 million</li> <li>• Estimated export sales revenue for 2015/16 financial year: R41 million</li> <li>• Total value of doses sold to provinces for 2014/15 financial year (audited): R1 million</li> <li>• Estimated total value of doses to be sold to provinces for 2015/16 financial year: R3 million</li> <li>• Total number of doses sold to export market for 2014/15 financial year (audited): 8,6 million doses</li> <li>• Estimated total number of doses to export market for 2015/16 financial year: 8,9 million doses</li> <li>• Production costs and expenses as a percentage of sales revenue (audited 2014/15 financial year: 155%. (Expenses R127 million)</li> <li>• Production costs and expenses as a percentage of sales revenue (estimated performance 2015/16 financial year: 113% (Expenses R110 million)</li> </ul>
Justification	There is a need to ensure profitability and sustainability of the organisation.



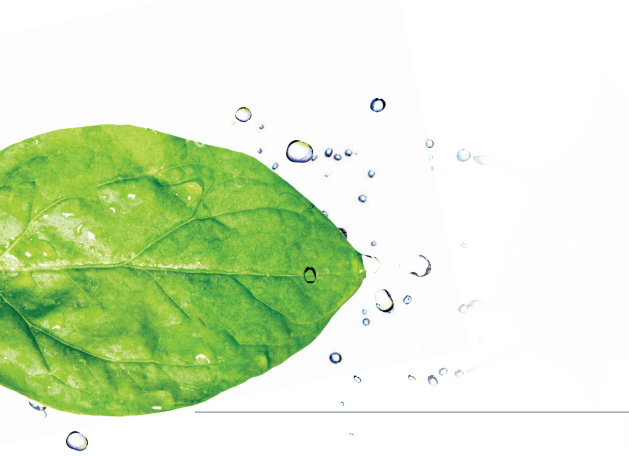
## PERFORMANCE REPORT

Strategic Objective 1.5	Ensure production efficiency
<b>Objective Statement</b>	Produce 300 batches by 2018/19 whilst reducing failure rate and ensuring availability and effectiveness of production equipment.
<b>Baseline</b>	<ul style="list-style-type: none"> <li>• Number of batches produced in 2014/15 financial year: 129 batches</li> <li>• Estimated number of batches to be produced in 2015/16: 240 batches</li> <li>• Failure rate in 2014/15 financial year: &lt;24%</li> <li>• Current failure rate: Bacterial: 19%, Virology: 25%, Water for injection: 5% (Q3 of 2015/16)</li> <li>• Current production downtime: estimated production downtime of 32%</li> <li>• Current equipment operating capacity: estimated at 65% capacity</li> </ul>
<b>Justification</b>	<p>There is a critical need to reduce costs, increase yields, improve efficiencies and productivity across the organisation. Improved profitability and sustainability of the organisation and ensuring value-add will go a long way towards increasing OBP's competitiveness and shareholder satisfaction. For this to happen consistently, improved business processes must be implemented and business practices must allow access to critical information that guide decision making in the short-and long-term.</p>
Strategic Objective 1.6	Produce quality products
<b>Objective Statement</b>	To manufacture high quality products to be in a position to meet current and future demands.
<b>Baseline</b>	<p>ISO 9001:2008 certified 2 internal audits.</p>





Strategic Objective 1.6	Produce quality products
Justification	<p>OBP should maintain its ISO certificate as it demonstrates that OBP has effective and efficient quality management systems to manufacture high quality products.</p>
Strategic Objective 1.7	Build a GMP compliant facility as detailed in the approved plan
Objective Statement	<p>Build a GMP compliant manufacturing plant to ensure manufacturing of high quality products.</p>
Baseline	<ul style="list-style-type: none"> <li>• 67% (R22,3 million) of equipment upgrade budget spent or committed</li> <li>• Site for the GMP compliant manufacturing plant identified</li> <li>• Estimated costing to build the plant done</li> <li>• Concept design of a GMP compliant manufacturing plant</li> <li>• Critical equipment to be procured identified</li> </ul>
Justification	<p>OBP intends to be a global manufacturer and distributor of vaccines and other biological products. In order to access international markets, OBP requires a GMP certificate.</p>



## PERFORMANCE REPORT

### 2.1.1 Strategic Goal 1:

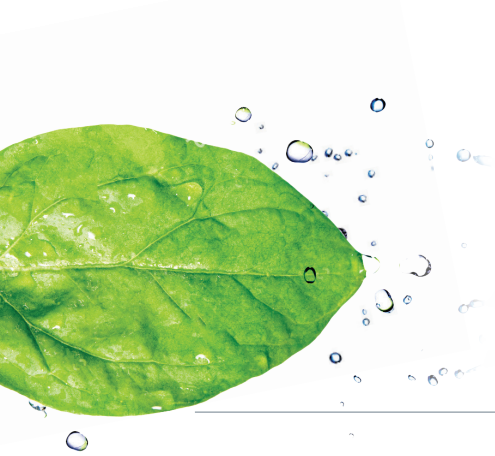
Build a global high-performing organisation equipped with modern technology and expertise to develop and manufacture competitive products to achieve financial sustainability.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Target		Variance / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
1.1 Alignment of structure to strategy	New organisational structure aligned to OBP's corporate plan for 2016/17 to 2018/19 approved and implemented	Current organisational structure	Approved organisational structure aligned to the corporate plan	Implement the approved structure  Develop job profiles in line with approved structure  Conduct a skills audit	Macro organisational structure approved  Job profiles for exco and management developed  Skills Audit conducted for ExCo and management	Not Achieved  Implement the approved structure  Skills audit and job profiles for employees (below ExCo and ManCo)	RemCo resolved that a functional analysis for manco and ExCo and productivity study be conducted prior to the finalisation of the organisational structure
1.2 Maintain institutional capability	1. Succession Planning Policy approved and implemented	Turnover rate of 3%  Draft succession planning policy in place	Turnover rate between 4% and 12%  Approved succession planning policy	Implement succession planning policy	Succession planning policy implemented	Achieved  None	N/A





Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Target		Variance / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
1.2 Maintain institutional capability	2. Retention Strategy developed and implemented	Draft retention strategy in place	Career ladders for core business  Approved retention strategy	Implement retention strategy	Retention strategy implemented	Achieved  None	N/A
	3. Remuneration policy revised and approved	Remuneration Policy	None	Remuneration policy revised and approved.	Remuneration policy revised and presented to RemCo.	Not Achieved  Remuneration policy not approved	RemCo resolved that the HR department to develop an HR Policy Manual
1.3 Performance Management System	New Performance Management System implemented	Current performance management policy	Approved Performance Management Policy	Implement the revised performance management policy	The revised performance management policy implemented	Achieved	N/A



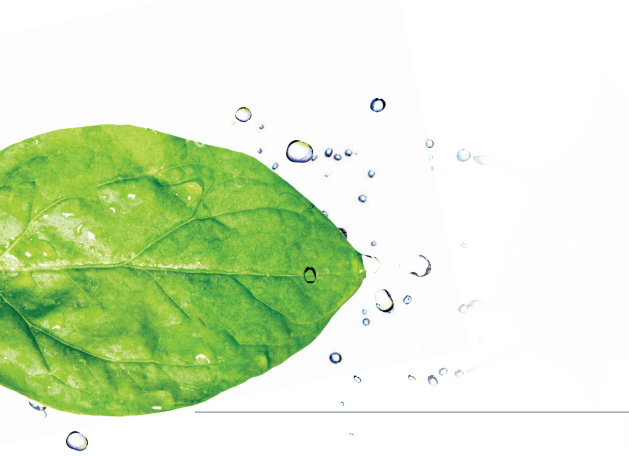
## PERFORMANCE REPORT

Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Targets		Variance / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
1.4 Financial sustainability	1. Annual Sales revenue increased to R122 million by 2018/19 financial year	Sales revenue in 2014/15 financial year (audited): R81,7 million	R97 million	R145 million	R169 million	Over Achieved +R24 million	Opportunistic sales within the export market
	2. Increase in export sales revenue to R49 million by year 2018/19 financial year	Export sales revenue in 2014/15 financial year (audited): R34 million	R41 million	R44 million	R111 million	Over Achieved +R67 million	Opportunistic sales within the export market
	3. Total vaccine sales to Provinces increased to R3,5 million by 2018/19 financial year	Total value of doses sold to Provinces in 2014/15 financial year (audited): R1 million	3% increase 8,9 million doses	R3 million	R2,9 million	Not Achieved -R100 000	Sales from Government Department inhibited by the RT10 tender
	4. 3% annual increase on the number of doses sold to export market annually	Total number of doses sold to export market in 2014/15 financial year (audited): 8.6 million doses	3% increase 8,9 million doses	3% increase 9,1 million doses	12,5% increase 10 million doses	Over Achieved +9,5% increase 0,9 million	Opportunistic sales within the export market
	5. Reduce total costs in relation to sales revenue by 15% annually	Total costs in relation to sales revenue in 2014/15 financial year (audited): 155% (expenses R127 million)	113% Expenses R110 million	15% per annum	51%	Over Achieved +36%	Increase in revenue due to opportunistic sales within the export market





Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Targets		Variance / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
1.5 Production Efficiency	1. Increase number of batches produced to 300 batches by 2018/19 financial year	Number of batches produced in 2014/15: 129 batches	240 batches	260 batches per annum	165 batches produced	Not Achieved  -95 batches	Excludes Antigens and batches under test
	2. Reduce rate of final batch failures to:  1. Virology <10%  2. Bacterial <5%  3. Water for injection <5%	<24%	Virology: 25%  Bacterial: 19%  Water injection: 5%	Final batch failure rate:  1.Virology: 10%  2.Bacterial: 5%  3.Water for injection: 5%	Virology: 10/38 = 26%  Bacterial: 7/34 = 21%  Water: = 5/93 = 5%	Not Achieved -16% Not Achieved -16% Achieved None	Excludes Antigens and batches under test  Excludes Antigens and batches under test  N/A
	3. Reduced the production down times to 5% by 2018/19	No baseline	Estimated downtime for the following production equipment is as follows:  Fermenters: 60%  Freeze dryer: 50%  Water plant: 30%  Filling machine: 20%  Carton packer: 100%	15% production downtime for the following production equipment: <ul style="list-style-type: none"><li>• Fermenters</li><li>• Freeze-dryer</li><li>• Water plant</li><li>• Filling machine</li><li>• Carton packer</li></ul>	12% production downtime	Over Achieved  +3% down time	Improved Preventative Maintenance & Planning



## PERFORMANCE REPORT

Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Targets		Variance / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
1.5 Production Efficiency			Vial washer: 0  Capping machine: 20%  Estimated plant downtime: 32%  Establish baseline	<ul style="list-style-type: none"> <li>Vial washer</li> <li>Capping machines</li> </ul>			
	4. Increased overall equipment effectiveness to 90% operating capacity by 2018/19	No baseline	Estimated downtime for the following production equipment is as follows:  Fermenters: 40%  Freeze dryer: 50%  baseline  Water plant: 70%  Filling machine: 60%  Carton packer: 100%  Vial washer: 100%  Liquid Filling machine: 60%  Establish	80% equipment operating capacity	84% equipment operating capacity	Over Achieved  +4% equipment operating capacity	Improved Preventative Maintenance & Planning





Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Targets		Variance / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
1.6 Quality products	1. 4 internal quality audits annually conducted	ISO 9001: 2008 accreditation	2 internal audits	4 internal audits annually	15 Internal audits conducted	Over Achieved  +11 internal audits	Improved planning
	2. ISO accreditation maintained	ISO 9001: 2008 accreditation	Maintain ISO accreditation	Maintain ISO accreditation	ISO accreditation maintained	Achieved  None	N/A
1.7 A GMP compliant facility as per the approved plan	1. Upgrading of current facility	Current facility. 67% of equipment upgrade budget (R22,3m) spent or committed	70% of layout changes implemented  All identified critical equipment procured	100% of layout changes implemented	35% of layout changes implemented	Not Achieved  -65%	Implementation of proposed layout changes would disrupt production
	2. New facility for GMP production constructed	Finalise site identified and estimated costing done  Concept design	Phase 1 – 100% completed	Phase 2 – 80% completed	Phase 2 not started	Not Achieved  Phase 2 – 80% not completed	Estimates on detail design were over budget  The Board resolved that management should look at other alternatives



## PERFORMANCE REPORT

### Strategic Goal 2 and Objective Annual Targets for 2016/17

Strategic Goal 2:	Improve stakeholder relations management and communications
Objective statement	To improve the relations with all stakeholders through the use of effective stakeholder relations management and communication strategies.
Strategic Objective 2.1	Improve and maintain customer and stakeholder satisfaction
Objective Statement	To improve and maintain stakeholder and customer satisfaction by 10% by 2018/19 financial year by implementing a marketing strategy, customer relations strategy and stakeholder engagement strategy.
Baseline	<ul style="list-style-type: none"><li>• 2014/15 on-line customer satisfaction survey results</li><li>• Stakeholder database</li><li>• Marketing strategy</li><li>• Draft Customer relations management strategy</li></ul>
Justification	The key requirement for the success of the organisation is its engagement with stakeholders to achieve mutual goals. Stakeholders have been identified.





Strategic Objective 2.2	Implement a communications strategy
Objective Statement	To ensure effective communication with stakeholders by implementing a communications strategy.
Baseline	Draft communications policy.
Justification	OBP needs to continuously engage with stakeholders to ensure that the organisation is kept abreast of stakeholders needs.
Strategic Objective 2.4	Implement a brand management strategy/framework
Objective Statement	To increase brand awareness to 10% by 2018/19 financial year, by implementing brand awareness strategy.
Baseline	2014/15 on-line customer satisfaction survey on brand awareness results. Draft brand management strategy/framework.
Justification	The key requirement for the success of the organisation is the visibility of its brand.



## PERFORMANCE REPORT

### 2.2.1 Strategic Goal 2:

Improve stakeholder relations management and communications.

Strategic Objective	Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Targets		Variance / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
2.1 Improve customer and stakeholder satisfaction	10% increase client and stakeholder satisfaction by 2018/19 financial year	On-line survey satisfaction survey Stakeholder database Approved marketing strategy Draft customer relations strategy	Marketing strategy developed, approved and implemented  Customer relations management strategy and developed	Customer relations management strategy approved and implemented	Customer relations strategy not approved and not implemented	Not Achieved  Customer relations strategy not approved and not implemented	The strategy was presented to the Board but was not approved
2.2 Communications strategy implemented	55% respondents of the perception survey are satisfied with OBP's communication	Draft communications policy	Communications strategy developed and approved	Implement and adhere to the communications strategy and policy	Customer communications policy developed	Not Achieved  Communications strategy and policy not implemented	The customer communications policy was presented to the Board but was not approved
2.3 A Brand management framework developed and implemented	10% increase in brand awareness by 2-18/19 financial year	On-line customer satisfaction survey.  Draft brand awareness strategy framework	Brand awareness strategy developed	Implement brand awareness strategy	Brand awareness strategy not implemented	Not Achieved  Brand awareness strategy not implemented	Review of the brand awareness strategy



### 2.3 Strategic Goal 3 and Objective Annual Targets for 2016/17

<b>Strategic Goal 3:</b>	<b>Facilitate a more aggressive national and international market access and implement an effective distribution strategy</b>
<b>Objective statement</b>	To grow into a sustainable organisation, with sufficient levels of profitability.
<b>Strategic Objective 3.1</b>	<b>Develop new markets</b>
<b>Objective Statement</b>	To ensure accessibility of OBP products internationally by developing new markets and maintaining current markets.
<b>Baseline</b>	<ul style="list-style-type: none"> <li>• Current market territories: 8 countries.</li> <li>• Agents currently appointed: 11</li> </ul>
<b>Justification</b>	There is a need to increase and grow local and export market share to ensure the sustainability of the organisation and to ensure that our growth strategy is implemented in a socially and environmentally responsible manner.





## PERFORMANCE REPORT

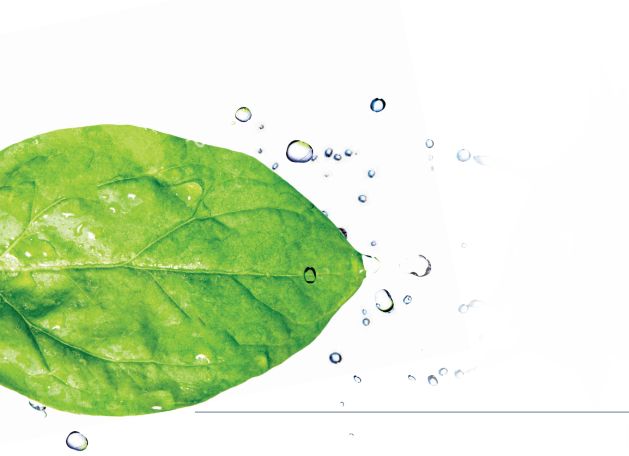
Strategic Objective 3.2	Maintain current markets
Objective Statement	To maintain OBP market share by increasing the number of doses sold thus increasing sales revenue.
Baseline	<ul style="list-style-type: none"> <li>• Total number of doses sold in 2014/15 financial year (audited): 28 million doses</li> <li>• Estimated total number of doses to be sold in 2015/16 financial year: 30 million doses</li> </ul>
Justification	There is a need to retain OBP's current market to ensure that OBP is a profitable organisation.
Strategic Objective 3.3	Implement a distribution strategy
Objective Statement	To implement a new distribution strategy to ensure accessibility of OBP products.
Baseline	Exclusive distribution strategy.
Justification	To ensure accessibility of OBP products throughout South Africa.



### 2.3.1 Strategic Goal 3:

Facilitate a more aggressive national and international market access and implement an effective distribution strategy.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Targets		Variance / Comment	Reason for Variance
				Targets2016/17	Actual2016/17		
3.1  New markets developed and maintained	8 new markets developed (internationally) per annum	Agents currently: 11	2 agents appointed	8 agents appointed (internationally) in 8 new identified countries (1 agent appointed per country)	10 Agents appointed  1 Distribution Agreement signed	Over Achieved  +2 Agent appointed  +1 Distribution Agreement signed	Aggressive marketing in the European Union
				2 dossiers submitted to register OBP products per country where agents have been appointed.	2 dossiers submitted	Achieved	N/A
	Current 8 export markets maintained	Current market territories: 8 countries	8 export markets maintained	8 current export markets maintained.	24 export markets maintained	Over Achieved  +16 export markets maintained	Opportunistic sales



## PERFORMANCE REPORT

Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Targets		Variances / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
3.2  Current markets maintained	Increase in annual sales volume – number of doses sold increased to 42 million doses by 2018/19 financial year	Total number of doses sold in 2014/15 financial year (audited): 28 million doses	30 million doses (7% increase)	36 million doses (annual 20% increase)	22 million doses (26,5% decrease)	Not Achieved  -14 million  (46,5% decrease)	Major coops started purchasing in quarter 2 due to implementation of a distribution strategy
3.3  Distribution strategy implemented	Distribution strategy implemented	Exclusive distribution channel	Distribution strategy and implementation plan approved	Distribution strategy implemented	Distribution strategy implemented	Achieved	N/A





## 2.4 Strategic Goal 4 and Objective Annual Targets for 2016/17

<b>Strategic Goal 4</b>	<b>Implement research and development strategies in line with market trends</b>
<b>Objective statement</b>	To improve efficiency of production processes and to introduce new products in line with technology and market trends.
<b>Strategic Objective 4.1</b>	<b>Improve products and processes</b>
<b>Objective Statement</b>	To improve OBP products and processes by developing 4 new products, improving 6 production processes and implement modern technologies.
<b>Baseline</b>	<ul style="list-style-type: none"> <li>• Current registered products: 53</li> <li>• Dossiers submitted in 2015/16 financial year: 3</li> <li>• Current production processes</li> </ul>
<b>Justification</b>	<p>There is a critical need to increase product use and improve production efficiencies. For this to happen consistently, improved production processes must be realised through employment of modern and high yielding technologies.</p> <p>This objective will contribute in improving production efficiencies and reducing production costs and contaminations through employment of modern and high yielding technologies.</p>
<b>Strategic Objective 4.2</b>	<b>Develop new generation products</b>
<b>Objective Statement</b>	To develop 2 new generation products.
<b>Baseline</b>	<ul style="list-style-type: none"> <li>• Current product portfolio</li> <li>• Products in declining phase of the product life cycle</li> </ul>
<b>Justification</b>	This objective will contribute in improving OBPs' competitiveness in the market



## PERFORMANCE REPORT

### 2.4.1 Strategic Goal 4:

Continuously review of research and development strategies in line with market trends.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Targets		Variance / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
4.1 Improved products and processes	4 new product dossier submitted to the Registrar by 2018/19	53 Current registered products	2	1 new product dossier submitted to the Registrar	Draft dossier developed for 1 new product	Not Achieved  Dossier not submitted to the Register	Delay in conducting clinical trials
	6 amended dossier on production processes submitted to the Registrar by 2018/19	Current processes	1	1 amended dossiers on production processes submitted to the Registrar	1 amended dossier on production processes submitted to the Register	Achieved  None	N/A
	4 GMP aligned production processes	Current production processes	1	1 GMP aligned production process	1 GMP aligned production process evaluated	Achieved  None	N/A
4.2 New generation products	2 dossiers based on the new generation recombinant technologies	Current product portfolio	None	Technology validation for 2 new generation recombinant technologies	2 new generation recombinant technologies validated	Achieved  None	N/A



## 2.5 Strategic Goal 5 and Objective Annual Targets for 2016/17

<b>Strategic Goal 5:</b>	<b>Contribute to government priorities in respect to emerging farmers, food security and economic growth</b>
<b>Objective statement</b>	Contribute and support emerging farmers, food security and economic growth through government programmes.
<b>Strategic Objective 5.1</b>	<b>Contribute to Government initiatives by supporting smallholder and emerging farmer's market and small agricultural distributors</b>
<b>Objective Statement</b>	To support smallholder and emerging farmer associations and agricultural small distributors in rural areas.
<b>Baseline</b>	<ul style="list-style-type: none"> <li>• Current emerging farmer associations being supported: 0</li> <li>• Current small agricultural distributors in rural areas being supported: 1</li> <li>• Number of doses supplied to smallholder farmers: R2,4 million</li> </ul>
<b>Justification</b>	OBP's current declining vaccine sales and market share is a reflection of the number of farmers it is affecting. The sales figures and market share among smallholder farmers are much less than for commercial farmers. No jobs have been created or funding facilitated for smallholder and emerging farmers.





## PERFORMANCE REPORT

### 2.5.1 Strategic Goal 5:

Contribute to government priorities in respect to emerging farmers, food security and economic growth.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Baseline	2015/16	Actual Performance Against Target		Variance / Comment	Reason for Variance
				Target 2016/17	Actual 2016/17		
5.1  Support to the smallholder and emerging farmers' association and agricultural small businesses	3 projects with emerging farmer associations per annum supported	Zero	3	3	3 projects supported	Achieved  None	N/A
	Facilitated 22 training sessions/events with small holder farmers and Technicians per annum	20	20	22	30	Over Achieved  +8	Appointment of sales agents enabled the sales and marketing staff to conduct training sessions
	6 Agricultural co-ops (as defined by DTI) in rural areas supported by 2018/19	1 Co-op	1	2	2 Agricultural co-ops identified and supported	Achieved  None	N/A
	Increased supply of vaccines to smallholder farmers by 500 doses annually	1 000 doses	1 500 doses	2 000 doses	2 100 doses	Over Achieved  +100	OBP participated in more events than planned



### 3. FINANCIAL ANALYSIS

See the Financial Report of the Chief Financial Officer.

### 4. GUARANTEES AND BORROWINGS

None

### 5. CAPITAL INVESTMENT PROJECTS

#### 5.1 Upgrading the current plant infrastructure and the appointment of a project management team to oversee further planning and implementation.

The concept designs for the upgrade of the current facility to be more in line with GMP in terms of access control and process flow were completed and signed off by ManCo and ExCo.

These were however not fully implemented in the 2016/17 year as planned.

The Board have also in Q4 approved the principle of converting the current facility into an all new production facility. This approach is to convert unused areas into the first upgraded production units and then utilize the areas becoming available to convert the next units. This way all units can be converted over two to three years including R&D, QC and offices. For this reason, it will not be wise to implement the changes as it will be costly and then demolished once the new facility upgrade take place.

The construction of personnel entrances into production commenced towards the end of Q4 and should be completed in Q1 2017/18. However, this will be only an interim plan as the conversion to a new facility will at the end replace these upgrades.

#### 5.2 Equipment upgrading and replacement

In terms of equipment upgrades in the current facility:

- The new freeze dryer was delivered and installed with the SAT completed. Qualification and validation of the system is planned for Q1 2017/18;
- The fermenters mechanical upgrade was completed in damaged parts replaced and major services completed. This brought two of the fermenters back into production with better and more reliable production output. The third production fermenter however experienced control panel failure and became redundant. The objective is to do the control panel upgrades of the suite as soon as the first test unit are completed and successful;
- Fermenter control panel upgrades have started towards end Q4 and should be completed by Q3 2017/18;
- The new carton packer repairs were done and the SAT completed. The Validation is planned for early 2017/18;
- Clean steam ring with new clean steam generators were installed and brought on line in Q3 in order to replace plant steam that have been used in the past for some functions. This is more in line with GMP practices. The Generators will be upgraded to supply higher pressure to the loop in Q1 2017/18; and
- Autoclaves control panels have been successfully upgraded and sterilization cycles validated.

The formulation tanks areas and the bulk media area (tastone plant) upgraded went out for quotations on the Detail design of the plants. The quotes that were received however were not approved and looking at the new facility development it will be better to incorporate these in the new design.



## PERFORMANCE REPORT

### 6. NON-CORE ASSET/BUSINESS ACQUISITION OR DISPOSALS

None

### 7. SOCIO-ECONOMIC DEVELOPMENT/TRANSFORMATION

#### 7.1 BEE Procurement

Total procurement Budget	
Annual spend	85 million
% Actual spend on Woman Owned Entities	17%
% Actual spend on Black Owned Companies	31%

#### 7.2 Skills Development/Training

The budget for training and development was R1.5 million for the 2016/17 financial year and R1.3 million was spent.

### 8. OCCUPATIONAL HEALTH AND SAFETY

No incidents were reported for the period under review.

### 9. RISK MANAGEMENT

The Table on the next page shows progress for 2016/17 based on the agreed risk treatment action plans for 2016/17 to ensure achievement of the OBP's strategic objectives.





### Strategic Risk Action Plan Progress Q2, 2016/2017

Risk no	Risk name	Risk Owner	Agreed Action Plans	Action Owner	Summary of Action Plans 2016/17	Status
1	Structural misalignment	HR Executive	Executive structure implemented  Micro organisational structure updated to ensure alignment  Micro organisational structure implemented	HR Executive	Discussion at Remco in October 2016	😊
2	Lack of succession planning and high staff turnover on key positions	HR Executive	Career paths for core business finalised	HR Executive	Career paths for core business finalised	😊
3	Leadership effectiveness	ExCo / Board	Monitoring current controls  Approved corporate plan with APP  Board - regular meetings.  Sub-committees - regular meetings  ExCo meetings  Regular reviews on performance information  Shareholder compact is in place Ongoing /ExCo/ Board	ExCo / Board	Existing controls for effective leadership are guided by the Corporate Governance King Code standard: The deliverables include Approved corporate plan with APP.  Board - regular meetings.  Sub-committees - regular meetings.  ExCo meetings  Regular reviews on performance information  Shareholder compact is in place .	😊



## PERFORMANCE REPORT

Risk no	Risk name	Risk Owner	Agreed Action Plans	Action Owner	Summary of Action Plans 2016/17	Status
4	Business disruptions	Company Secretary	Approval of the BCP Implement the BCP	Company Secretary/ Divisional Heads	Plan and policy submitted for approval and the workshop will take place once approved	☹️
5	Availability and reliability of IT infrastructure	CFO	Implementation of ERP system  Ordering system - human capacity and integration with OBP ERP system	CFO/IT Manager/ Sales Manager	System is running with small business which includes wholesalers and vets  Roll out is still work in progress	😊
6	Legal and regulatory compliance	Company Secretary	Plan for compliance audit to give assurance	Company Secretary	Phase 1 of Compliance training completed in March 2017.  The plan is underway to commence with phase 2 training in Q2	😊
7	Staff productivity/ Staff capacity and capability	HR Executive	Remuneration policy revised and approved  Implementation of the revised performance management policy	HR Executive	Remuneration and performance policy were revised. Productivity study exercise was done and recommendation to be implemented to address staff capacity and capability	☹️
8	Poor ethics and business conduct	HR Executive	Code of conduct enforced. Ethics policy	HR Executive	Code of ethics policy were reviewed and the training of all staff was done. Enforcing is ongoing	😊



Risk no	Risk name	Risk Owner	Agreed Action Plans	Action Owner	Summary of Action Plans 2016/17	Status
9	Inability to generate sufficient revenue from operations	ExCo	<p>1.Continuous engagements with DAFF to fund orphan vaccines</p> <p>2. New distribution model that will reduce the impact of the discount on costs</p> <p>3.Implementation of the Board approved R&amp;D strategy</p> <p>4. Follow up on combination vaccines for approval</p> <p>5. Reduction of cost of sales and all other costs</p> <p>6. Implementation of production equipment maintenance plan (shut down period)</p>	ExCo	<p>New distribution model has made a positive revenue difference thus reducing the risk significantly</p> <p>The progress made by implementing the R&amp;D strategy including introduction of combination vaccines contributes in preventing the risk from materialising and the benefits will be experienced at a later stage</p>	☹️
10	Salary Bill versus Revenue	HR Executive	<p>Executive structure implemented</p> <p>Micro organisational structure updated to ensure alignment</p> <p>Micro organisational structure implemented</p>	HR Executive	Same as risk 1	😊





## PERFORMANCE REPORT

Risk no	Risk name	Risk Owner	Agreed Action Plans	Action Owner	Summary of Action Plans 2016/17	Status
11	Fraud and corruption	Company Secretary/CFO	Hot line establishment - . Continuous monitoring of fraud controls -	Company Secretary/ CFO	Fraud risk controls are monitored and treatment action plans in the register are monitored  Antifraud program audit findings will be implemented in the financial year 2017/18	☺
12	Procurement of goods and services	CFO	A proposal for an amendment to the procurement policy to cater for construction of the GMP facility	CFO	Procurement policy adjusted to include the GMP facility project	☺
13	Product availability (disruptions of product supply)	Production Executive	1. Identify alternative product supplier 2. Identification of multiple sources of quality raw materials 3. Testing of raw material quality before production 4. Equipment maintenance plan developed 5. Development of cell culture competence 6. Upgrade of facility and equipment Vaccine reserves	Production Executive	Raw material quality tests are done as per quality standard before production  Cell culture competence achieved	☺



Risk no	Risk name	Risk Owner	Agreed Action Plans	Action Owner	Summary of Action Plans 2016/17	Status
14	Loss of seed stock and cells	CSO	Upgrade of current facility to be more in line with GMP practices in terms of personnel access and flows  Action owners: cGMP Project Manager &, CSO	CSO	Seed stock off site storage in place	😊
15	Compliance with quality standards ( ISO 9001: 2008)	GMP Project Manager	GMP Modernisation for current facility  New GMP facility construction and validation	GMP Project Manager/Head of Quality Department	CGMP project is still work in progress with. ISO 9001:2008 certification has been maintained	😊
16	Ability of the plant and structural technology to meet business needs	GMP Project Manager	1. Current facility process flow to be improved providing a more GMP environment for personnel and material flow  2. Fermenter panels to be upgraded and hardware overhauled ensuring reliable fermenters  3. Critical equipment being maintained	GMP Project Manager	progress made is not enough to reduce the risk yet	😊



## PERFORMANCE REPORT

Risk no	Risk name	Risk Owner	Agreed Action Plans	Action Owner	Summary of Action Plans 2016/17	Status
17	Deteriorating strategic relationships (stakeholders/ customers)	BDO	1. Communication and Stakeholder policy 2. Introduction of CRM to support stakeholder management plan 3. Approve the draft communication strategy	BDO	Communication policy, strategy and CRM has not been implemented to reduce the risk  The communication policy document status is at finalisation stage	☹️
18	Insufficient brand exposure	BDO	1. Brand perception survey to be conducted 2. Brand management strategy development	BDO	Brand strategy document will be resubmitted in the new financial year  No implementation of the brand management has taken place to contribute in the reduction of this risk	☹️
19	Updating of dossier to register products as per country specific	CSO	1. Amend dossier to country specific requirements for registration 2. Implementation of the Board approved R&D strategy	CSO	All actions completed and fundraising for projects is underway	😊
20	Competitiveness and market share	BDO	Taking advantage of bilateral relations to increase our product portfolio	BDO	Contractual negotiations with potential partners is underway  Progress has been on the action plan and the direct impact on the risk will be monitored once the contract is in place	😊





Risk no	Risk name	Risk Owner	Agreed Action Plans	Action Owner	Summary of Action Plans 2016/17	Status
21	Outbound supply chain performance	BDO	1. Access to cliental data base (BDO)  2. Contingency plan to be developed in the event that the distributor is unable to continue the distribution (CFO & BDO)  3. The concept plan of new distribution channel is being implemented	BDO	Distribution channel performance is monitored and managed and is reported quarterly	😊
22	Research and development output	CSO	1. Amend dossier to country specific requirements for registration (same as risk 19)  2. Implementation of the Board approved R&D strategy (same as risk 19)  3. Actively looking for licenses for the development of new product platforms	CSO	The action plans progress on ensuring research and development output are on track. Direct impact on the risk will be seen at a later stage	😊
23	Accessibility of smallholder and emerging farmers	BDO	Support agricultural co-ops  Projects with emerging farmer associations	BDO	There is support and engagements with small co-ops and emerging farmer associations	😊



# BUILDING A STABLE FUTURE

THROUGH DOMESTIC AND  
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# FINANCIAL REPORT

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# FINANCIAL REPORT

Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## OBP AUDIT COMMITTEE REPORT

### 1. Audit Committee Members and Attendance

**Name:** \*Dr MJ Mashaba (Chairperson), \*Ms KT Mdlulwa and \*Dr MR Mashego

\* Respective membership of the Audit and Risk Committees from 1 April 2016 to 31 March 2017 comprised of the members listed below. The Audit Committee should meet seven times per annum as per its approved terms of reference. During the current year (2016/17) the Audit Committee met seven times with attendance as follows:

Schedule of attendance at Audit	16 May 2016	31 May 2016	4 Jul 2016	29 Jul 2016	19 Oct 2016	25 Jan 2017
Dr MJ Mashaba (Chairperson)	P	P	P	P	P	P
Ms KT Mdlulwa	P	P	P	A	A	A
Dr MR Mashego	P	P	P	P	P	P

### 2. The Effectiveness of Internal Control

The Audit Committee is committed to ensuring good governance and full compliance with relevant legislation and regulations as well as improvement in internal controls and the quality of reporting.

### 3. Internal Audit

The internal audit function of OBP was conducted by Nkonki for the period ending 31 March 2017. During the current financial year the function has been fully operational.

### 4. Risk Management

The Committee is satisfied that OBP has an ongoing risk management process focused on identifying, assessing, managing and monitoring all known forms of significant risks across all operations. This has been in place for the year under review and up to the date of approval of the annual financial statements.

### 5. Evaluation of Financial Statements

The Audit Committee has evaluated the annual financial statements of OBP for the year ended 31 March 2017, and based on the information provided to the Audit and Risk Committee, considers that it complies in all material respects with the requirements of the various acts governing disclosure and reporting on the annual financial statements.

### 6. The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and Nkonki internal auditors.
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto.
- Reviewed changes in accounting policies and practices.
- Reviewed the entities compliance with legal and regulatory provisions.
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the Auditor-General of South Africa's report of the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted and be read together with the report of the Auditor-General of South Africa.

On behalf of the Audit Committee  
**Ms Zodwa Mobeng** | Accounting Authority

Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

### Accounting Authority's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records, and is responsible for the content and integrity of the annual financial statements and related financial information presented in this annual report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly represent the state of affairs of the public entity as at the end of the financial year, and the results of its operations and cash flows for the period then ended.

The Accounting Authority's responsibility for the financial affairs of the entity is supported by the entity's external auditors.

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards, including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied, and are supported by reasonable and prudent judgements and estimates. The Auditor General as external auditor was given unrestricted access to all financial records and related data to facilitate an independent review and report on the entity's annual financial statements and to express an independent opinion on the annual financial statements.

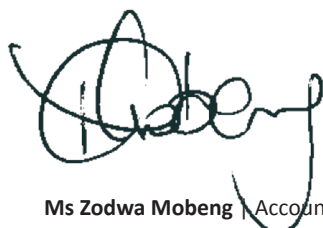
The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial control established by the entity, and places considerable importance on maintaining a strong control environment. The fulfilment of this responsibility is discharged through the establishment and maintenance of sound management and accounting systems and through setting standards for internal control which include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties aimed at reducing the risk of error or deficit in a cost effective manner.

These controls are monitored throughout the entity and management and employees are expected to operate within a framework requiring compliance with all applicable laws and maintenance of the highest integrity in the conduct of all aspects of the business. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is committed to ensuring good governance and compliance with all relevant legislation and regulations applicable to Onderstepoort Biological Products.

The Accounting Authority is of the opinion that, based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or deficit.

The going concern basis has been adopted in preparing the financial statements. The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 August 2017 and were signed on its behalf by:



**Ms Zodwa Mobeng** Accounting Authority



# FINANCIAL REPORT

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Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## CERTIFICATE BY THE COMPANY SECRETARY

For the year ended 31 March 2017

I hereby confirm, in terms of the Companies Act, 2008 as amended, that for the year ended 31 March 2017 the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this act and that all such returns are true, correct and up-to-date.

**Mrs ND Mobeng** | Company Secretary





Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Onderstepoort Biological Products SOC Ltd (OBP) set out on pages 91 to 122, which comprise the statement of financial position as at 31 March 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statement present fairly, in all material respects, the financial position of the Onderstepoort Biological Products SOC Ltd as at 31 March 2017, and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and the Companies Act of South Africa, 2008 (Act No. 71 of 2008).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am Independent of the public entity in accordance with the International Ethics Standard Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the accounting authority for the financial statements

6. The board of Directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the PFMA and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statement, the accounting authority is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters relating to ongoing concern and using the ongoing concern basis of accounting unless there is an intention either to liquidate or cease operations, or there is no realistic alternative but to do so.

#### Auditor-General's responsibilities for the audit of the financial statements

8. My 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 my opinion. Reasonable assurance is a high level of assurance, but it is 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 statements.



# FINANCIAL REPORT

Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

9. A further description of my responsibilities for the audit of the statements is included in the annexure to the auditor's report.

### Report on the audit of the annual performance report

#### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings, but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of the future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity of the year ended 31 March 2017

Objectives	Pages in the annual performance report
Objective 1 – Organisation efficiency	48-57
Objective 2 – Stakeholder relations and communications	58-60
Objective 3 – Marketing and distribution	61-64
Objective 4 – research and development strategies	65-66
Objective 5 – Government support	67-68

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
  - Objective 1 – Organisation efficiency
  - Objective 2 – Stakeholder relations and communications



Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

- Objective 3 – Marketing and distribution
- Objective 4 – research and development strategies
- Objective 5 – Government support

### Other matter

#### Achievement of planned targets

15. Refer to the annual performance report on pages 46 to 77 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

#### Report on audit of compliance with legislation

##### Introduction and scope

16. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
17. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

##### Annual financial statements

18. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55 (1)(b) of the Public Financial Management Act. Material misstatements on provisions and related parties, identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statement receiving an unqualified audit opinion.

##### Other information

19. The Onderstepoort Biological Products SOC Ltd accounting is responsible for the other information. The other information comprises the information included in the annual report, which includes the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on the auditor's report.
20. My opinion on the financial statement and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.





# FINANCIAL REPORT

Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

### Internal Control Deficiencies

22. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on to compliance with legislation included in this report.

### Leadership

- Leadership did not exercise effective oversight regarding the preparation of the annual financial statements. Furthermore, oversight by leadership is required regarding implementing internal controls to ensure compliance with laws and regulations.

### Financial and performance management

- Management did not always implement and monitor preventative and detective controls to ensure completeness and accuracy of the annual financial statements. Management did not ensure that the annual financial statements are prepared in accordance with the applicable reporting framework, and that the entity complied with applicable laws and regulations throughout the year.
- There were significant internal control deficiencies identified for inclusion in the audit report. Management should, address the internal control deficiencies noted to ensure they do not occur in future periods.

### Governance

- The audit committee did not fully exercise their responsibility of overseeing the financial reporting, disclosure process, monitoring the internal control process and monitoring choice of accounting policies and hence material misstatements were identified in the annual financial statements submitted for audit.

*Auditor-General*

Pretoria  
31 July 2017



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## ANNEXURE - AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements are described in the auditor's report, I 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 my 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, international 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 public entity's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
  - Conclude on the appropriateness of accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Onderstepoort Biological Products SOC Ltd ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of auditor's report. However, future events or conditions may cause a public entity 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 statement represents the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.



# FINANCIAL REPORT

Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## DIRECTORS' REPORT

### 1. Presentation

The Directors present their annual report, which forms part of the audited financial statements of Onderstepoort Biological Products SOC Ltd for the year ended 31 March 2017.

### 2. Nature of business

OBP is a public company that operates in the bio-technical industry and is wholly owned by the Government of South Africa. The company manufactures vaccines for the animal health care industry, primarily in South Africa and Africa as well as a number of other countries. Sales volume is correlated to disease outbreak, preventative and legislated vaccination programs. OBP produces the widest range of products for livestock in Africa and competes with large multinational pharmaceutical companies for local and foreign business.

### 3. Dividends

In view of the need to retain cash for the planned upgrade of manufacturing facilities no dividend has been declared and none is recommended.

### 4. Share Capital

The authorised and issued share capital is 1000 ordinary shares of R1 each. There has been no change in the authorised and issued share capital during the year under review R 1000 (2016: R1000).

### 5. Ownership

The company is wholly owned by the Government which is represented by the Minister for Agriculture, Forestry and Fisheries of South Africa as Executive Authority.

### 6. Board of Directors

During the year under review the following Directors were in office:

Name	Designation	
Dr. Adams, JH	Independent Non-Executive (Chairperson)	Re-appointed 1 August 2014
Dr. Mogajane, ME	Independent Non-Executive	Appointed on 15 May 2014
Dr. Mashaba, MJ	Independent Non-Executive	Appointed on 15 May 2014
Dr. Mashego, MR	Independent Non-Executive	Appointed on 15 May 2014
Ms Mdlulwa, K	Independent Non-Executive	Appointed on 15 May 2014

Directors are appointed for a three year term and can be re-appointed by the Shareholder for a second three year term. Details of Directors' remuneration are set out in Note 18 of the Annual Financial Statements on page 113.

The current three year board term came to an end on the 15 May 2017





Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## DIRECTORS' REPORT

### 7. Company Secretary

The secretary of the company is Ms ND Mobeng of:

**Business Address:** 100 Old Soutpan Road  
Onderstepoort  
0110

**Postal address** Private Bag x 07  
Onderstepoort  
0110

### 8. Company Domicile and Address of Registered Office

The domicile and registered address of Onderstepoort Biological Products SOC Ltd is:

100 Old Soutpan Road  
Onderstepoort  
0110

### 9. Auditor

The Auditor General of South Africa was appointed as external Auditors for the period under review in accordance with Section 270(2) of the Companies Act, 71 of 2008.

### 10. Special Resolutions

There was no special resolution passed by the Accounting Authority during the year under review.

### 11. Amendment of Articles of Association

The Memorandum of Incorporation (MOI) has been reviewed, finalised and lodged with CIPC to comply with the new Companies Act 71 of 2008.

### 12. Going Concern

We draw attention to the fact that at 31 March 2017, the company had accumulated profits of R 184 170 164 and that the company's total assets exceed its liabilities by R 184 171 164. The difference of R1 000 between the accumulated profits and net assets is the share capital.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notwithstanding the fact that the company has incurred profit of R62 million in 2016/17(2015/2016:R19 million profit) financial year, National Treasury approved R492.4 million over the MTEF period 2013/14 - 2015/16 for the recapitalisation of the facility. This will enable the company to sustain production into the future and improve profitability. The amount was received as follows: 2013/14 (R96.5 million), already received; 2014/15 (R127.5 million), already received and 2015/16 (R268.4 million) already received. Until 31 March 2017 the company has already received full allocation of R492.4 from National Treasury.



# FINANCIAL REPORT

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Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## DIRECTORS' REPORT

The Directors therefore believe that the company has adequate plans, products, equipment and resources in place to continue operations for the foreseeable future. The Financial Statements have accordingly been prepared on a going-concern basis.

### 13. Events Subsequent to the Balance Sheet Date

The directors are not aware of any other fact or circumstance arising since the end of the financial year not otherwise dealt with in these financial statements, which would materially affect the operations of the company.

### 14. Conflict of Interest

All Directors have declared that they do not have any conflict of interest relating to any business dealings of Onderstepoort Biological Products SOC Ltd.

### 15. Audit Committee

The audit committee met seven times during the year and has, in accordance with its adopted Charter, reviewed the internal and external audits for the previous and present financial years and the Annual Financial Statements as at 31 March 2017.

### 16. National Key Point

OBP was declared as a National Key Point on 22 January 2007.

### 17. Environment, Health and Safety

Due to the nature of the company's operations it is imperative that the company should conform to environmental, safety and health rules and laws. The company also strives to comply with ethical and international standards with regard to the company's livestock. In order to manage and control these risks, a Safety Committee operated during the year. Activities in this regard are discussed in the Corporate Governance Report.

The company's activities do not however pose a significant threat to the environment. The company has introduced an employee health care program which includes preventative health care initiatives.

### 18. Materiality Framework

In accordance with regulations 9.1.5 and 28.1.5 of the Treasury Regulations, irregular or fruitless and wasteful expenditure incurred during the year under review is disclosed in the notes to the financial statements. The value of material expenses for 2017 represents any amount exceeding R14 million (2016: R9,6 million) per occurrence for the purpose of material, unauthorized, irregular or fruitless and wasteful expenditure as defined in the Treasury Regulations. The amount is based on the average of 1% of sales and 5% of gross profit of the current financial year. This principle is in line with Treasury Regulations.

### 19. Funding

The company generates funds from sales of vaccines to meet all operational requirements. The company received R34 146 594 in 2012/13 financial year from Tshwane Animal Health Innovation Cluster (TAHIC) for funding of OBP's Research and Development projects. During the 2012/13 financial year the company received an approval for R492,4 million from National Treasury for the recapitalisation of the plant; of which R492,4 million was transferred to OBP up to 31 March 2017



Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## STATEMENT OF FINANCIAL POSITION

Figures in Rand	Note(s)	2017	2016
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	156 560 490	148 349 470
Intangible assets	3	100 479	34 879
Deferred tax	4	8 453 183	5 038 404
		165 114 152	153 422 753
<b>Current Assets</b>			
Inventories	5	45 477 194	38 860 412
Trade and other receivables	6	52 434 063	31 301 342
Cash and cash equivalents	7	481 933 493	456 350 092
		579 844 750	526 511 846
<b>Total Assets</b>		<b>744 958 902</b>	<b>679 934 599</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	8	1 000	1 000
Retained income		184 170 164	136 630 670
		184 171 164	136 631 670
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Deferred Recapitalisation Grant	9	466 416 369	474 650 594
Deferred government grant – small-animal facility	11	1 162 622	1 448 154
Deferred government grant – corporatisation of OBP Ltd	12	15 980 533	18 232 408
Deferred Research and Development Grant	13	22 965 926	26 701 966
		506 525 450	521 033 122
<b>Current Liabilities</b>			
Current tax payable		17 057 757	-
Trade and other payables	14	12 388 858	13 240 265
Deferred Recapitalisation Grant	9	6 637 723	5 041 221
Provisions	10	13 047 066	-
Deferred government grant – small-animal facility	11	285 532	285 532
Deferred government grant – corporatisation of OBP Ltd	12	2 251 875	2 251 875
Deferred Research and Development Grant	13	2 593 477	1 450 914
		54 262 288	22 269 807
<b>Total Liabilities</b>		<b>560 787 738</b>	<b>543 302 929</b>
<b>Total Equity and Liabilities</b>		<b>744 958 902</b>	<b>679 934 599</b>





# FINANCIAL REPORT

Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand	Note(s)	2017	2016
Revenue	15	173 691 772	92 699 421
Cost of sales		(25 767 726)	(22 934 157)
Gross profit		147 924 046	69 765 264
Other income	16	5 087 747	14 613 270
Operating expenses		(125 896 948)	(82 048 827)
Administrative expenses		(21 556 278)	(19 440 322)
Operating profit (loss)	17	5 558 567	(17 110 615)
Investment revenue	19	44 763 755	27 516 608
Appreciation of deferred government grants		11 768 607	9 029 541
Profit (loss) before taxation		62 090 929	19 435 534
Taxation	20	(14 551 435)	(7 861 647)
Profit (loss) for the year		47 539 494	11 573 887
Total comprehensive income (loss) for the year		47 539 494	11 573 887





Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## STATEMENT OF CHANGES IN EQUITY

Figures in Rand	Share Capital	Retained Income	Total Equity
Balance at 1 April 2015	1 000	125 056 783	125 057 783
As previously reported	-	11 573 887	11 573 887
As previously reported	-	-	-
Total comprehensive income for the year	-	11 573 887	11 573 887
Balance at 1 April 2016	1 000	136 630 670	136 631 670
Profit for the year	-	47 539 494	47 539 494
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	47 539 494	47 539 494
Balance at 31 March 2017	1 000	184 170 164	184 171 164





# FINANCIAL REPORT

Onderstepoort Biological Products SOC Ltd  
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## STATEMENT OF CASH FLOW

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Cash receipts from customers		169 437 737	96 457 486
Cash paid to suppliers and employees		(168 203 028)	(126 335 272)
Cash generated from operations	22	1 234 709	(29 877 786)
Interest income		44 763 755	27 516 608
Tax paid	23	(908 456)	-
Net cash from operating activities		45 090 008	(2 361 178)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(19 597 659)	(25 982 550)
Sale of property, plant and equipment	2	91 052	109 542
Net cash from investing activities		(19 506 607)	(25 873 008)
Cash flows from financing activities			
Movement in deferred government grant – corporatisation of obp ltd		-	268 400 000
Total cash movement for the year		25 583 401	240 165 814
Cash at the beginning of the year		456 350 092	216 184 278
Total cash at end of the year	7	481 933 493	456 350 092





Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## ACCOUNTING POLICIES

### 1. Basis of Preparation

The financial statements are prepared on the historical cost basis adjusted for certain non-current assets, unless stated otherwise. An accrual basis of accounting is used except for the cash flow statement. The financial statements are prepared on a going concern basis. The basis of preparation of the annual financial statements is consistent with that of the prior year, unless stated otherwise. The measurement currency for all transactions and amounts disclosed in this document is the South African Rand.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including any interpretations and directives issued by the International Accounting Standards Board and in the manner required by the South African Companies Act, as amended, the Treasury Regulations and the Public Finance Management Act, 1999 (PFMA).

The preparation of financial statements in conformity with IFRS that requires management to exercise its judgement, make certain estimates and assumptions in the process of applying the company's accounting policies to reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to estimates are recognised in the period in which the estimate is revised and if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

### Key Accounting Estimates and Assumptions

#### Indirect production costs (IPCs)

Production costs for finished goods include IPCs such as employee costs, depreciation, and maintenance. IPCs are measured based on a standard cost method which is reviewed regularly to ensure relevant measures of utilisation, production lead time and other relevant factors. Changes in the parameters for calculation of IPCs, including utilisation levels and production lead time, could have an impact on the gross margin and the overall valuation of inventories.

### Allowances for doubtful Trade Receivables

OBP Ltd maintains allowances for doubtful trade receivables in anticipation of estimated losses resulting from the subsequent inability of customers to make required payments. If the financial circumstances of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances could be required in future periods. Management analyses trade receivables and examines historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful trade receivables.

### Deferred Income Tax Assets and Liabilities

OBP Ltd recognises deferred income tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management has considered future taxable income in assessing whether deferred income tax assets should be recognised.

### Other Provisions

Other provisions consist of various types of provisions, including provisions for legal disputes. Management makes judgements about provisions and contingencies, including the probability of pending and potential future litigation outcomes that by their very nature are dependent on inherently uncertain future events. When determining likely outcomes of litigations, etc. management considers the evaluation of external lawyers knowledgeable about each case, as well as known outcomes in case law.



# FINANCIAL REPORT

Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## ACCOUNTING POLICIES

### 1. Basis of Preparation (continued)

Provisions for pending litigations are recognised as part of other provisions. Although management believes that the total provisions for legal proceedings are adequate based upon currently available information, there can be no assurance that there will not be an increase in the scope of these matters or that any future lawsuits, claims, proceedings or investigations will not be material.

The following are the principal accounting policies used by the company, which are consistent in all material respects with those adopted in the previous year, unless otherwise indicated:

#### 1.1 Property, Plant and Equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and any impairment loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Assets are stated in three different ways since the 2006 financial year:

- Plant and equipment transferred to OBP at inception of the company, which were fully depreciated, are stated at a carrying value of R1. Where actual cost could be obtained, it was used. These assets were not disclosed prior to 2007, but are still in use.
- The land and buildings which the company occupies were transferred from the Public Works Department to the company at no cost during 2006. These assets were valued by an independent registered professional valuer (CB Richard Ellis (Pty) Ltd) on 1 August 2005. The company has not adopted a revaluation model on these assets, but a costing model.
- All capital work in progress are included at cost and any impairment loss.

Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Subsequent cost is 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 of the item can be measured reliably.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Groups	Depreciation (useful life)
Land	Not depreciated
Buildings	
Own improvements	5 to 10 years
Section 13	20 years
Demountable partitions	6 years
Motor vehicles	
Company vehicles	3 to 7 years
Delivery vehicles	3 to 7 years
Office equipment	3 to 6 years
Computer equipment	
Computers and electronic equipment	2 to 3 years
Network servers	2 to 5 years
Software	2 to 5 years
Factory plant and equipment	
Equipment acquired after 1 March 2002	2 to 20 years
Equipment used in the plant	2 to 20 years
Digital equipment	3 years



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## ACCOUNTING POLICIES

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

### 1.2 Intangible Assets

#### Patents and licences

Patents and licences, including acquired patents and licences for in-process research and development projects, are carried at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives. Estimated useful life is the shorter of the legal duration and the economic useful life. The estimated useful life of intangible assets is regularly reviewed. The amortisation of patents and licenses begins after regulatory approval has been obtained, which is the point in time from which the intangible asset is available for use in the production of the product.

#### Other Intangible Assets

Internal development of computer software and other development costs related to major IT projects for internal use that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets under other intangible assets if the recognition criteria are met. The computer software has to be a significant business system and the expenditure will lead to the creation of a durable asset.

When assessing whether an internally generated intangible asset qualifies for recognition, it is required that the related internal development project is at a sufficiently advanced stage and that the project is economically viable. Amortisation is calculated using the straight-line method over the estimated useful life of 3 to 10 years. The amortisation commences when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Item	Useful life
Patent	3 years
Trademark	10 years
Computer software, other	3 Years

### 1.3 Financial Instruments

The company's financial instruments carried on the statement of financial position consist mainly of cash and cash equivalents, trade receivables and trade payables. These financial instruments are generally carried at their estimated fair value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction.

#### Embedded foreign currency derivatives:

The company classifies financial assets and financial liabilities into the following categories below:

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.





# FINANCIAL REPORT

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Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## ACCOUNTING POLICIES

### 1.3 Financial Instruments (continued)

#### Classification

The company classifies financial assets and financial liabilities into the categories below:

- Held-to-maturity investment
- Available-for-sale financial assets
- Loans and receivables
- Financial assets at fair value through profit or loss
- Financial assets at fair value through profit or loss (derivatives)

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

#### Recognition and measurement

Financial instruments are initially recognised using the trade date accounting method. Financial instruments are initially measured at cost or fair value net of transaction costs when the entity is a party to contractual arrangement. Subsequent to initial recognition, these instruments are measured as set out below.

#### Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, deposits held at call with banks, and investment deposits managed by different fund managers.

Available-for-sale financial assets and financial assets at fair value are subsequently carried at fair value.

Held-to-maturity investments are included as current assets since it is possible for management to dispose of the investment within 12 months. Held-to-maturity investments are carried at amortised cost using effective interest method.

All the company's financial instruments designated or classified as at fair value through profit or loss were designated as such as it is believed that this designation significantly reduces an accounting mismatch which would arise.

Gains and losses arising from changes in the fair value of financial assets are classified as financial assets at fair value and available-for-sale financial assets are recognised in the Statement of Comprehensive Income.

#### Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection is expected within one year (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for allowances. Provision for allowances of trade receivables is made when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The provision for allowances is deducted from the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of Comprehensive Income. When a trade receivable is uncollectible, it is written off against the allowance account for



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## ACCOUNTING POLICIES

trade receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Income.

### Financial assets at fair value (derivatives)

The company uses forward exchange contracts to hedge forecast transactions, assets and liabilities in accordance with the specific rules of IAS 39 (Financial Instruments: Recognition and Measurement).

- Hedges of the fair value of a recognised asset or liability or a firm commitment (fair value hedge), or
- Hedges of the fair value of a forecast financial transaction (cash flow hedge).

All contracts are initially recognised at fair value and subsequently re-measured at their fair values based on current bid prices at the end of the reporting period.

The fair value of financial assets and liabilities is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, fair value is based on the most recently observed market price at the end of the reporting period.

If a financial instrument is quoted in a market that is not active, the company bases its valuation on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations.

OBP's principal financial liabilities are trade payables.

### Trade and Other Payables

Trade and other payables are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

### De-recognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

### Impairment of financial assets

In determining the impairment of financial assets, management estimates the future cash flows as well as the appropriate discount rate. These estimates are based on the best available information at the reporting date.

### Maturity profile of financial instruments:

Financial assets and liabilities mature within a period of 0 to 12 months for each financial year.

## 1.4 Tax

### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.



# FINANCIAL REPORT

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Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## ACCOUNTING POLICIES

### 1.4 Tax (continued)

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The tax on profit or loss for the period comprises current and deferred tax including adjustments to previous years. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in the statement of changes in equity.

Deferred income taxes arise from temporary differences between the accounting and taxable values of the company and from realisable tax-loss carry-forwards using the liability method. The tax value of tax-loss carry-forwards is included in deferred tax assets to the extent that the tax losses and other tax assets are expected to be utilised in future taxable income. The deferred income taxes are measured according to current tax rules and at the tax rates expected to be in force on the elimination of the temporary differences.

### 1.5 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost method. Cost comprises direct production costs such as raw materials, consumables and labour as well as production overheads such as depreciation and maintenance. The production overheads are measured based on a standard cost method, which is reviewed regularly to ensure relevant measures of utilisation, production lead time, etc.

If the expected sales price less completion costs and costs to execute sales (net realisable value) is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value.

### 1.6 Impairment of Assets

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.





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## ACCOUNTING POLICIES

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are not subject to amortisation and are tested annually for impairment irrespective of whether there is any indication that they may be impaired.

Assets that are subject to amortisation, such as intangible assets in use (with definite useful life) and other non-current assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Factors considered material by the company that could trigger an impairment test include the following:

- Development of a competing vaccine;
- Changes in the legal framework covering patents, rights or licences;
- Advances in vaccine and/or technology that affect the vaccine treatments on animals;
- Lower-than-predicted sales;
- Adverse impact on reputation and/or brand names;
- Changes in the economic lives of similar assets;
- Relationship with other intangible or tangible assets;
- Changes or anticipated changes in participation rates or reimbursement policies.

If the carrying amount of intangible assets or other non-current assets exceeds the recoverable amount based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on discounted projected cash flows.

Intangible assets and other non-financial assets that have suffered impairments are reviewed at each reporting date for possible reversal of the impairment.

### 1.7 Share Capital and Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.8 Employee Benefits

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the associated services are rendered by employees of the company. Where the company provides long term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

### Pensions

The company operates defined contribution plans and the contributions to the defined contribution plans are charged to the Statement of Comprehensive Income in the year to which they relate. The plans are administered by the Government Employee Pension Fund and Alexander Forbes Fund, and the company has no further payment obligations once the contributors have been paid.

### 1.9 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.



# FINANCIAL REPORT

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Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## ACCOUNTING POLICIES

### 1.10 Revenue

#### Sale of goods and services

Sales are measured at the fair value of the consideration received or receivable net of value added tax. Sales are reduced for realised discounts and other similar allowances.

Revenue from the sale of goods or services is recognised when all the following conditions are satisfied:

- The company has transferred to the buyer the significant risks and rewards of ownership;
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Discounts granted to government agencies, wholesalers, retail pharmacies and other customers are recorded as a reduction of revenue at the time the relevant revenues are recorded.

#### Interest income

Interest is recognised as revenue using the effective interest method.

#### Other operating income

Other operating incomes comprise discount received on early settlement, rental income arising from the rental of property and any other recurring or non-recurring income. These incomes are recognised on accrual or cash basis in accordance with the terms and substance of the relevant agreement.

### 1.11 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowing.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.



Onderstepoort Biological Products SOC Ltd  
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## ACCOUNTING POLICIES

### 1.12 Translation of Foreign Currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the relevant transaction OBP Financial Position date. Gains and losses resulting from import and export transactions and from the transfer of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Balances from such transactions are valued at year-end exchange rates. The financial statements comply with the accounting standards set out in IAS 21.

### 1.13 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand, deposits held at call with banks, and investment deposits managed by different fund managers. Cash and cash equivalents are disclosed at fair value. Movement in the fair value of deposits is recognised in the Statement of Comprehensive Income.

### 1.14 Comparatives

Comparative amounts have been included in the annual financial statements and have been adjusted where appropriate to promote better disclosure.

### 1.15 Research and Development

All internal research costs are expensed in the Statement of Comprehensive Income as incurred.

Due to the long duration and significant uncertainties relating to the development of new products, including risks associated with clinical trials and regulatory approval, it is concluded that the company's internal development costs in general do not meet the capitalisation criteria. This is because the technical feasibility criteria are not considered to be fulfilled until a high probability of regulatory approval can be determined. Hence, internal research and development costs are expensed in the Statement of Comprehensive Income as incurred.

The same principles are used for property, plant and equipment with no alternative use developed as part of a research and development project. However, property, plant and equipment with alternative use or used for general research and development purposes are capitalised and depreciated over their estimated useful lives.

For acquired in-process research and development projects, the effect of probability is reflected in the cost of the asset, and the probability recognition criteria are therefore always considered satisfied. As the cost of acquired in-process research and development projects can often be measured reliably, these projects fulfil the capitalisation criteria as intangible assets upon acquisition. However, further internal development costs subsequent to acquisition are treated in the same way as other internal development costs.

### 1.16 Foreign Currency Transactions

All foreign currency transactions are recorded in local currency using the rate of exchange on the date on which the transactions occurred (as quoted by OBP approved banking institutions). The company maintains separate bank accounts for US Dollar and Euro based transactions. Where cash is available from these foreign currency accounts, funds may be used to pay foreign suppliers.

Foreign currency exposure is hedged by means of forward exchange contracts on all transactions exceeding R200,000 or through natural hedging.





# FINANCIAL REPORT

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Onderstepoort Biological Products SOC Ltd  
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## ACCOUNTING POLICIES

### 1.17 Government Grant – Corporatisation of OBP

The grant arose from the transfer of assets and the passing of the liabilities from the Department of Agriculture to the company at inception. The land and buildings which the company occupies were transferred from the Department of Public Works to the company during the 2006 financial year.

The government grant is presented in the balance sheet by setting up the grant as deferred income. The deferred income is recognised as income on a systematic and rational basis over the useful life of the asset.

### 1.18 Government Grant – Small-Animal Building

The government grant received in 2001 was utilised to build the small-animal facility. The grant is amortised over the same period as the useful life of the asset (small-animal facility). The government grant is presented in the balance sheet by setting up the grant as deferred income. The deferred income is recognised as income on a systematic and rational basis over the useful life of the asset.

With the completion of the erection of the small-animal facility, the condition for the grant is viewed as being met. The company has not benefited directly in monetary terms from any other form of government assistance.

### 1.19 Contingent Liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity.

Contingent liabilities are not recognised, but disclosed in the notes to the financial statements.

### 1.20 Irregular or Fruitless and Wasteful Expenditure

Irregular expenditure relates to expenditure incurred in contravention of, or not in accordance with Section 55(2)(b)(i) of the PFMA. Fruitless and wasteful expenditure relates to expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular, fruitless and wasteful expenditure is charged against income in the period it was incurred.

### 1.21 Government Grant - Research and Development

The Tshwane Animal Health Innovation Cluster(TAHIC) grant relates to amounts received by OBP from the TAHIC to fund OBP's research projects. This deferred income will be recognised as income on a systematic and rational basis over the duration of the research.

### 1.22 Government Grant - Recapitalisation

The grant relates to the funding received from the National Treasury for OBP's Recapitalisation programme. The grant was approved in 2012/13 financial year for R492,4 million of which R492,4 million has been received by the end of 2015/16 financial year. During the financial year R5,9 million was realised into the income statement as a Deferred Government Grant.

Onderstepoort Biological Products SOC Ltd  
Financial Statements for the year ended 31 March 2017

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
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### 2. Property, plant and equipment

	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	5 105 340	-	5 105 340	5 105 340	-	5 105 340
Buildings	75 136 610	(37 983 891)	37 152 719	72 801 027	(33 187 867)	39 613 160
Furniture and fixtures	1 748 817	(1 572 023)	176 794	1 757 302	(1 445 783)	311 519
Motor vehicles	433 410	(381 336)	52 074	433 410	(381 336)	52 074
Office equipment	187 487	(183 364)	4 123	187 487	(183 364)	4 123
Computer equipment	13 082 886	(5 910 178)	7 172 708	12 021 796	(4 344 076)	7 677 720
Factory plant and equipment	139 860 065	(68 079 810)	71 780 255	117 480 369	(63 289 110)	54 191 259
Capital work in progress	35 116 477	-	35 116 477	41 394 275	-	41 394 275
<b>Total</b>	<b>270 671 092</b>	<b>(114 110 602)</b>	<b>156 560 490</b>	<b>251 181 006</b>	<b>(102 831 536)</b>	<b>148 349 470</b>

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	5 105 340	-	-	-	-	5 105 340
Buildings	39 613 160	2 025 267	-	310 313	(4 796 021)	37 152 719
Furniture and fixtures	311 519	2 760	(243)	-	(137 242)	176 794
Motor vehicles	52 074	-	-	-	-	52 074
Office equipment	4 123	-	-	-	-	4 123
Computer equipment	7 677 720	1 061 091	-	-	(1 566 103)	7 172 708
Factory plant and equipment	54 191 259	8 763 422	(200)	13 712 604	(4 886 830)	71 780 255
Capital work in progress	41 394 275	7 745 119	-	(14 022 917)	-	35 116 477
	<b>148 349 470</b>	<b>19 597 659</b>	<b>(443)</b>	<b>-</b>	<b>(11 386 196)</b>	<b>156 560 490</b>

The major capital expenditure incurred during the current financial year was the recapitalisation of the facility to conform with Good Manufacturing Practices (GMP) in line with the funding received from the National Treasury.

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	5 105 340	-	-	-	-	5 105 340
Buildings	37 824 611	1 934 766	-	4 065 031	(4 211 248)	39 613 160
Furniture and fixtures	672 927	3 270	(7 587)	-	(357 091)	311 519
Motor vehicles	52 074	-	-	-	-	52 074
Office equipment	5 120	-	(997)	-	-	4 123
Computer equipment	5 091 089	943 097	(13 835)	2 688 174	(1 030 805)	7 677 720
Factory plant and equipment	53 275 671	4 187 337	(87 123)	1 132 724	(4 317 350)	54 191 259
Capital work in progress	30 366 124	18 914 080	-	(7 885 929)	-	41 394 275
	<b>132 392 956</b>	<b>25 982 550</b>	<b>(109 542)</b>	<b>-</b>	<b>(9 916 494)</b>	<b>148 349 470</b>

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2013 is available for inspection at the registered office of the company.



# FINANCIAL REPORT

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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
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### 2. Property , plant and equipment (continued)

Depreciation is provided under the straight-line method over the estimated useful lives of the assets. (see note 1.1)

In line with the requirements of IAS 16, the company reviewed the useful life, residual values and impairment for all assets in use. Management concluded that there are no indications of changes to above on all asset groups.

Beginning of the 2013 financial year the company increased its capital investment on the refurbishment and replacement of property plant and equipment.

### 3. Intangible assets

	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Patent	566 657	(566 657)	-	566 657	(566 657)	-
Trademark	260 022	(159 543)	100 479	260 022	(225 143)	34 879
Total	826 679	(726 200)	100 479	826 679	(791 800)	34 879

Reconciliation of intangible assets - 2017

	Opening balance	Transfers	Amortisation	Total
Trademark	34 879	71 722	(6 122)	100 479

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Trademark	82 481	(47 602)	34 879

Figures in Rand	2017	2016
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### 4. Deferred tax

Deferred tax asset

Deferred tax	8 453 183	5 038 404
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Reconciliation of deferred tax asset (liability)

Accelerated depreciation for tax purposes	(4 205 649)	(4 187 984)
Accrual for leave	746 112	615 521
Doubtful debt	-	343 221
Income received in advance	7 156 633	8 236 258
Prepaid expenses	(57 717)	(53 725)
Provisions	4 813 804	85 113
	8 453 183	5 038 404



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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
<b>5. Inventories</b>		
Raw materials, components	2 866 590	3 510 311
Work in progress	13 712 964	13 000 332
Intermediate Finished goods	19 541 046	9 641 036
Finished goods	2 929 764	5 383 082
Spares	169 626	-
Packaging materials	6 848 659	7 543 582
	46 068 649	39 078 343
Less: Provision for obsolete inventory	(591 455)	(217 931)
	45 477 194	38 860 412

Products likely to be obsolete are those products with a short remaining shelf life or which have limited commercial marketability and are therefore unlikely to be sold. The movements in the provision for obsolete inventory can be specified as follows:

Balance at the beginning of the year	217 931	372 139
Amounts recognised in profit or loss	373 524	(154 208)
	591 455	217 931

### 6. Trade and other receivables

Trade receivables	19 786 015	12 562 517
Provision for doubtful debts	(4 603 850)	(1 634 387)
Prepayments (if immaterial)	206 134	191 876
VAT	51 784	1 943 217
Accrued interest	36 993 980	18 238 119
	52 434 063	31 301 342

Accrued interest relates to the Standard Bank and FNB investment, interest is paid at maturity date. Trade and other receivables past due but not impaired. The ageing of amounts past due but not impaired is as follows:

#### Neither past due nor impaired

Current	8 318 602	4 600 543
30 – 60 days	5 620 056	6 307 768
Past due but not impaired		
61 – 90 days	2 487 012	39 640
90 days and older	3 360 345	1 614 566
	19 786 015	12 562 517

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 634 387	683 083
Provision for impairment	2 969 463	951 304
	4 603 850	1 634 387

The provision for doubtful debts has been determined by reference to past experience as well as an actual review of all debtors' accounts.



# FINANCIAL REPORT

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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	11 021	13 413
Short term cash investments and deposits	471 535 771	444 444 306
Current account bank balance	10 386 701	11 892 373
	<b>481 933 493</b>	<b>456 350 092</b>
<b>8. Share capital</b>		
Authorised 1 000 ordinary shares of R1 each	1 000	1 000
Issued 1 000 ordinary shares of R1 each	1 000	1 000
<b>9. Deferred Recapitalisation Grant</b>		
Non-current	466 416 369	474 650 594
Current liabilities	6 637 723	5 041 221
	<b>473 054 092</b>	<b>479 691 815</b>
Opening Balance	479 691 815	216 334 363
Additions	-	268 400 000
Amortised	(6 637 723)	(5 042 548)
	<b>473 054 092</b>	<b>479 691 815</b>

The grant relates to the funding received from the Treasury for OBP's Recapitalisation programme. The grant was approved in 2012/13 financial year for R492.4 million of which the whole R492.4 million has been received since the 2013/14 financial year. During the financial year under review R6.6 million was realised into the income statement as a Deferred Government Grant.

## 10. Provisions

### Reconciliation of provisions - 2017

	Opening balance	Additions	Total
Bonus provision	-	13 047 066	13 047 066

Employee entitlements to bonuses are recognised in the year in which they accrue to employees. Provision is made for the estimated liability for bonuses as a result of the performance of the company compared to the budget. Incentives are provided according to guidelines approved by the company's Board of Directors, which are based firstly on company and individual performance, and secondly on a percentage structure per employee category. Incentives are paid after the approval of the annual financial statements at the board meeting.



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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
<b>11. Deferred government grant – small-animal facility</b>		
Opening carrying amount	1 733 686	2 019 219
Amortised	(285 532)	(285 533)
<b>Closing net carrying amount</b>	<b>1 448 154</b>	<b>1 733 686</b>
Maturity analysis		
Non-current	1 162 622	1 448 154
Current	285 532	285 532
	<b>1 448 154</b>	<b>1 733 686</b>

The government grant is amortised in relation to the depreciation of assets for which the grant was utilised. The small-animal facility was taken into use on 1 April 2004 and the grant has been amortised since that date.

### 12. Deferred government grant – corporatisation of OBP

Opening carrying amount	20 484 283	22 736 158
Amortised	(2 251 875)	(2 251 875)
<b>Closing net carrying amount</b>	<b>18 232 408</b>	<b>20 484 283</b>
Maturity analysis		
Non-current	15 980 533	18 232 408
Current	2 251 875	2 251 875
	<b>18 232 408</b>	<b>20 484 283</b>

The deferred income is recognised as income on a systematic and rational basis over the useful life of the remaining assets.

### 13. Deferred Research and Development Grant

The grant relates to the funding received from the Tshwane Animal Health innovation Cluster (TAHIC) for OBP's research projects. The grant was received towards the end of March 2013. The total amount expensed in the income statement for the grant is R2.6 million during the 2016/17 financial year

Opening Carrying amount	28 152 880	29 603 794
Arnotised	(2 593 477)	(1 450 914)
	<b>25 559 403</b>	<b>28 152 880</b>
Maturity analysis		
Non-current	22 965 926	26 701 966
Current	2 593 477	1 450 914
	<b>25 559 403</b>	<b>28 152 880</b>





# FINANCIAL REPORT

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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
<b>14. Trade and other payables</b>		
Trade payables	6 494 479	9 319 907
Accruals	5 396 151	2 244 317
Other payables	498 228	1 676 041
	<b>12 388 858</b>	<b>13 240 265</b>
<b>15. Gross to net revenue reconciliation</b>		
Sale of goods	173 691 772	92 699 421
The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:		
Sale of goods	173 691 772	92 699 421
Gross revenue	189 858 178	122 734 034
Discount Granted	(20 542 174)	(31 838 263)
Net revenue – vaccines	169 316 004	90 895 771
Revenue - dry ice	91 879	9 493
Revenue – transportation service	4 283 889	1 794 157
	<b>173 691 772</b>	<b>92 699 421</b>
<b>16. Other income</b>		
Rental income	638 242	1 350 126
Other income (Including non-recurring)	4 287 173	13 263 144
Profit and loss on sale of assets and liabilities	162 332	-
	<b>5 087 747</b>	<b>14 613 270</b>

Revenue increased from R92 699 421 in 2016 financial year to R173 691 772 in 2017 financial year. The increase in revenue is attributable to improved production output by the company during the current financial year.

Other income includes Foreign exchange gain of R3 million, R721 065 related to non exclusive licence agreement and other non revenue items.

The other income for the financial year has changed because of the reallocation of realised foreign exchange losses from other income to expenditure.

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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
<b>17. Included in operating and administrative expenses</b>		
<b>The following items have been charged/(credited) in arriving at operating and administrative cost:</b>		
<b>Depreciation and amortisation</b>		
Buildings	4 796 024	4 211 245
Furniture and fixtures	137 242	357 092
Computer equipment	1 566 103	1 030 805
Factory plant and equipment	4 886 830	4 317 350
Intangible assets	6 123	47 602
	<b>11 392 322</b>	<b>9 964 094</b>
<b>Auditor's remuneration</b>		
Total fees paid for the statutory audit	2 524 109	1 684 154
<b>Other disclosures</b>		
Employee benefits – defined contributions plans	2 259 629	2 421 754
Research and development expenditure	3 195 691	2 225 053
Repair and maintenance expenditure	9 317 428	6 472 512
Amounts paid to employees	82 918 592	59 698 906
Average number of employees	200	200

### Employee benefits

The amount paid to employees increased from R59 698 906 to R82 918 592 in the 2017 financial year. This is mainly the salary increase to employees during the financial year. Included in the current year employee costs is a bonus provision of R13 million. Refer to note 10.

The company operates defined contribution plans and the contributions to the defined contribution plans are charged to the Statement of Comprehensive Income in the year to which they relate. The plans are administered by the Government Employee Pension Fund and Alexandra Forbes Fund, and the company has no further payment obligations once the contributors have been paid.

Included in the amount paid to employees there is an amount paid to Directors. See note 18.

### Notes on Treasury Regulation 28.1.1:

- Fees for services: All fees paid to individuals for services delivered or Board meeting and Board committee meeting attendances.
- Basic salary (including fixed monthly payments): Payment made to individuals is on a salary basis.
- Bonuses and performance related payments: Bonuses are based on the actual performance of the company and the employee for the previous year, and are approved by the Board of Directors.
- Expense allowances: All payments made to individuals are in respect of travel allowances as well as personal expenses incurred for official business. Cell phone allowances, non-taxable daily allowance for overseas travel and travel with own vehicle for business purposes at a rate per kilometre are disclosed separately.
- Contributions to pension fund: Fixed payments made on behalf of individuals (which form part of the executives' total cost to company salary packages).
- Contributions to directors or officers liability insurance cover: These payments are for professional indemnity insurance premiums and the company makes the payments to the insurer in terms of the company's articles of association.
- Other material benefits received: The payments are for acting on a higher position.



# FINANCIAL REPORT

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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

### 18. Disclosure of emoluments of executive and Non-executive Directors as per Treasury Regulation 28.1.1:

Executive

2017

	Basic salary	Bonuses and performance related payments	Sums paid by way of expense allowances (travel and cell phone)	Contributions to pension fund	Contributions to officers' liability insurance cover	Other material benefits received	Total
Dr. Cornelius, ST - Chief Executive Officer*	1 056 713	97 558	28 829	-	4 307	878 553	2 065 960
Mr. Gololo, M - Chief Financial Officer	1 127 025	73 537	8 339	98 599	4 307	-	1 311 807
Ms. Mobeng, DN - Company Secretary	1 093 567	70 678	34 270	84 401	4 307	-	1 287 223
Dr. Modumo, J - Business Development Officer	1 030 372	70 179	19 464	139 280	4 307	-	1 263 602
Mrs. Ramutle, NV - HR Executive	1 053 643	67 019	45 361	63 347	4 307	-	1 233 677
Mr. LH Serfontein	1 107 630	73 336	929	114 651	4 307	-	1 300 853
Dr. Nthangeni MB	965 318	64 647	4 593	112 146	4 307	-	1 151 011
Mr. SV Ntombela	963 801	51 676	-	69 725	4 307	-	1 089 509
	8 398 069	568 630	141 785	682 149	34 456	878 553	10 703 642

\* The CEO's salary includes an amount of R878 553 which is based on the secondment agreement between the University of Pretoria, OBP and the Executive Authority, his contract came to an end on the 31 March 2017.

The contract of both the CEO and the GMP project manager has since expired after year end and has not been renewed.

2016

	Basic salary	Sums paid by way of expense allowances (travel and cell phone)	Contributions to pension fund	Contributions to officers' liability insurance cover	Other material benefits received	Total
Mr. Gololo, M Chief Financial Officer	1 051 396	6 791	94 048	4 452	-	1 156 687
Ms. Ramutle, NV - Human Resources Executive	984 419	20 414	59 498	4 452	14 485	1 083 268
Mr. LH Serfontein - GMP Project Manager	1 031 350	10 601	110 969	4 452	-	1 157 372
Ms. Mobeng, DN - Company Secretary	1 022 131	10 240	78 775	4 452	-	1 115 598
Dr. Modumo, J - Business Development Officer	960 523	29 972	132 611	4 452	-	1 127 558
Mr. Pieterse, PM - Quality Executive	977 672	2 081	21 993	1 434	634 900	1 638 080
Dr. Cornelius, ST - Chief Executive Officer	996 899	26 204	-	4 452	689 294	1 716 849
Dr. Nthangeni MB	898 831	870	108 146	4 452	-	1 012 299
Mr. Ntombela SV	188 740	-	11 338	1 076	-	201 154
	8 111 961	107 173	617 378	33 674	1 338 679	10 208 865



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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
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### 18. Disclosure of emoluments of executive and Non-executive Directors as per Treasury Regulation 28.1.1: (continued)

Non-executive

#### 2017

	Fees for services as director or executive member	Expenses	Insurance liability cover	Total
Dr. Adams, JH*	131 301	-	4 307	135 608
Dr. M Mashego	150 018	5 583	4 307	159 908
Ms TK Mdlulwa	143 500	6 850	4 307	154 657
Dr. ME Mogajane	111 218	1 914	4 307	117 439
Dr MJ Mashaba	167 794	5 458	4 307	177 559
	<b>703 831</b>	<b>19 805</b>	<b>21 535</b>	<b>745 171</b>

#### 2016

	Fees for services as director or executive member	Expenses	Insurance liability cover	Total
Dr. Adams, JH	155 298	18 000	4 452	177 750
Dr Mashego, M	142 646	7 630	4 452	154 728
Ms Mdlulwa, TK	167 788	8 316	4 452	180 556
Dr Mogajane, ME	213 395	25 324	4 452	243 171
Dr Mashaba, MJ	210 837	6 653	4 452	221 942
	<b>889 964</b>	<b>65 923</b>	<b>22 260</b>	<b>978 147</b>

During the preparation of the 2017 financial statements an amount of R191 670, which relates to the 2016 financial year was included in 2017 financial statements prior year figures.

### 19. Investment revenue

Interest revenue		
Bank	44 763 755	27 516 608





# FINANCIAL REPORT

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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
<b>20. Taxation</b>		
Major components of the tax expense		
Current		
Income tax expense	17 057 757	-
Local income tax - recognised in current tax for prior periods	908 457	-
Deferred tax (Income) / expense	(3 414 779)	7 861 647
	14 551 435	7 861 647
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows: Refer to the note on deferred tax for the calculation.		
The deferred tax benefit in the current year is mainly attributable to the R34 146 594 grant received in advance from Tshwane Animal Health Innovation Cluster (TAHIC).		
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Statutory taxation rate	28.00 %	28.00 %
Asset written off / (back)	1.44 %	0.16 %
Other taxable items	(1.44) %	0.75 %
Amortisation of government grant - research	(1.17) %	(2.09) %
Amortisation of recapitalisation grant	(2.99) %	(7.26) %
Disallowed deduction on production building	5.10 %	14.29 %
Amortisation of government grant – small-animal facility	(0.13) %	(0.41) %
Amortisation of government grant – corporatisation	(1.02) %	(3.24) %
Other non-taxable items	0.21 %	(2.18) %
	28.00 %	28.02 %
<b>21. Auditor's remuneration</b>		
Fees	2 524 109	1 684 154
<b>22. Cash generated from operations</b>		
(Loss) / Profit before taxation	62 090 929	19 435 534
Adjustments for:		
Depreciation and amortisation	11 392 322	9 964 094
Asset useful life revision	(162 332)	-
Interest received	(44 763 755)	(27 516 608)
Movements in provisions	13 047 066	-
Changes in working capital:		
Inventories	(6 616 782)	(12 026 636)



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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
<b>22. Cash generated from operations (continued)</b>		
Trade and other receivables	(21 132 721)	(12 325 992)
Trade and other payables	(851 411)	1 621 364
Deferred Recapitalisation Grant	(6 637 723)	(5 041 221)
Deferred Research and Development Grant	(2 593 477)	(1 450 914)
Movement in deferred government grant – small-animal facility	(285 532)	(285 532)
Movement in deferred government grant – corporatisation of OBP Ltd	(2 251 875)	(2 251 875)
	1 234 709	(29 877 786)
<b>23. Tax refunded (paid)</b>		
Current tax for the year recognised in profit or loss	(16 149 442)	-
Balance at end of the year	17 057 757	-
	908 315	-
In the current year the company is in a profit position hence the utilisation of deferred tax assets.		
<b>24. Commitments</b>		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	30 353 237	41 638 830
• Goods and Services	4 800 830	-
• Contracts	5 727 005	5 809 482
This committed expenditure relates to plant and equipment and will be financed by existing treasury cash resources.		
Commitments for 2016 were overstated by R908 175.		
Operating leases – as lessor (income)		
Minimum lease payments due		
- within one year	213 600	392 629
- in second to fifth year inclusive	966 674	830 013
	1 180 274	1 222 642

The company has entered into an operating lease with the South Africa Post Office on a certain building. This lease has an average life of between 1 and 5 years, including the lessee's option for renewal. The lessee is entitled to use the premises for the purpose of the post office and other related business. The operating lease arrangement does not require the lessee to pay contingent rentals. Rental receivable on this lease is escalated at a rate of up to 8% per annum.

The company had R30 353 237 disclosable capital commitments at 31 March 2017 not reflected elsewhere for the purchase of upgrade property on its manufacturing facilities.

There are also commitments relating to service level agreements in respect services, repairs and maintenance of the company's plant and equipment as follows amounting to R5 803 969.

General goods and services as at the end of the amounted R4 800 830.



# FINANCIAL REPORT

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## NOTES TO THE FINANCIAL STATEMENTS

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### 25. Contingencies

OBP is in discussion with Agricultural Research Council for an amount of R9,5 million in relation to Electricity which OBP was overcharged by the Agricultural Research Council.

### 26. Related parties

#### Relationships

The related parties are companies that have common shareholding and directorship with OBP. OBP, as a state-owned entity, had the following transactions with other state departments, excluding statutory payments:

#### Related party transactions

Product sold to state departments	(2 875 641)	(3 377 080)
Payments to the Agricultural Research Council (ARC)	1 623 522	4 917 777

Rent paid to (received from) related parties		
SA Post office rental received	(260 602)	(267 354)

Research grant received		
National Treasury	-	(268 400 000)

#### Related party balances

Accounts receivable (for products or services sold)	(609 419)	(1 346 007)
Agricultural Research Council	2 315 937	-

OBP has an arm's-length relationship with Onderstepoort Veterinary Institute (OVI). OVI is a unit of the Agricultural Research Council (ARC). Both OBP and OVI have the Minister of Agriculture, Forestry & Fisheries as their shareholder. OVI buys, among other things, vaccines, small animals and media products. In turn, OBP buys from OVI research and other small items such as trolleys. The relationship with all other state departments is commercial in nature.

Employee benefits of key personnel are disclosed in accordance with Treasury Regulation requirements 28.1.1 in Note 18 to the financial statements.

### 27. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Profit or Loss	-	2 377 399
Other income	-	(2 377 399)
Operating expenses	-	



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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

### 28. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Loans and receivables	Fair value through profit or loss - held for trading	Available -for-sale	Carrying amount	Fair value
Trade receivables (incl doubtful debt provision)	15 182 165	-	-	15 182 165	15 182 165
Prepaid expenses	206 134	-	-	206 134	206 134
Bank balances	-	-	471 535 771	471 535 771	471 535 771
Investments	-	10 386 701	-	10 386 701	10 386 701
	15 388 299	10 386 701	471 535 771	497 310 771	497 310 771

2016

	Loans and receivables	Fair value through profit or loss - held for trading	Available -for-sale	Carrying amount	Fair value
Trade receivables (incl doubtful debt provision)	10 928 130	-	-	10 928 130	10 928 130
Prepaid expenses	191 876	-	-	191 876	191 876
Bank balances	-	-	444 457 719	444 457 719	444 457 719
Investments	-	11 892 373	-	11 892 373	11 892 373
	11 120 006	11 892 373	444 457 719	467 470 098	467 470 098

See note 30 for the fair value determination

### 29. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Financial liabilities at amortised cost	Carrying amount	Fair value
Trade payables	6 494 475	6 494 475	5 629 601
Accruals	2 731 467	2 731 467	2 731 467
Trade and other payables	498 228	498 228	498 228
	9 724 170	9 724 170	8 859 296





# FINANCIAL REPORT

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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

2016

### 29. Financial liabilities by category (Continued)

2016	Financial liabilities at amortised cost	Carrying amount	Fair value
Trade payables	9 319 907	9 319 907	9 319 907
Accruals	2 244 317	2 244 317	2 244 317
Income received in advance and other payables	1 676 041	1 676 041	1 676 041
	13 240 265	13 240 265	13 240 265

See note 30 for the fair value determination

### 30. Risk management

Financial risk management objectives

Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS mainly apply. Generally, financial assets and liabilities are generated through day-to-day operational activities and are not held to manage the risks facing the entity in undertaking its activities.

The entity's finance department monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade financial instruments for speculative purposes.

#### Significant accounting policies

Details of the significant accounting policies and methods adopted – including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument – are disclosed in the accounting policies to the annual financial statements.

#### Market risk

The entity's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

#### Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. All financial instruments attract interest at rates linked directly to the prime bank overdraft rate. The effective interest rate used by the entity is the prime interest rate.

In the case of debtors whose accounts are in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of the entity's debtor management policy. All trade receivables and other debtors are individually evaluated annually at balance sheet date for impairment or discounting.



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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2017	2016
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### Interest rate sensitivity analysis

As the entity has no significant interest risk exposure at financial year-end, the effect of strengthening or weakening of the prime interest rate at balance sheet date is not considered material.

### Liquidity risk

Sufficient cash is maintained to manage the entity's liquidity risk. Limitations are imposed by Treasury Regulations 32 to the Public Finance Management Act (Act 1 of 1999) on borrowings, which limits the committed lines of credit available to entity.

### Foreign exchange risk

Foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions both for sale exports and for the acquisition of imported raw material and plant and equipment, except where the company has offsetting exposures. At 31 March 2017, the company had no open forward contracts. The recognition of foreign exchange gains and losses is recorded according to IAS 21.

The company reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Financial assets exposed to credit risk at year end were as follows:

Trade and other receivables	15 388 299	11 120 006
Bank balances and cash	471 535 771	444 457 719
	486 924 070	455 577 725

### Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis using interest rates currently charged or paid by other parties and the remaining term to repayment of the interest;
- The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statement to approximate their fair values on 31 March 2017 as a result of the short-term maturity of these assets and liabilities.



# FINANCIAL REPORT

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## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

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2016

### 31. Events after the reporting period

The directors are not aware of any other fact or circumstance arising since the end of the financial year not otherwise dealt with in these financial statements which would materially affect the operations of the company.

### 32. Fruitless and wasteful expenditure

### 33. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance

190 636

-

Irregular expenditure - Current year

73 313

190 636

Amounts condoned by Accounting Authority

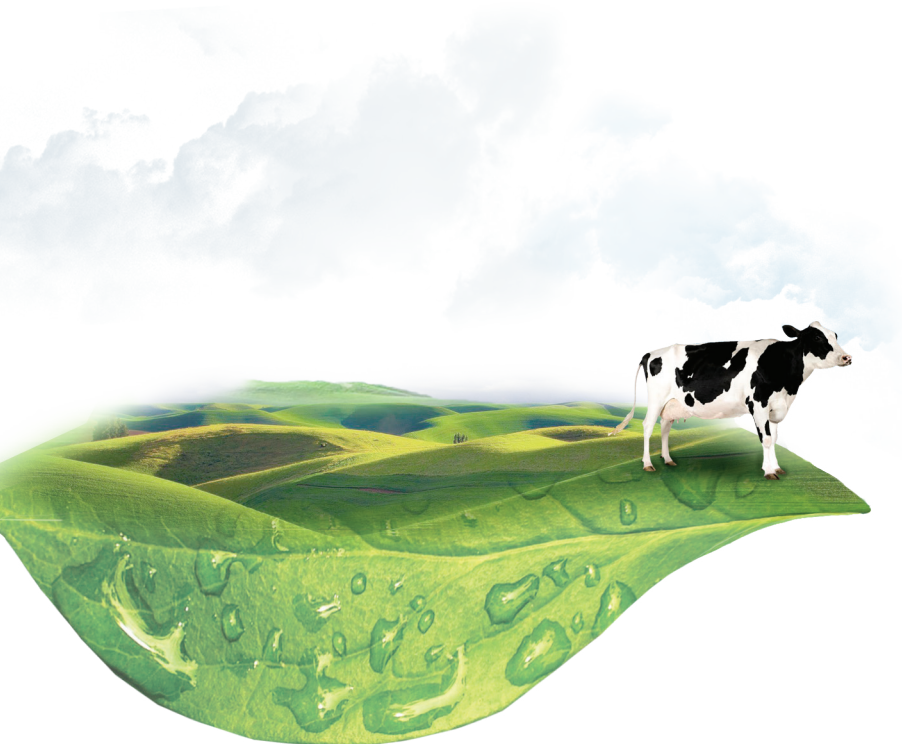
(263 949)

-

Irregular expenditure awaiting condonement

-

190 636





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## DETAILED INCOME STATEMENT

Figures in Rand	Note(s)	2017	2016
<b>Revenue</b>	15	173 691 772	92 699 421
Cost of sales		(25 767 726)	(22 934 157)
Gross profit		147 924 046	69 765 264
Other income		49 851 502	42 129 878
Expenses (Refer to page 122)		(147 453 226)	(101 489 149)
Operating profit (loss)		50 322 322	10 405 993
Deferred government grants		11 768 607	9 029 541
Profit (loss) before taxation		62 090 929	19 435 534
Taxation	20	14 551 435	7 861 647
Profit (loss) for the year		47 539 494	11 573 887
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		47 539 494	11 573 887





# FINANCIAL REPORT

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## DETAILED INCOME STATEMENT

Figures in Rand	Note(s)	2017	2016
<b>Operating and administrative expenses</b>			
Advertising		(2 174 698)	(2 114 166)
Assets Written-Off		(443)	(109 540)
Auditor remuneration	21	(2 524 109)	(1 684 154)
Bad debts		(3 054 053)	(834 573)
Bank charges		(178 038)	(150 891)
Cleaning		(905 860)	(1 447 276)
Conference Seminar		(559)	-
Consumables		(882 984)	(1 381 583)
Depreciation, amortisation and impairments		(11 392 322)	(9 964 094)
Employee costs		(82 918 592)	(59 698 906)
Entertainment		(683 830)	(646 343)
Hire		(17 877)	(72 567)
IT expenses		(2 014 980)	(2 086 501)
Insurance		(810 278)	(757 128)
Legal expenses		(481 085)	(500 573)
Library Costs		(7 646)	-
Medical expenses		(1 194 004)	(1 796 488)
Other expenses		(58 248)	(142 051)
Petrol and oil		(382 249)	(825 670)
Postage		(772)	-
Printing and stationery		(678 816)	(738 524)
Production direct cost and cost adjustments		(957 372)	9 509 188
Professional fees		(1 877 357)	(1 612 768)
Protective clothing		(1 219 531)	(1 095 137)
Realised foreign exchange losses		(10 321 615)	(2 377 399)
Recruitment Costs		(112 938)	(138 716)
Repairs and maintenance		(9 317 428)	(6 472 512)
Research and development costs		(3 195 691)	(2 225 053)
Security		(1 597 800)	(1 045 594)
Software expenses		(110 398)	(72 741)
Telephone and fax		(492 472)	(672 959)
Terrain Maintenance		(1 498 309)	(785 355)
Training		(1 271 123)	(1 626 269)
Transport and freight		(190 516)	(170 313)
Travel		(3 671 959)	(3 187 628)
Utilities		(1 257 274)	(4 564 865)
<b>Total</b>		<b>(147 453 226)</b>	<b>(101 489 149)</b>

The expenses for the financial year have changed because of the reallocation of realised foreign exchange losses from other income to expenditure.

# NOTES

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# ACRONYMS

<b>AFASA</b>	African Farmers' Association of South Africa	<b>EMU</b>	Engineering, Maintenance and Utilities
<b>AHS</b>	African Horse Sickness	<b>ERP</b>	Enterprise Resource Planning
<b>AIDS</b>	Acquired Immune Deficiency Syndrome	<b>ExCo</b>	Executive Committee
<b>APP</b>	Annual Performance Plan	<b>FAO</b>	Food and Agriculture Organisation of the United Nations
<b>ARC</b>	Agricultural Research Council	<b>FAT</b>	Factory Acceptance Test
<b>ARC-OVI</b>	Agricultural Research Council - Onderstepoort Veterinary Institute	<b>FY</b>	Financial Year
<b>BCP</b>	Business Continuity Planning	<b>GDP</b>	Gross Domestic Product
<b>BDO</b>	Business Development Officer	<b>GMP</b>	Good Manufacturing Practice
<b>BEE</b>	Black Economic Empowerment	<b>HIV</b>	Human Immunodeficiency Virus
<b>B&amp;S</b>	Bausch and Strobel	<b>HR</b>	Human Resources
<b>BT</b>	Blue Tongue	<b>IAS</b>	International Accounting Standards
<b>CCMA</b>	Commission for Conciliation, Mediation and Arbitration	<b>IFRS</b>	International Financial Reporting Standards
<b>CCTV</b>	Closed Circuit Television	<b>IPC</b>	Indirect Production Cost
<b>CEO</b>	Chief Executive Officer	<b>IRAC</b>	IT, Risk and Audit Committee
<b>CFO</b>	Chief Financial Officer	<b>ISO</b>	International Organisation Standardisation
<b>cGMP</b>	current Good Manufacturing Practices	<b>IT</b>	Information Technology
<b>CIPC</b>	Companies and Intellectual Property Commission	<b>King III</b>	Report on Corporate Governance in South Africa 2009
<b>Co-op</b>	Cooperative	<b>LHPG</b>	Livestock Health & Production Group
<b>COS</b>	Cost of Sales	<b>LSD</b>	Lumpy Skin Disease
<b>CRM</b>	Customer Relations Management	<b>ManCo</b>	Management Committee
<b>CSI</b>	Corporate Social Investments	<b>MOI</b>	Memorandum Of Incorporation
<b>CSIR</b>	Council for Scientific and Industrial Research	<b>MPO</b>	Meat Producers Organisation
<b>CSO</b>	Chief Scientific Officer	<b>MSD</b>	Merck Sharp & Dohme
<b>DAFF</b>	Department of Agriculture, Forestry and Fisheries	<b>MTEF</b>	Medium Term Expenditure Framework
<b>DoA</b>	Delegation of Authority	<b>NAHF</b>	National Animal Health Forum
<b>DST</b>	Department of Science and Technology	<b>NEHAWU</b>	National Education Health and Allied Worker's Union
<b>DTI</b>	Department of Trade and Industry	<b>NERPO</b>	National Emergent Red Meat Producers Organisation
<b>EA</b>	Experimental Animals	<b>NGO</b>	Non-Governmental Organisation
<b>EAP</b>	Economically Active Population	<b>NKP</b>	National Key Point Act of 1980 (No. 102 of 1980)
<b>EE</b>	Employment Equity		

# ACRONYMS



<b>NWGA</b>	National Wool Growers Association
<b>OBP</b>	Onderstepoort Biological Products SOC Ltd
<b>OEE</b>	Overall Equipment Effectiveness
<b>OVI</b>	Onderstepoort Veterinary Institute
<b>PFMA</b>	Public Finance Management Act of 1999
<b>PIC</b>	Pharmaceutical Inspection Convention
<b>QA</b>	Quality Assurance
<b>QC</b>	Quality Control
<b>QE</b>	Quality Executive
<b>QLFS</b>	Quarterly Labour Force Survey
<b>QMS</b>	Quality Management System
<b>R&amp;D</b>	Research and Development
<b>RDO</b>	Research Development and Operations committee
<b>RemCo</b>	Remuneration, Human Resources, Social & Ethics committee
<b>RPO</b>	Red Meat Producers' Organisation
<b>RSC</b>	Risk Steering Committee
<b>RVF</b>	Rift Valley Fever
<b>SA</b>	South Africa
<b>SAAHA</b>	South African Animal Health Association
<b>SABS</b>	South African Bureau of Standards
<b>SADC</b>	South African Development Community
<b>SAN</b>	Storage Area Network
<b>SAPS</b>	South African Police Services
<b>SAVA</b>	South African Veterinary Association
<b>SCM</b>	Supply Chain Management
<b>SLA</b>	Service Level Agreement
<b>SMS</b>	Short Message System
<b>SOC</b>	State-owned Company
<b>SOP</b>	Standard Operating Procedure
<b>STC</b>	Secondary Tax on Companies
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats

<b>TAHIC</b>	Tshwane Animal Health Innovation Cluster
<b>TIA</b>	Technology Innovation Agency
<b>UN</b>	United Nations
<b>VAT</b>	Value Added Tax
<b>WFI</b>	Water for Injection
<b>YTD</b>	Year To Date







## NOTES

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