ONDERSTEPOORT
BIOLOGICAL PRODUCTS

ONDERSTEPOORT BIOLOGICAL PRODUCTS SOC Ltd

Annual Report 2013 2014

fully GMP compliant plant 2020

optimise systems & processes 2015 2014

skill people 2012 2013

change culture 2011 2011

modernise infrastructure & equipment 2010 2010

CONTENT

Vision, Mission and Mandate

Onderstepoort Biological Products [106]SOC Ltd ([72]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

[72]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 [106]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

1. Build a successful, high performance organisation.
2. Improve business processes and management practices.
3. Build a profitable and sustainable company.

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

Dear Minister,

I have the honour of presenting to you the 2013/2014 Annual Report of Onderstepoort Biological Products [106]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 [106]SOC Ltd for the financial year 1 April 2013 to 31 March 2014.

Yours faithfully,

Dr JH Adams
Onderstepoort Biological Products [106]SOC Ltd | **Board Chairperson**

CHAIRPERSON'S OVERVIEW

I am pleased to present the 2013/14 annual report to all our stakeholders, outlining [72]OBP's mandate, performance, governance and the audited financial statements during the year under review.

The mandate of [72]OBP as a state owned bio technology company is to develop, manufacture and distribute vaccines and other biological products that pertain to animals. [72]OBP operates in a regulated environment with high levels of stakeholder interest and participation.

Financial Results

The period under review was particularly challenging for [72]OBP in terms of production The revenue for 2013/14 was below budget by 23% (R115, 588,807 actual as compared to a budget of R150,684,932). The decline in revenue was mainly attributed to the unavailability of freeze dried viral vaccine products.

[72]OBP received R492 m over the [66]MTEF period from the National Treasury for recapitalisation of its infrastructure. Work has commenced and there is progress in terms of spending on the [43]GMP project.

Appreciation

Firstly, my sincere appreciation goes to the Minister of Agriculture, Forestry and Fisheries, Mr Senzeni Zokwana, and his deputy, General Bheki Cele, the Director General, Dr Edith Vries and [28]DAFF officials for their continued support to [72]OBP during the year under review.

Secondly, I acknowledge and thank the former Minister of Agriculture, Forestry and Fisheries, Ms Tina Joemat - Pettersson and her former deputy Dr Pieter Mulder for the support they afforded [72]OBP during their term of office.

Thirdly, I acknowledge and sincerely thank the previous [72]OBP board members, Dr Patricia Hanekom, Dr Alfred Kgasi and Mr Norman Baloyi for their individual and collective commitment during the year under review. The strategic guidance and wisdom they provided to [72]OBP is much appreciated. All the best for the future.

Fourthly, I thank the [18]CEO, Dr Steven Cornelius, [34]ExCo and all employees of [72]OBP for all their hard work during the challenging year under review. Our [72]OBP employees remain our enduring advantage.

Lastly, I welcome my new colleagues to the board, Dr Mono Mashaba, Dr Mlawule Mashego, Dr Emily Mogajane, Ms Koekie Mdlulwa and *Mr Obadiah Khwinana.

I look forward to us working together and taking [72]OBP to greater heights!

Dr Harold Adams | Chairperson

[72]OBP is a Schedule 3B state owned company reporting to the Minister of Agriculture, Forestry and Fisheries, who appoints an independent Board of Directors to provide strategic direction and control to the company according to its Memorandum of Incorporation and Board Charter. [72]OBP's executive management is responsible for the day to day management of the company.

The Board is committed to sound governance and ensures that [72]OBP's business is conducted in accordance with the highest standards of corporate governance. Risk management and internal control systems are in place and have been designed in accordance with best practice and in compliance with [55]King III recommendations, as well as the requirements of the Companies Act No 71 of 2008 as amended. [72]OBP adheres to the [55]King III report on corporate governance.

[72]OBP's Board charter includes a schedule of matters reserved for the Board and the terms of reference for the Board committees.

Responsibility

The Board provides leadership and strategic oversight to the company. It ensures adherence to principles of good governance and accountability as espoused in [55]King III and its board charter. All Board members are individually and collectively aware of their responsibilities to the company. They bring experience, independence and judgement to the table.

During the year under review, the governance structure was streamlined in order to optimize governance efficiencies. The governance structure is as follows:

- The Board delegated certain responsibilities to appropriate board committees to support itself in its oversight responsibility;
- The Executive Committee ([34]ExCo) addresses critical and material business issues;
- The Management Committee ([61]ManCo) deals with operational issues and elevates specific matters to [34]ExCo.

Structure of the Board of Directors

The Board comprises one executive director, the Chief Executive Officer, and six non-executive directors, who all meet the Board's independent criteria in terms of being free from any business relationship that could generally hamper their objectivity or judgement on the business or its activities.

Appointment of Directors

The Shareholder appoints the Chairperson and non-executive directors. The Board recommends to the Shareholder the appointment of the [18]CEO and the appointment is approved by the Shareholder. The term of office for the non - executive directors is carried out for a period of three years.

Board Meetings

The Board has four scheduled meetings per annum and an Annual General Meeting ([3]AGM). Members of [34]ExCo attend Board meetings as and when required to report on their operational areas.

BOARD OF DIRECTORS

Dr JH Adams
Board Chairperson

Dr ST Cornelius
Chief Executive Officer

Dr MR Mashego
Independent Non-Executive

Dr JM Mashaba
Non-Executive

Ms KT Mdlulwa
Independent Non-Executive

Dr ME Mogajane
Non-Executive

OBP
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*Mr RO Khwinana
Independent Non-Executive

Mrs DN Mobeng
Company Secretary

**Resigned as a Board Member*

The table below depicts the meetings of the Board and the attendance of each member.

Director	Appointment	Resignation	May	July	October	February
*Dr JH Adams	*01/08/11		P	P	A	P
Dr ST Cornelius	03/03/11		P	P	P	P
Dr PE Hanekom	03/03/11		P	P	P	P
Dr AT Kgasi	03/03/11		P	P	P	P
Mr. NT Baloyi	03/03/11		P	P	P	P

Legend : P - Present A - Apologies * - appointed as chairperson of the board on 1 August 2011

Company Secretary

The Company Secretary is responsible for developing systems and processes that enable the Board to carry out specific functions efficiently and effectively. She is responsible for advising the Board on their duties, corporate governance, setting the annual board plan and calendar in conjunction with the Chairperson and monitoring compliance with the [78]PFMA, Companies Act and other relevant legislation. All directors have access to her services and guidance.

Board Committees

During the year under review, the Board only had one active Committee although it had initially established three standing committees: the Audit, Risk & Information Technology Committee; the Human Resources and Social Ethics and Research & Development Committee, as well as Sales & Marketing Committees. The Audit, Risk & [53]IT committee remained the only active Committee. Issues arising from Human Resources, Research & Development, Sales & Marketing were dealt with at Board level.

Audit, Risk & Information Technology Committee ([6]AR&IT)

The [5]AR&IT Committee is chaired by a non-executive director and the role, responsibilities and membership are in accordance with their terms of reference as approved by the Board. The terms of reference are reviewed annually to ensure that they remain in line with relevant regulations and company requirements.

The [5]AR&IT Committee has four scheduled meetings per annum. The [18]CEO and the [19]CFO are regular attendees to the meetings. All members of the committee have considerable financial, risk management experience which is necessary to oversee and guide the Board. These include the audit, risk functions, and the governance of risk and [53]IT risk.

The roles and responsibilities of the committee include:

- Reviewing the strategic risk register, paying attention to risks, mitigation actions and overall risk management.
- Reviewing the annual report, financial statements,and considering reports of the auditors on the financial statements.
- Reviewing the effectiveness of the companys' internal controls.
- Reviewing the scope of the auditors work and their fees.
- Monitoring the performance of the internal audit function.
- [53]IT governance.

Internal and external auditors and the risk manager are invited to the committee meetings. The committee also meets with the internal and external auditors without the presence of management to enhance independence.

The [5]AR&IT Committee held five meetings during the year under review. The table below depicts attendance:

Director	April	May	July	October	January
*Dr PE Hanekom	P	P	P	P	P
Dr AT Kgasi	P	P	P	P	P
Mr NT Baloyi	P	P	P	A	P

Legend: P - Present A - Apologies (submitted apologies) * - Chairperson of committee

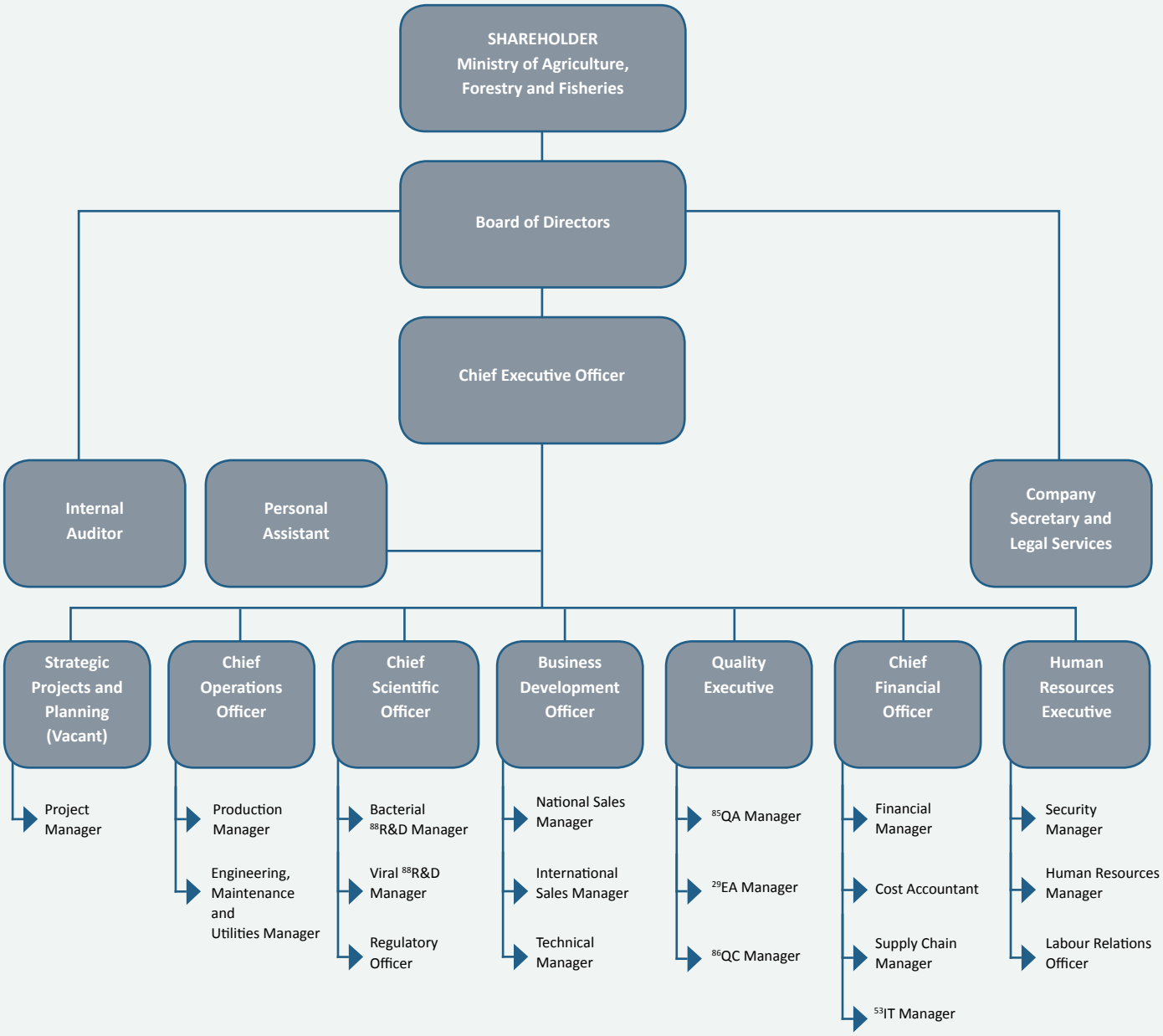
[34]ExCo is chaired by the [18]CEO and includes all executive members. The responsibilities of this committee includes overseeing the day to day management of [72]OBP, implementation decisions of the Board, strategy development, operations, sales and financial performance. [34]ExCo meets on a bi-monthly basis as follows:

Exco Attendance

Exco Member	Appointment	Resignation	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb
*Dr S Cornelius	01/04/12		P	P	A	P	P	P	P	P	P	P	P
Mr M Gololo	01/02/12		P	P	P	P	P	P	P	P	P	A	P
Dr T Smit	26/10/09		P	P	P	P	P	P	P	P	P	P	P
Ms M Ramutle	12/10/09		P	P	P	P	P	P	P	P	P	P	P
Ms Z Mobeng	01/09/09		P	P	P	A	P	P	P	P	A	A	P
Dr J Modumo	23/06/97		P	P	P	P	A	P	P	P	P	A	P
Mr P Pieterson	01/01/99		P	P	P	A	P	P	P	P	P	P	P
Dr J Verwey	02/11/09	01/07/13	P	P	A	P							
**Mr B Weyers	**22/07/13						*P	*P	*P				
***Dr B Nthangeni	01/11/13									P	P	P	P

Legend P - Present A - Apologies * - Appointed as CEO *P - Attending while acting
***** - Appointed as acting CSO *** - Appointed as CSO***

Current Macro Structure



REPORT OF THE CHIEF EXECUTIVE OFFICER

The revenue for this financial year was below budget by 23% (R115, 588,807 actual as compared to a budget of R150, 684, 932), but it was comparable to the income generated in the previous financial year where the actual was R117, 533, 000. This drop from the budgeted figure was mainly due to unavailability of freeze dried viral vaccines at the beginning of the year due to the repair and upgrading of the freeze dried products packaging plant. This trend changed over the two last quarters where revenue generated was more than the budgeted amount; however this was not enough to offset the final deficit. The increased revenue in the last two quarters was due to an increased demand but also because the plant had caught up with product backlog. The export sales were significantly below the budgeted amount (47%) and below the previous year's figure (R24, 130,124 as compared to R28, 418,175). This drop is also attributed to an overall drop in product availability due to the modernization and upgrade of the plant.

Expenses were about R5 m more than budgeted (R71, 398, 723 as compared to R66, 290, 507), but were lower than that of the previous year (R71, 398, 723 as compared to R76, 942, 184). Personnel costs remained static as compared to the previous year but were well below budget (by 17%) for this year. The net loss for the year was R12, 456,288 which was less than the previous year (R21, 440, 192) but less than the budgeted amount of a profit of R7, 502, 960. Although the loss is reported before the tax has been added or subtracted, it is much less than the previous years' reported loss.

The modernization and upgrade of the plant continued and [72]OBP was eventually able to find a structural engineer/ project manager for the upgrade as well as a [43]GMP expert. The structural engineer/project manager will assume duty on 5th May 2014. The [43]GMP expert started working at the beginning of March 2014. The total amount spent and committed on this project reached 74%.

The performance information indicates that more than 60% of the targets were fully or partially met.

Some of the highlights and lowlights during this period were as follows:

- The current Board term ended when the year closed but it appears that the new Board will be appointed after the elections. The Chairperson's term only expires in August 2014.

- OBP[72] participated in the formulation of the Agricultural Policy Action Plan ([5]APAP) which was project managed by [28]DAFF. In the plan [72]OBP is considered a key player in providing animal health

care which ultimately has a bearing on food security and competitiveness of the emerging/smallholder livestock industry.

- Required funding for the vaccine reserve, public good vaccines and support for smallholder farmers were captured in the [5]APAP priorities.
- OBP[72] also presented a project to [28]DAFF to be included in the Economic Stimulus Package, which will be submitted to the Treasury.
- OBP[72] welcomed and hosted a [43]GMP inspection team from Saudi Arabia. The report is not yet available but it could lead to increased sales in that region.
- Leadership alignment workshops were started during this quarter with the purpose of increasing [72]OBP's effectiveness and efficiency.
- The [88]R&D team was rebuilt with the recruiting of highly skilled [46]HR capacity in order for delivery on the [113]TIA Tshwane Animal Health cluster projects to continue.
- Six black researchers were recruited, four females and two males. Four have PhD's and two have MSc's. One of the researchers was appointed in the vacant Chief Scientific Officer position and started on 1st November 2013.
- To embed the organization's core values amongst all staff. A new set of core values were concluded, work shopped with all staff and displayed throughout the plant.
- A change in our management and consultation process with respect to the new structure was approved by the Board and concluded. A number of sessions and workshops were held with staff.
- The freeze dried viral product packing section upgrade was completed and by doing so, freeze-dried viral products become available again.
- Finally the [95]RVF (Rift Valley Fever) issue was laid to rest and the negative perception of [72]OBP in the market was corrected. This was done through a number of stakeholder engagements supported by media releases/responses where Prof Swanepoel's [95]RVF report was explained.
- Representations were made to Treasury via [28]DAFF to increase the infrastructure allocation and also to allocate funding for the vaccine reserve and the public good vaccines. Unfortunately, the letter from Treasury in November indicated that no new allocations were made to [72]OBP.
- Iphupho Lethu 2020 – "Our Dream 2020" was launched with staff between the end of September and the beginning of November 2013. This was a branding initiative of the current Vision and Mission together with a roadmap pointing to 2020.
- OBP[72] supported [28]DAFF at the World Food Day celebration in Mahikeng and the launch of Fetsa Tlala in Kuruman.
- OBP[72] together with Bayer hosted a workshop for all the Co-ops who sell [72]OBP's vaccines. This provided an opportunity to present and explain [72]OBP's vision, mission, values and recapitalization strategy.

Dr Steven T Cornelius | Chief Executive Officer

EXECUTIVE COMMITTEE

Dr ST Cornelius
Chief Executive Officer

Mr M Gololo

Mrs DN Mobeng

Dr TK Smit

Mrs NV Ramutle

Dr J Modumo

Mr PM Pieterson

Dr MB Nthangeni

Risk Management

[72]OBP recognises the risks inherent to business operations. Identifying, analysing and responding appropriately to business risks is vital to attaining [72]OBP's business objectives, protecting stakeholders interests and meeting legal requirements.

Managing Risk

72OBP undertook a detailed risk identification process of the 2 new strategic objectives that were added with an external service provider. In addition, an annual review of the risk register was completed. This process resulted in a comprehensive list of risks, with a list prioritizing 11 risks which included 5 new risks that were identified. During the period under review, the [72]OBP key risks continued to be managed and there has been improvement on the current risk control environment.

The [72]OBP Risk Management framework and policy sets out our approach for managing material risk (the possibility that an event will occur and adversely affect [72]OBP's achievement of objectives). Targets are set to manage risks, with performance against these risks being monitored. Each risk has an owner, responsible for managing the risk and reporting back to the board committee. Priority risks are continually reviewed in the light of changes in the market and business environment.

Fraud and corruption is one of the strategic risks identified in the year under review. [72]OBP recognises that effective communication and awareness training regarding fraud and corruption is critical in protecting the company and its employees against economic and reputational harm. In 2013, a fraud risk assessment workshop was carried out with the objective of creating awareness and developing a fraud risk register. This demonstrates [72]OBP's commitment to developing and maintaining the best practice for combating fraud and dealing with matters pertaining fraud.

[72]OBP aims to comply to the fullest extent with all the relevant legislation, technical standards and regulatory decisions. Non-compliance with laws, technical standards and regulations is considered a risk and any breach to these may have negative financial and operational consequences. Legal and regulatory compliance risk demands continuous management attention. The departmental managers are responsible for keeping themselves up to date on relevant legal, technical or regulatory changes and for implementing the corresponding changes in their processes. [72]OBP's compliance management program includes providing all employees with the relevant training and support.

Risks identified are used to direct the Internal Audit effort. A risk based internal audit plan was developed and the approval was obtained from the committee of the board during the year under review. Below are priority risks and mitigation plans (ref. Table 1) adapted from the Strategic Risk Register for 2013/14.

Table 1: Priority Risks

Key Risk	Mitigation Plan
Production Efficiency	Completion of implementation of [33]ERP.
	Verify production structures, simulation and [115]UAT Development system to monitor and track the capacity.
	Implement the upgraded [13]CapEx plan.
	Quarterly review of progress against plan (end Q2, Q3 and Q4).
Continuity of the Board	Advertisement of new board position. Board vacancies need to be advertised by [28]DAFF. Board needs to be well balanced to understand the needs of [72]OBP. To be done before April 2014.
Salary Bill vs. Revenue	Develop a plan to implement the recommendations of the skills audit.
	Delay remuneration increases until such time that the organization can afford it.
Research and Development Output	Develop and implement a research and development strategy.
Staff Productivity	Time and attendance implementation.
Competitiveness and Market Share	Finalise the [63]MOU with the department of Rural Development.
	Implement a formal three year distribution agreement with Bayer.
	Develop and implement a distribution strategy.
	Research and develop new and innovative products for the market.
Ability of the plant and structural technology to meet business needs.	Develop and implement the full [43]GMP project scope.
	Appoint a project manager for the [43]GMP Project.
Availability and Reliability of Equipment	Completion of the implementation of the [33]ERP Asset Management Modules.
	Implement the upgraded [11]Capex plan.
Continuity in Leadership	Orientation of the new Board and [18]CEO. Corporate Plan that outlines current objectives for the next three years.
	New Board and Minister to indicate whether the [18]CEO's contract is to be renewed.

	Should be done 6 months before expiry, if not renewed then succession planning needs to be considered.
Adherence with Terms of Research and Development Grant	Effective monitoring of project progress.
	Effective reporting of projects.
	Monitoring of actual spend of project against budget.
Ability to Effectively Utilize Funding	Develop and implement the full [43]GMP project scope.
	Appoint a project manager for the [43]GMP Project.
	Monitoring of actual spend of the project against the budget.

Management Assessment of the Overall Risk Situation

The overall risk assessment is based on a consolidated view of all key individual risks. Control effectiveness for some of the risks shows improvement when compared to the previous reporting period. There have been no risks identified, either individually or in combination, that could jeopardise [72]OBP's continued existence.

There are organization-wide risk registers (at all levels and accountability) and these are monitored and updated regularly. In ensuring that we are current and dynamic, [72]OBP is creating a culture of continuous learning and improvement of the risk management system while embedding it into [72]OBP's systems and processes.

Communications and Stakeholder Relations

During the 2013/2014 financial year, the communications department made extensive effort with regard to ensuring service delivery support throughout the organization by ensuring that there is improved effective and efficient internal and external communication. In terms of internal communication, daily updates were transmitted through various communication tools, including internal e-mails communiqué and updating of bulletin boards as well as the quarterly publication of the *Zwahashu* Magazine. The Communications divisions' quarterly editorial, *Zwahashu*, has evolved into a dynamic magazine with attitude, style and elegance. This is well reflected in its breathtaking transformation from what started as a tiny editorial and went through a major shift. It has been given a revolutionised look that has evolved over the past few years. This has undoubtedly been made possible by the communications teams' drive, enthusiasm, interaction and relationships with employees; turning *Zwahashu* into a complete work and lifestyle experience. This mouthpiece aims to engage, inform and inspire all our readers with topics on achievements and developments at [72]OBP. The department proudly posts each quarterly edition on the company's intranet and on bulletin boards throughout the building. Hardcopies are also distributed to employees and key stakeholders.

Considerable effort has been made to ensure that employees, customers and stakeholders are kept up to date on various developments within the company and globally through the TV screens which have been positioned at various points throughout the building and through subscription to a variety of agricultural magazines and newspapers.

In terms of external communication, the Nelson Mandela Day employee [25]CSI initiative was broadcasted on national television.

Corporate Social Investment ([25]CSI)

The [25]CSI department makes a contribution to the communities in which the company operates through development of knowledge and skills. These efforts are supported either financially or in kind.

Primary focus areas are:
- Health
- Education
- Job creation
- Ad hoc [25]CSI projects

As part the company's [25]CSI primary focus areas, [72]OBP employees, four primary schools and one old age home were identified and selected to benefit from the establishment of vegetable gardens in an effort to drive government's and [117]UN millennium development goals. The aim of setting up vegetable gardens is to assist in providing disadvantaged communities with a ready source of nutritious food, and to create jobs for those communities.

The following organizations have benefited from the vegetable garden project:
- Onderstepoort Primary School, Onderstepoort
- Kalkbank Primary School, Bojanala District (Makapanstad)
- Mpumelelo Primary School, Tembisa
- Inxiweni Primary School, Tembisa
- Korwe Old Age Centre, Ga-Rankuwa

As part of the company's primary [25]CSI focus areas, four primary schools, three informal settlements, one orphanage and one old age home were identified and selected to benefit from a donation of scarves which were made by [72]OBP employees on Mandela Day. The aim for distributing the scarves was in line with our "Winter Warmers" theme.

The following organizations benefited from the distribution of scarves:

- Onderstepoort Primary School, Onderstepoort
- Kalkbank Primary School, Bojanala District (Makapanstad)
- Mpumelelo Primary School, Tembisa
- Inxiweni Primary School, Tembisa
- Korwe Old Age Centre, Ga-Rankuwa
- Jwaga Informal Settlement, Rosslyn
- Itireleng Orphanage Centre, Ga-Rankuwa
- Zanfontein Informal Settlement, Hercules
- Plot 137 Informal Settlement, Onderstepoort

[72]OBP donated food parcels at the World Food Day in Mafikeng, which was an initiative of the Department of Agriculture Forestry and Fisheries. As part of our secondary [25]CSI focus areas, which are to engage with emerging farmers within the areas the company operates in, the department has made concerted efforts to support small-holder farmers to enable them to develop into viable commercial farmers who will contribute to the country's economy.

[72]OBP engages with emerging farmers through:

- Training on livestock vaccinations
- Training on preventative care measures
- Donation of vaccines
- Training on inoculation of livestock animals
- Partnering with farmers' associations

The regions below benefited during the 2013/2014 financial year. Plans are underway to assist more emerging farmers.

- Greater Letaba Municipality Mopani District (Sekgosese)
- Ba-Phalaborwa Municipality Mopani District (Namakgale)

The department's 2014/2015 highlights for rural and emerging farmers will be inclusive of these regions:

- North-West
- Mpumalanga
- Limpopo

[72]OBP also participated in Government initiatives (Fetsa Tlala and Masibambisane Food Security Programmes) in partnership with the President of South Africa and the Minister of Agriculture, where the [25]CSI team interacted with farmers.

The following areas benefitted from the initiative:

- Dutjwa Municipality, Eastern Cape
- Kuruman (Ga-Segonyana Municipality), Northern Cape
- Tompie Seleka Agricultural College, Limpopo
- Abhor Week (Hammersdale), KwaZulu-Natal

REPORT OF THE HUMAN RESOURCES EXECUTIVE

Our Employees, Our Enduring Advantage

The Human Resources Department is responsible for rendering human resources management and development, labour relations, organizational development as well as security management services to 72OBP. The aim is to partner and empower line divisions to recruit, develop, and retain skilled, committed, engaged and accountable employees within 72OBP.

The functions of the Division contribute towards the achievement of the strategic goal aimed at building a successful, high performance organization.

Overview

72OBP's total workforce comprises 184 employees, which is made up of 176 permanent employees and 8 employees on fixed term contracts. The company's workforce is made up of 23 employees who form part of the management category (12.5%) and 161 employees who form part of the bargaining unit category (87.5%).

Overall Staff turnover

72OBP's staff turnover for the year under review increased to 18%, which is relatively high when compared to other South African companies. 72OBP's turnover rate due to retirements is 1.6%, and the resignation rate is 11%. A retention strategy has been developed to assist 72OBP to retain key talent.

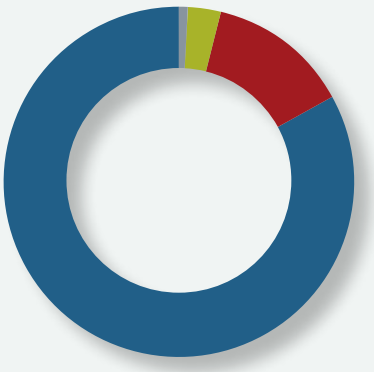
Age Profile

72OBP's age profile is as follows:

Age Category	Total
Below Age 30	25
30 to 39	50
40 to 49	51
50 to 54	32
55 to 59	18
Total	**176**

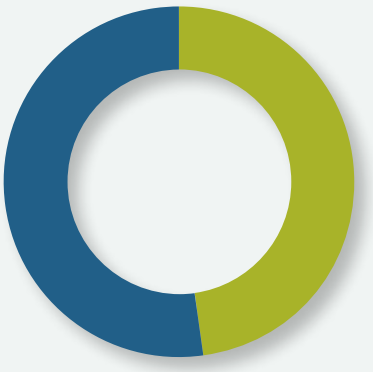
28% of 72OBP's staff are within the 50 to 59 year old bracket and could therefore be considered a retirement risk.

Race Distribution



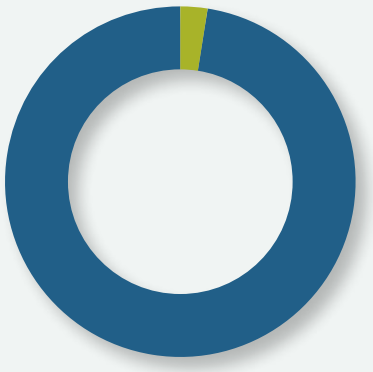
1 % INDIAN
13 % COLOURED
3 % WHITE
82 % AFRICAN

Gender Distribution



48 % FEMALE
52 % MALE

Employees with Disabilities



2.5 % TOTAL EMPLOYEES
97.5 % EMPLOYEE WITH DISABILITIES

These tables illustrate the race and gender breakdown of employees and are benchmarked against the national averages for the economically active population ([30]EAP) as provided by Statistics South Africa.

African employees represent 82% of [72]OBP's workforce as compared to the national [30]EAP average of 71%. [72]OBP exceeds the national [30]EAP average of 14% for White employees with 16% of the workforce being White. For Indian and Coloured employees, the Company is below the national [30]EAP average of 3% and 10% respectively. The male and female workforce profile is almost in line with the [30]EAP of 54% and 45% respectively. [72]OBP exceeds the [30]EAP average of 45% for female employees with 48% of workforce being female.

According to the report on employment equity for disability in the South African Public Service, the benchmark for disability is 2%. [72]OBP's disability target for 2013 is 2.5% of the workforce. [72]OBP prides itself in achieving the set target and levels that are above the national norm.

Summary of employment equity: as at 31 March 2014

Occupational Levels	Male				Female				Foreign Nationals		Total
	Male		I	W	A	C	I	W	Male	Female	
Top Management	0	1	0	0	0	0	0	0	0	0	1
Executive Management	3	0	0	1	2	0	0	1	0	0	7
Management	3	2	1	5	4	0	0	0	0	0	15
Skilled Employees	23	2	0	2	25	1	0	7	0	0	60
Semi-skilled Employees	30	0	0	2	25	0	0	6	0	0	63
Basic-skilled Employees	20	0	0	0	10	0	0	0	0	0	30
TOTAL PERMANENT	**79**	**5**	**1**	**10**	**66**	**1**	**0**	**14**	**0**	**0**	**176**
Temporary Employees	0	0	0	0	7	0	0	0	1	0	8
GRAND TOTAL	**79**	**5**	**1**	**10**	**73**	**1**	**0**	**14**	**1**	**0**	**184**

[72]OBP continues to drive transformation as part of its strategic objectives. Lack of representation of Coloured and Indian employees still remains a significant challenge and plans to improve representation is a focus area in the [31]EE Plan. [72]OBP's [31]EE Plan articulates [72]OBP's ongoing and sustained commitment to [31]EE principles, namely the elimination of unfair discrimination and implementation of affirmative action measures to achieve a workforce that reflects the national economically active population of South Africa across all occupational levels.

Training and Skills Development

During the 2013/2014 financial year, [72]OBP continued to provide training to employees to develop their skills in line with strategic goals of the company and training plan. Key to this was training and development interventions in the following areas, change management, compliance training, and [43]GMP Training.

In 2013/2014 various training and development interventions were developed and implemented. This included a competency framework for all levels within [72]OBP as well as development of a leadership development framework. [72]OBP also developed a succession planning policy to further address the skills gaps that will be caused by retirements. The critical and key positions as well as potential employees to fill these positions have been identified.

[72]OBP's holistic approach to training entails attendance of in-house and external training programmes, tertiary institutions, including [37]FET colleges, internship and learnership programmes. [72]OBP is proud to report that, during the year under review, 99% of our employees attended various in-house and external training programmes. This includes bursaries that were granted to employees.

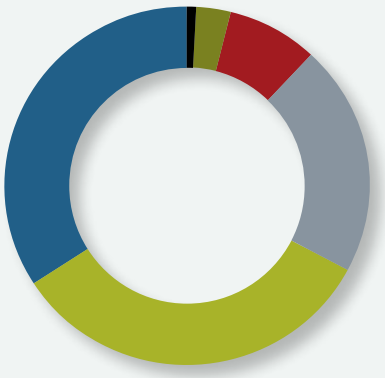
[72]OBP remains committed to enhancing the skills of its employees and the communities within which it operates.

The table below illustrates the number of employees trained in terms of race, gender and occupational categories. Most of the training efforts were directed towards development of employees within the Semi-Skilled and Skilled bands.

Number of employees trained

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
Senior Management	2	0	0	1	2	0	0	1	0	0	6
Professionally qualified and experienced specialists and mid-management.	3	2	1	5	3	0	0	0	0	0	14
Skilled technical and academically qualified workers, junior management, supervisors and superintendents.	22	2	0	4	25	1	0	7	0	0	61
Semi-skilled and discretionary decision making.	27	0	0	2	29	0	0	7	0	0	65
Unskilled and defined decision making.	19	0	0	0	9	0	0	0	0	0	28
TOTAL PERMANENT	**73**	**5**	**1**	**12**	**68**	**1**	**0**	**15**	**0**	**0**	**175**
TEMPORARY EMPLOYEES	0	0	0	0	6	0	0	0	2	0	8
GRAND TOTAL	**73**	**5**	**1**	**12**	**74**	**1**	**0**	**15**	**2**	**0**	**183**

REPORT OF THE HUMAN RESOURCES EXECUTIVE



- 1% TOP MANAGEMENT
- 3% EXECUTIVE MANAGEMENT
- 8% MANAGEMENT
- 34% SEMI SKILLED
- 33% SKILLED ADVANCED
- 21% BASIC SKILLED

Employees trained

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. [72]OBP remains committed to continue facilitating a dynamic, performance driven culture through individual targets to the achievement of the overall business objectives. During the 2013/2014 financial year, employees who achieved a satisfactory performance rating were awarded a pay progression of 1%. No 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).

Salary Increases

The negotiations for 2013/2014 salary increases went smoothly, resulting in average salary increases of 6% for the bargaining forum management and executives received a salary increase of 5%.

Employee Relations

The relationship between organised labour and management has also improved. Various [46]HR policies were negotiated and/or consulted on and concluded.

Employee Wellness

[72]OBP supports a comprehensive wellness programme through the following programmes:

- Occupational health services through our on-site clinic.
- Employee assistance programme which provides personal support 24 hours a day for 365 days a year to employees and their families.
- On-site social worker.
- Chronic disease management programme; and
- Medical surveillance programme.

During the year under review, [72]OBP hosted a wellness day. The wellness day included the following activities:

- Health assessments
- Fitness and nutrition
- Financial well-being

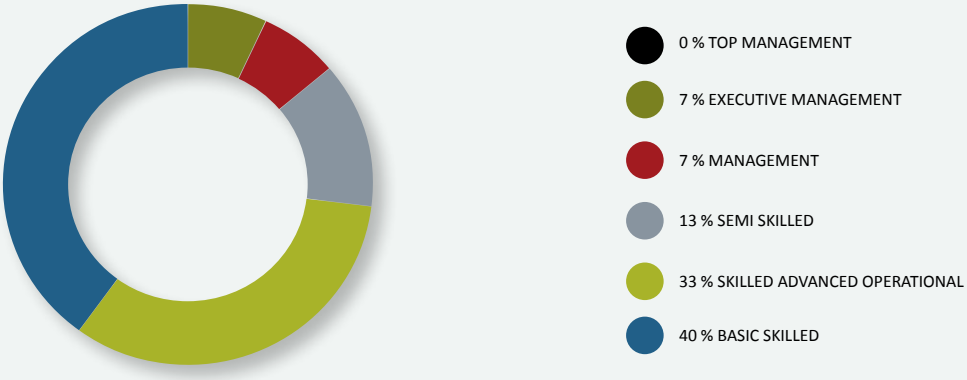
A Health Risk Assessment and a Hygiene Survey was also conducted. The Company is now in the process of revising its Medical Surveillance Programme.

Other [46]HR Operational Activities

Recruitment for the period 1 April 2013 to 31 March 2014
This section provides the profile of employees who were appointed during this period in terms of race, gender and salary bands.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Executive Management	1	0	0	0	0	0	0	0	0	0	1
Management	1	0	0	0	1	0	0	0	0	0	2
Skilled / Advanced Operational	0	0	0	0	1	0	0	0	0	0	1
Semi-skilled	3	0	0	0	3	0	0	0	0	0	6
Basic-skilled	3	0	0	0	2	0	0	0	0	0	5
TOTAL PERMANENT	**8**	**0**	**0**	**0**	**7**	**0**	**0**	**0**	**0**	**0**	**15**
TEMPORARY EMPLOYEES	**0**	**0**	**0**	**0**	**7**	**0**	**0**	**0**	**0**	**0**	**7**
GRAND TOTAL	**8**	**0**	**0**	**0**	**14**	**0**	**0**	**0**	**0**	**0**	**22**

Filled positions per Band

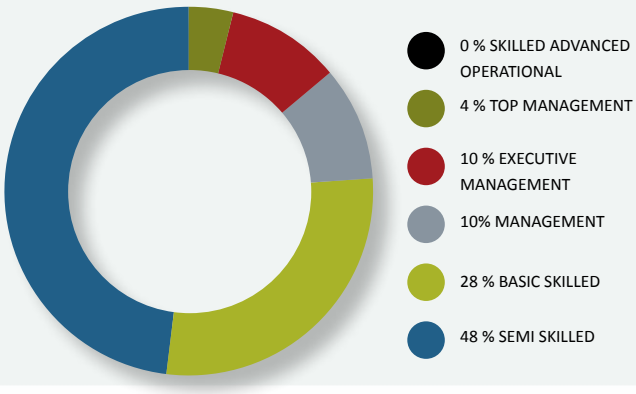


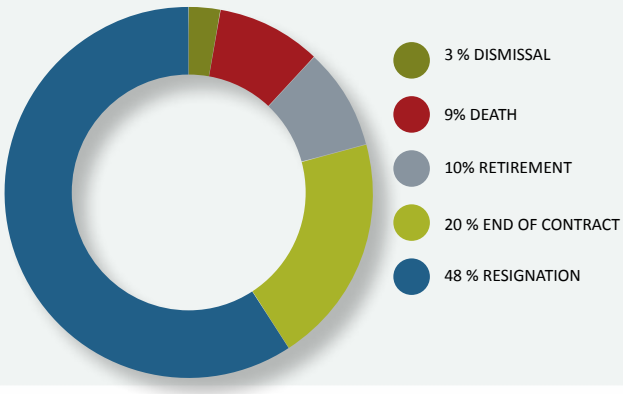
Terminations for the period 1 April 2013 to 31 March 2014

This section provides the profile of employees who left [72]OBP during this period in terms of race, gender and salary bands.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Executive Management	0	0	0	0	0	0	0	0	0	0	0
Executive Management	0	0	0	0	0	0	0	0	0	0	0
Management	2	0	0	0	1	0	0	1	0	0	4
Skilled / Advanced Operational	2	0	0	4	1	0	0	1	0	0	8
Semi-skilled	3	0	0	0	5	0	0	1	0	0	9
Basic-skilled	3	0	0	0	1	0	0	0	0	0	4
TOTAL PERMANENT	**10**	**0**	**0**	**4**	**8**	**0**	**0**	**3**	**0**	**0**	**25**
TEMPORARY EMPLOYEES	2	0	0	1	5	0	0	0	1	0	9
GRAND TOTAL	**12**	**0**	**0**	**5**	**13**	**0**	**0**	**3**	**1**	**0**	**34**

Terminations





Reasons why staff are leaving [72]OBP

Termination Reason	Number of Employees
Death	3
Retirement	3
Resignation	20
Expiry of Contract	7
Discharge	1

Security

[72]OBP was registered as a National Key Point during 2007. The security department is responsible for ensuring that [72]OBP complies with the National Key Point Act 102 of 1980 as reaffirmed in 2003 and inter alia other Legislation.

In complying with National Key Point ([58]NKP) legislation and regulations of the National Intelligence Agency ([69]NIA) of State Security Agency, the Security Department convened the compulsory Joint Planning Committee ([54]JPC) under the [70]NKP Act to:

- Ensure maximum benefit from the combined resources of the National Key Point Regulator and Preferred Emergency Services;
- Appoint an [70]NKP Compliant Security Service Provider for the static protection of [72]OBP Staff, premises and assets; and
- Upgrade and maintain the [16]CCTV System and the Electronic Access Control System as approved by the [54]JPC.

The [54]JPC meets quarterly for its functions.

All security officers successfully underwent the compulsory Refresher Training Program as prescribed by the [70]NKP Act. The [101]SAPS [70]NKP Regulator conducted an [70]NKP audit (in compliance to the [70]NKP Act). The Security Manager is also representing [72]OBP as a committee member on the Security Manager Forum for state owned companies.

REPORT OF THE
QUALITY EXECUTIVE

Each one of us has the privilege of being a consumer as well as a supplier. It can be either in the workplace or at home. We all want to obtain "what we asked for" and want "surety" of the standard and quality of the products or services we paid for. To assist us in getting what we want, we all become subject to the Consumer Protection Act, No. 68 of 2008 that was signed on 24 April 2009. This Act was compiled and proclaimed to assist the consumer on different levels. One of the main objectives of this Act is to: promote a fair, accessible and sustainable market place of high quality products for the consumer or producer and services.

Some of the more general requirements could be summarised as follows:

- National norms and standards to ensure consumer protection
- Make provision for improved standards to prohibit certain unfair marketing and business practices
- Ensure no variance in quality of goods which means goods must be free of defects and of a quality that persons are generally entitled to expect. It must comply with any applicable standards or any other public regulations of good quality.

Effective and efficient systems to manage

- consumer complaints;
- reports of product failures, defects or hazards;
- monitoring the sources of information ; and
- analyzing information received with the object of detecting, identifying and/or recall those goods for repair, replacement or refund.

[72]OBP, is the producer of Quality Animal Vaccines. We procure raw materials and then produce vaccines for our clients we cater mostly for cattle, horses, sheep and goats. They are the recipients of our products with no voice of their own and [72]OBP thus is more obligated to ensure the products administered are safe and effective. Farmers, both commercial and small holding, veterinarians and lay people are all stakeholders of the [72]OBP product-life-cycle and therefore also become shareholders in expecting high quality products.

To ensure the quality of the product produced at [72]OBP, the Board, supported by the Minister of Agriculture, introduced systems and continuously invest to improve the production and the quality testing of [72]OBP products.

Quality is an independent department within the [72]OBP Senior Management Structure with 2 sub-departments: Quality Assurance ([85]QA) and Quality Control ([86]QC). The Quality Assurance Department provides the foundation for the Quality Management System measured against the [52]ISO

9001:2008 guidelines and [20]cGMP requirements ([81]PICs). Quality Control is responsible for testing and providing proof according to international standards for product efficacy, safety, sterility and innocuity of our products.

Quality Assurance ([85]QA)

[72]OBP is a certified [52]ISO 9001:2008 Company and retained this status after the certification audit during the year under review.

What would this mean for the Consumer? [52]ISO is a Generic International Quality Management System designed to ensure customer satisfaction and to provide management with documented information to assist in making informed decisions. Documentation, therefore, provides the infrastructure of the quality system and encompasses everything done in [72]OBP. The Quality Management System is driven by Policies and Standard Operation Procedures ([108]SOPs). Policies prescribe the "What" we shall do and the [108]SOPs describe the "How". These documents are seen as live documents and are regularly reviewed and changed for optimal operation and functionality. Batch documents are provided for each batch that is produced and then checked for completeness and compliance before products are released by the "Responsible person". This system does therefore provide proof and surety to the customer that products are not produced randomly, but instead are produced in a repeatable way with an accepted level of quality. Proof can be provided for all steps – not only pertaining to the quality of the product, but also the production process which was followed.

A "Management Review" is compiled annually and submitted to senior management. The Management Review Process ensures the continuous suitability, adequacy and effectiveness of the Quality Management System during the report period. This review process includes analyzes, discussions and recommendations regarding specific aspects covered by the [87]QMS. This finally culminates in a final review report which is a requirement of [52]ISO 9001 certification.

Numerous audits were conducted on individual parts or processes. These audits were not only done by the [98]SABS (National Certification Body), but audits were also conducted by international clients. Unfortunately [72]OBP was measured by these companies against [43]GMP requirements and therefore the findings were made based on the absence of the layout and process flow at [72]OBP. This issue is being addressed by the financial injection of the Department of Agriculture for the Upgrade of the facility.

[72]OBP was also asked to contribute and partake in an [74]OIE Audit for the Department of Agriculture.

Although the quality system was audited, no official feedback has been received by [72]OBP. Positive feedback and a positive reaction were, however, given during the closure meeting. Internal departmental audits were done for all departments. Findings were reported, classified and corrective actions were implemented.

In light of the above mentioned "upgrade" the [85]QA Department was involved not only in ensuring compliance with [20]cGMP, but was also involved in the Factory Acceptance Test ([35]FAT) of the new filling freeze-dry upgrade. More time and effort will be spent on the [35]FAT over the next few years until finalization of the upgrade. For an effective Quality Management System, and to establish a platform for the consumer to report uncertainties, a "Customer Complaint System" forms part of the [87]QMS. Only 35 customer complaints have officially been registered and investigated. This system normally provides excellent management feedback on the product and the satisfaction of the product to the need as required by the Consumer Protection Act. No abnormal or adverse reactions have been observed and no product-recall was thus necessary. The Department would like to encourage and build this system to its maximum to gain maximum input from the consumer.

Quality Control ([85]QA)

The main objective for this department is testing of all products produced at [72]OBP. International accepted monographs are used and new alternative methods are developed. This department is therefore also responsible for obtaining, breeding and tending of animals used to do the quality control test.

Experimental Animal Department

The objective of this section is to provide appropriate animal models (farm and laboratory animals), facilities, test animals and protocols for testing of all products. They also assist with animal work, where possible, for the Research and Development Department. The department successfully sourced, bred and housed Specific Pathogen Free ([110]SPF) guinea pigs and mice. All rodents currently used for product testing and [88]R&D purposes are derived from [110]SPF animals [17]CD1 Mice and Duncan Hartley guinea pigs. This enables the department to ensure reduction of the use of animals as well as compliance to acceptable international standards.

Large animals for [86]QCl and [88]R&D were sourced, housed and tended to. Due to the cost and facility limitations, off-site facilities were used in certain instances. This initiative involved the Provincial Departments of Agriculture as well their surrounding communities – therefore beneficial for all.

[72]OBP has a fully compliant Animal Ethics Committee with the [71]NSPCA being permanently represented. Projects involving animals are reviewed and approved before the projects are started. One of the objectives of this committee is not only to ensure that animal ethics is complied with but to also assist and ensure reduction of the use of animals.

Except for the bi-weekly inspections from the Department of Agriculture the units are also audited by the [71]NSPCA and were part of one of the international client's [43]GMP compliant audit.

Raw Material Testing

This is an extremely important part of Quality ([52]ISO & [43]GMP) and is in line with the Consumer Protection Act. More emphasis is placed on testing and standardizing raw materials and packaging materials.

Product Testing

The responsibility rests on [86]QC to test raw materials, intermediate and final products and it must be able to prove compliance to the standards which have been set. [86]QC ensures and proves product sterility, safety, and efficacy and quality compliance. All methods or standards available comply with international specifications. With the aim of Good Laboratory Practice Certification, a major effort was initiated to do statistical validation of the test methods used and how repeatable they are. The quality manual for [52]ISO 17025 was compiled during this review period. This action will continue for the following few years as reference standards will have to be procured and become available. All samples received have successfully been tested within the [86]QC department.

REPORT OF THE CHIEF OPERATIONS OFFICER

The office of the [22]COO provides strategic guidance, support and leadership to the Operations Division of the organization, which includes the various production departments and Engineering, Maintenance and Utilities ([32]EMU) Department of [72]OBP.

In terms of the Corporate Plan and Annual Performance Plan, the Operation Division speaks directly to Strategic Goal 2, which is to improve business processes, management practices, equipment, structure and facilities and Strategic Goal 3, which is to build a profitable and sustainable company through our competitive advantage. More specifically the initiatives of the Production and [32]EMU sub-divisions are aligned to the following objectives:

- Optimise business processes through implementation of the Enterprise Resource Planning ([33]ERP) system (SO 2.1);
- Manage and achieve efficiencies across the full value chain for vaccine production (SO 2.4);
- Invest in upgrading the quality and manufacturing systems to comply with local and foreign standards (SO 2.5); and
- Effective plant and utilities management (SO 2.6);
- Increase revenue and profits (SO 3.2);
- Enhance and invest in products development and innovation (SO 3.3); and
- Commit to environmental principles in business operations (SO 3.4).

Production Sub-Division

The Production Sub-Division includes the Raw Materials, Viral Vaccine Production, Bacterial Vaccine Production and Vaccine Packaging departments. These departments fulfil the core function in collaboration with the Quality Control Department and Supply Chain Management, to produce and package the required raw material, diluents, intermediate, bulk and final vaccines to the standard and quality specified, in as cost effective and timely manner as possible and to meet the demand for the current portfolio of products which includes vaccines in various volumes and pack/dose sizes, against 30 bacterial, 5 protozoal and 13 viral diseases.

Production Planning and Quality

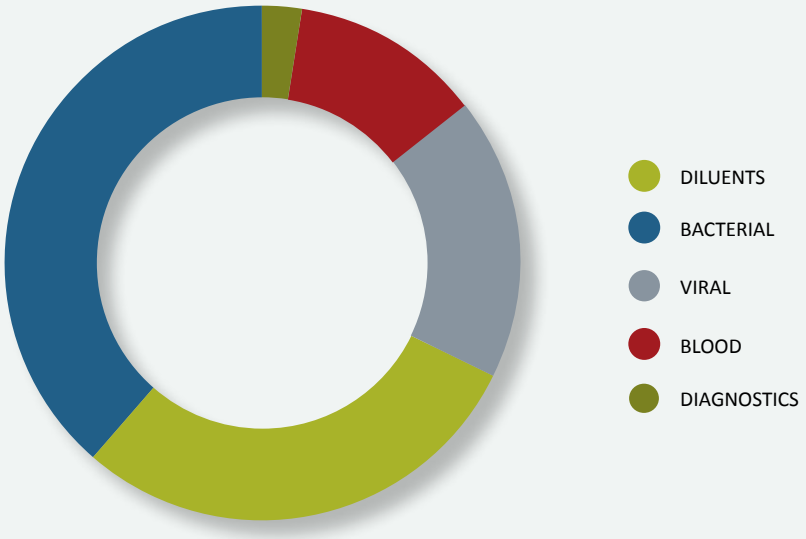
During the reporting period the Production Division successfully produced a total of 178 batches of viral, bacterial, protozoal and diagnostics products, as well as sterile diluents.

A total of 2 112 477 units of vaccine and diluents were bottled or freeze dried in the 2013/14 financial year.

The following production success/failure rates were achieved:

1) Planned versus actual production:
A target of 85% planned versus actual production was set. The Bacterial and Viral Vaccine Production Departments both underachieved due to several factors including equipment breakdown, problems with supply and quality of certain raw materials, contamination, staff resignations, as well as power and water supply disruptions. The Vaccine Packaging and Raw materials departments achieved above 95% for the reporting period.

2) Production quality achieved:
- A target of less than 5% batch failure of final product on efficacy was set and a final failure rate of 10.1 % was reported i.e. an 89.9% success rate.
- A target of less than 8% contamination of final product was set and only 3.7% contamination reported for the year i.e. 96.3% success rate.
- A target of less than 10% contamination of in-process product was set and 8.2% contamination reported i.e. 91.8 % success rate.



The challenges faced in meeting product demand include, but are not limited to:
- Resignation and or retirement of key production personnel and failure to retain or replace them rapidly. In addition added pressure and responsibilities of remaining staff, due to vacancies.
- Equipment breakdown.
- Contamination due to human error as well as uncontrolled work environments.
- Electricity and municipal water supply disruptions.
- The need to regenerate adequate stock due to down time for the upgrade and installation of new equipment in parts of the packaging department.

Improved Production Efficiency

Production of viral and bacterial vaccine products remains the main thrust and core competence of ^{72}OBP.

Continuous improvement in manufacturing efficiencies is required to keep production costs low and to ensure that vaccines remain affordable and competitive. In addition, efficiency is determined by newer technologies in manufacturing ensuring improved and higher yields, reduced losses due to contamination, reduced change over times between products, reduced cleaning and validation processes etc. Production at ^{72}OBP aims to continuously improve on its processes and technologies, to improve on its manufacturing efficiencies and to reduce associated production costs to a minimum to ensure a sustainable gross profit margin while also ensuring products remain competitive and affordable for the end-user.

In 2013/14 various activities relating to improved production efficiency were implemented in the various production and packaging departments. These included the following:

- Establishment of a new cell bank for all cell lines (with assistance from [91]RDV);
- Ongoing optimisation of infection and harvest times to improve consistency of yields;
- Application of single-use technology (disposables) and small volume containers in various aspects of production resulting in optimised processes reduced processing time and reduction in contamination.

Production and Packaging Equipment

A 4 year plan for the identification, procurement and installation of critical production and packaging is currently being implemented. The focus of this plan is to replace critical equipment to ensure [72]OBP can meet its current production capacity – while at the same time improving capacity and meeting [43]GMP requirements to meet the future growth strategy of the organization. Various equipment was acquired or is in the process of being acquired, as well as improvements made to production facilities:

- **Clean room facility and new equipment for freeze dried products**

The freeze drier is one of the major pieces of process equipment used in the manufacturing of [72]OBP's live vaccine products. The two production freeze driers at [72]OBP were originally installed some 25 years ago and over the past few years have undergone some critical upgrades and repairs. For much of the reporting period one freeze drier was out of use due to the required replacement of the condenser – it is expected that the machine will be fully operational by Q2 of 2014/5. A pilot freeze drier will also soon be ordered to assist in optimisation of freeze drying cycles to improve product stability, reduce cycle and turnover time.

The upgrading and refurbishment of part of the packaging area for freeze-dried products to a cleanroom was undertaken and completed. A state-of-the-art new filling and capping machine for the freeze-dried products was also installed and commissioned and put into full production in August 2013. Improved outputs (time and efficiency) and reduced wastage have been the result of these improvements. A vial washer and sterilisation tunnel was also ordered to be incorporated into the cleanroom suite and is expected to be installed in Q2 of the next financial year.

- **The acquisition and installation of new equipment to improve various processes.**

This includes a clean steam generator, new autoclaves and washing machines in the Raw Materials Department.

- **Identification of other key equipment which is currently on order or out on tender**

This includes a bioreactor, [45]HPV generator, cell culture isolator system and cross flow filtration system for virus vaccine production. An additional labelling machine and a carton packer have also been ordered to minimise bottlenecks and improve the outputs and efficiencies in the packaging department. Both of these as well as an additional liquid filling machine will be installed in the next financial year.

- **Fermenter plant**

[72]OBP utilizes sophisticated fermentation equipment to grow bacteria necessary for the production of most of its bacterial vaccines. Due to the age of parts of the fermenter plant and challenges with lack of support and spare parts much activity took place in the reporting period related to discussions with possible suppliers of new equipment for the fermenter plant.

Engineering Maintenance and Utilities ([32]EMU)

The [32]EMU Department is responsible for utilities and management of assets which involves preventative and ongoing repairs and maintenance to production and other equipment, various facilities and the plant at [72]OBP. The objective, particularly of preventative maintenance is to ensure that there is minimal breakdown time and associated costs – especially of production equipment and associated facilities – so that production can run effectively and optimally.

Plant Maintenance

In the absence of an [33]ERP system and a computerized maintenance management system all plant maintenance planning and scheduling is being done manually using Excel. The asset management system of the [33]ERP system is being implemented and is expected to be fully implemented by the end of Q2 of the next financial year. This will enable [32]EMU to move to a computerized maintenance management system which will also improve on the overall maintenance management of equipment and the plant, spares, job cards and allocation of resources.

Currently, about 75% of equipment is on Preventative Maintenance ([83]PM) which is split between in-house personnel and contractors on service level agreements. With the help of maintenance interventions the level of availability of key production equipment was maintained above 80% throughout the reporting year – this is somewhat lower than previous years. In addition to preventative maintenance, condition monitoring which is part of condition based

maintenance has effectively been implemented and resulted in a decrease in unplanned maintenance and repair jobs. Preventative maintenance service level agreements with different suppliers are implemented where required and reviewed on a regular basis to ensure detail and compliance to regulations. Tools and logbook records are being implemented to improve the determination of the operating efficiency of equipment. This will also tie in with the [33]ERP system and [43]GMP requirements.

Steam (utility) availability was 87.5% for the year. This was a bit lower than the target of 75% but was also caused by several extended disruptions in the supply of municipal water and electricity. To improve efficiencies in steam supply the installation of a condensate return line will take place in the next financial year. In addition, the current old and leaking water storage tanks will be replaced with new tanks and an automated filling system to supply back up water to the boiler during water supply disruptions. The installation of rain water tanks to provide water for bathrooms and change rooms is also being considered to minimise health risks and challenges posed for staff during municipal water cuts.

Time and cost spent on repairs and maintenance remain high due to the ageing plant, utilities, and equipment.

Energy Management Program

Due to the planned facility upgrade some energy saving initiatives have been put on hold with the intent to incorporate them more efficiently and cost effectively as part of the upgrade.

Safety and Security

Various projects have been undertaken to provide backup power to key areas and equipment and all distribution boards are in the process of being tested and relabelled.

The perimeter fence on the northern side of the property was replaced to improve security and minimise risk and liability associated with potential squatters. A fire break was also created to minimise risk of veld fires and to provide an accessible patrol path.

Research and Development

Vaccine development is a long process, taking between 5 to 10 years from inception to marketing when all goes according to plan. The [72]OBP Research and Development Division are involved in a number of vaccine research projects. The projects are aimed at various major veterinary diseases that affect the livestock in South Africa and Africa. These include, amongst others, African Horse Sickness, Bluetongue and Rift Valley Fever.

The ongoing research is broadening the knowledge base of these diseases and enabling [72]OBP to develop more effective vaccines. Although no vaccine will ever protect to a 100% level, continued research is essential to minimize the loss of animals. The ongoing African Horse Sickness outbreak highlights the need for effective vaccination campaigns and continued knowledge accumulation and dissemination.

The year 2013/14 was a year of marked change in the [88]R&D department. Human capacity was increased by the addition of three new young scientists with PhD qualifications and two scientists with M.Sc degrees. Three other personnel are pursuing postgraduate degrees at Masters Level through various universities in South Africa. The division was further strengthened by the appointment of a new Chief Scientific Officer.

There are 15 medium to long-term research projects running alongside various short term projects to strengthen the current product portfolio. Nine of these projects are progressing well with delays in six projects due to international collaboration complications and delays in import permits. With funding received from the Technology Innovation Agency ([113]TIA) in the previous financial year (see annual report 2012/13), and the injection of new blood in the department, research on various important veterinary diseases and new technology platforms has increased the knowledge base for continued research. [88]R&D continues to foster, and benefit from, local and international collaborations.

In South Africa, all veterinary vaccines are regulated under the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act No. 36 of 1947) administered by [28]DAFF. All new vaccine applications must be approved by [28]DAFF, and this includes [72]OBP. New applications are submitted to independent technical experts for evaluation and approval. Increased local and international dossier submissions have placed additional strain on the limited resources of [28]DAFF, and the average time for approval of a new or improved vaccine for [72]OBP has been two years.

To ensure no unnecessary delays, the Regulatory Affairs ([89]RA) department of the company is responsible for ensuring that the company complies with all of the regulations and laws concerning the marketing of vaccines. The Regulatory Affairs

([89]RA) Department at [72]OBP is involved in the development of new products from inception, by integrating regulatory principles and by preparing and submitting the relevant regulatory dossiers to authorities.

During the 2013/14 financial year, one submitted application was approved. Another application is currently pending and approval is expected in 2014. Existing vaccine dossiers are continually reviewed and updated, in the financial year under review, a total of eleven dossiers were updated.

A total of 44 vaccines were also submitted for registration within Africa and numerous technical documents have been issued to potential customers across the world.

Publications:

Plant Biotechnol J. 2013 Sep; 11(7): 839-846. doi: 10.1111/pbi.12076. Epub 2013 May 6. A method for rapid production of heteromultimeric protein complexes in plants: assembly of protective bluetongue virus-like particles.

Thuenemann EC1, Meyers AE, Verwey J, Rybicki EP, Lomonossoff GP.

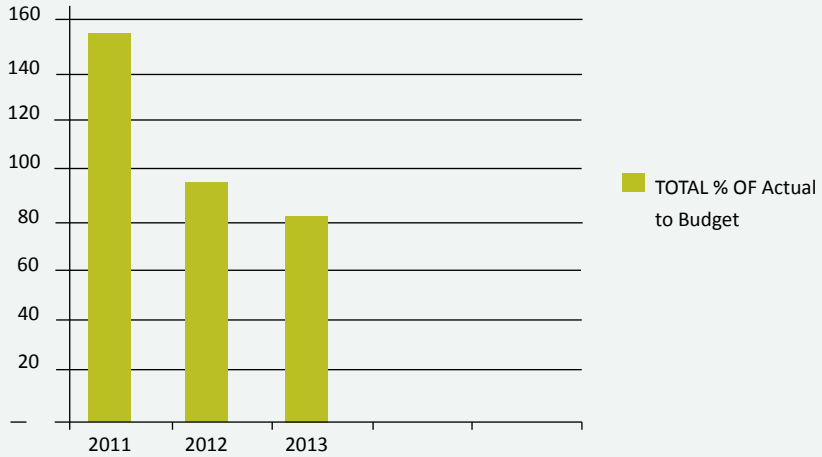
Conference presentations:

B Weyers. Development of a subunit vaccine for sheep and goats ([84]POC). 8th Regional Plant Biotechnology Forum, [26]CSIR, Pretoria.

Sales Analysis

[72]OBP sales performance has declined over the past few years in sales revenue and profit. This has resulted in a decline in market share. This is illustrated in table 1 below. It shows that 2010/11 was the last time that the company performed well. Though Rift Valley Fever outbreak contributed significantly, other products did grow. Reduction in sales performance since 2011/12 – 2013/14 is shown below.

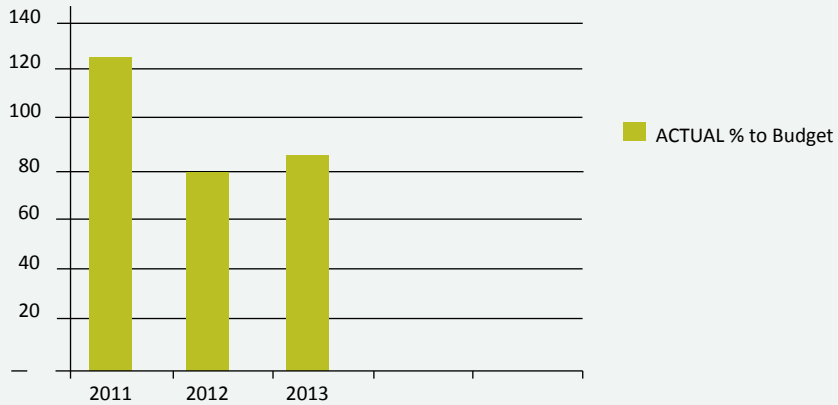
Table 1: Total % of Actual Sales to Budget



Domestic Market

The domestic market has also not been performing and has subsequently lost market share both within the total animal health market and the vaccine market segment (Table 2). In the latest South African Animal Health Association ([96]SAAHA-2013) report, it was shown that [72]OBP has dropped market share by 2% in the total animal health market and 7% in the vaccine market. [72]OBP has a 2.6% and 9% market share in total in the animal health and vaccine segments respectively. However, the company still enjoys a 16% market share in the livestock vaccine sub-segment though the company also dropped in this area by 1%. A drop in sales can be attributed to the recapitalisation project which severely affected [72]OBP's production capabilities and ultimately resulted in inefficient product supply to the market. Other reasons which contributed to this drop were the increasing strength of our competitors' product portfolios over the past few years. New entrants in the vaccine segment became the biggest threat to [72]OBP due to a the number of [72]OBP personnel who have joining our competitor companies.

Table 2: Total % of Actual Sales to Budget



Product Performance

Since 2011 there has been a change in product contribution between viral and bacterial vaccine. During the year under review, our viral vaccines continued to be the top performing product, while Pasteurella and Brucella S19 were the best top bacterial vaccines.

Key Clients

Bayer Animal Health remained the top client in 2013/14 due to an exclusive distribution contract offered to them. Government department's performance has steadily increased since 2010 and dropped recently due to unavailability of certain products. It was unfortunate that five provinces could not commit on the memorandum of understanding ([63]MOU) even though [72]OBP made several attempts to convince them. [72]OBP had joint farmers' days with some provinces as part of skills development for farmers and promoting entrepreneurship. [72]OBP management had engagements with provincial directors of veterinary science and this lead to the company supplying certain products to the provinces through the RT-12 government tender.

Brand Awareness

External brand awareness and sponsorships were also increased to stakeholder groups such as [93]RPO, [64]MPO, [68]NWGA, [59]LHPG, [67]NERPO and [1]AFASA to name a few, while adverts and publications were also placed with *Agri SA, Landbou, Farmers weekly, Veeplaas,* and *Agri Eco* magazines.

Exports

Over the last few years export sales have also experienced a steady decline as shown in table 3 below. [72]OBP could register products in countries such as Egypt, Morocco and Pakistan due to stricter registration requirements. The top performing market in exports over the past four year period has been Botswana, Namibia, Sudan, and Saudi Arabia interchangeably. In the 2013/2014 financial year, we have worked hard to penetrate new markets and they have performed well and are currently amongst [72]OBP's top three export customers.

Table 3 : Export Sales

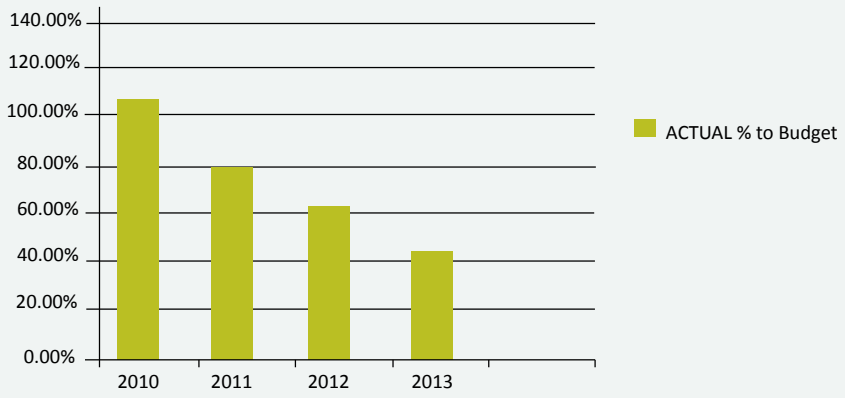
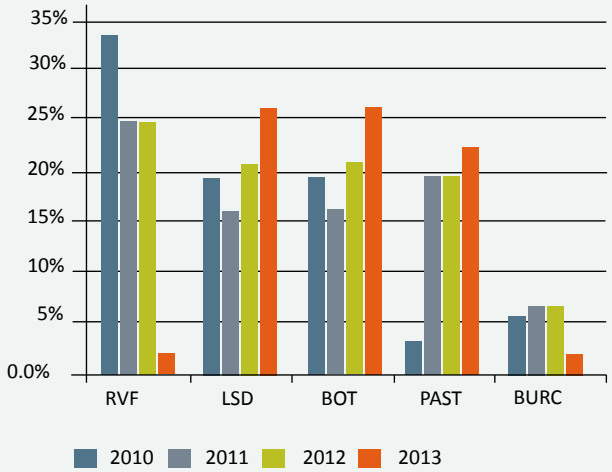


Table 4 depicts top selling products in the export market and it can be seen that Rift Valley Fever live vaccine has been declining due to losing market share in countries such as Sudan and Tanzania to Kenya which have very competitive pricing models. Lumpyskin disease has increased due to identification of new markets, while Botulism has been showing steady growth in Europe. Pasteurella vaccine has also been increasing due to aggressive marketing done in [99]SADC countries.

Table 4: Top performing products



The process of appointing new agents in most countries is time consuming and this affected [72]OBP's target of appointing more agents – particularly in Africa. This process has had an impact in identifying and ultimately finding suitable agents to grow [72]OBP's market share.

Way-forward

The new strategy will address the following:

- Address efficiency of outbound supply chain.
- Aggressive in point of sale.
- Relationship building with key stakeholders.
- Aggressive marketing in key identified countries.

1. Introduction

The vaccine market continued to be under pressure during the current financial year, with slow growth experienced by the industry player's year on year and, in addition – from [72]OBP's dimension – the ageing equipment continued to breathe heavily into our overall performance. The equipment needed urgent replacement going forward. The competition has also increased over the period and has shrunk the [72]OBP's market share together with other industry players.

During the 2012/13 financial year the shareholders approved funding of R492 m over the [66]MTEF period for modernization of the current facility; of which R96.5 m was transferred by the shareholder to the company. The cash injection by the shareholder will bring some production stability to the organization and position [72]OBP as force to be reckoned with in the market by claiming back the lost market share with improved economies of scale.

2. Finance

Finance Department is responsible for the Financial Management, Supply Chain Management and Information Technology sections within [72]OBP. It strives for effective and efficient financial management and internal controls in alignment with the strategic objectives of the organization.

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

1.1 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 ([33]ERP) modules have been fully operational during the current financial year. The response to the system by users has been positive and the improvement in the reporting process is evident.

1.2 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 [72]OBP Products that is underpinned by a strong technology platform. [72]OBP's Supply Chain Management Division is corporately mandated 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 the Public Finance Management Act.

[72]OBP achieved an average of 72% procurement spend on [9]BEE individuals/organizations for the year under review. The procurement policy has been updated and approved by the Board during the year under review. We have embarked on a project of updating the supplier database with all the necessary supplier information i.e. [9]BEE certificates, Tax clearance certificates, etc.

• The company is in the process of obtaining the [9]BEE certification from the accredited agency Empower Logic.

1.3 Information Technology ([53]IT)

The section focuses on [53]IT governance, security and support of users within the organization. [3]IT is a critical department within the organization in ensuring that the business meets its objectives through utilization of technology. The organization is in the process of enhancing its Information Technology framework by reviewing current infrastructure, processes and searching the market for improvements to information security as per the needs of [72]OBP.

1.4 Results From Operations

1.4.1 Revenue

Revenue decreased to R87.05 m from R89.04 m for the year under review. The 2% decrease realized is mainly attributable to unfavourable market conditions and equipment failure during the year under review.

1.4.2 Gross Margin

A Gross margin of 64% was realized compared to gross profit of 65% for the same period last year. The increase in gross profit by 1% is mainly due to product mix with higher margin products being sold (for example, African Horse Sickness), product material and cost saving initiatives relating to direct input costs.

1.4.3 Other Income

Other income increased to R6.3 m for the year under review from R1.9 m in the previous financial year. The substantial increase arose mainly as a result of a foreign exchange gain of R1.3 m and a [102]SARS refund of R1.3 m. The performance of the South African rand against major trading currencies has been under tremendous pressure during the year under review and the foreign exchange gain is attributable to natural hedging through our Euro and Dollar dominated accounts.

1.4.4 Operating and Administrative Expenses

The business underspent by 1% on overall operating and administration expenditure year on year.

1.4.5 Investment Income

Investment income increased to R6.5 m in the current financial year compared to R3.9 m, and the increase is attributable to positive cash inflow from National Treasury for recapitalization and upgrade. During the financial year under review [72]OBP received R96.5 m ring-fenced capital injection.

1.5 Organizational Performance

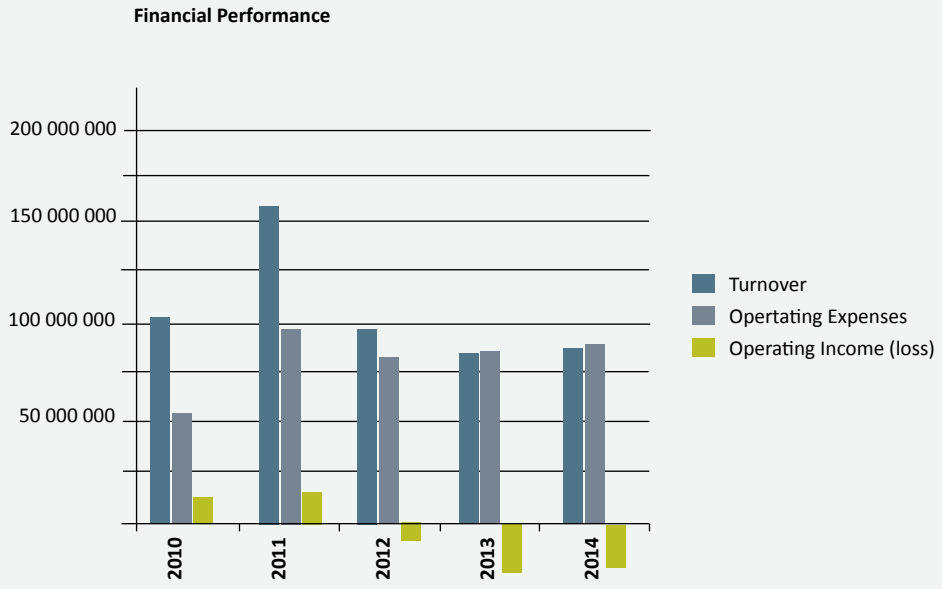


Figure 1.5 (A)-Five year financial performance of [72]OBP

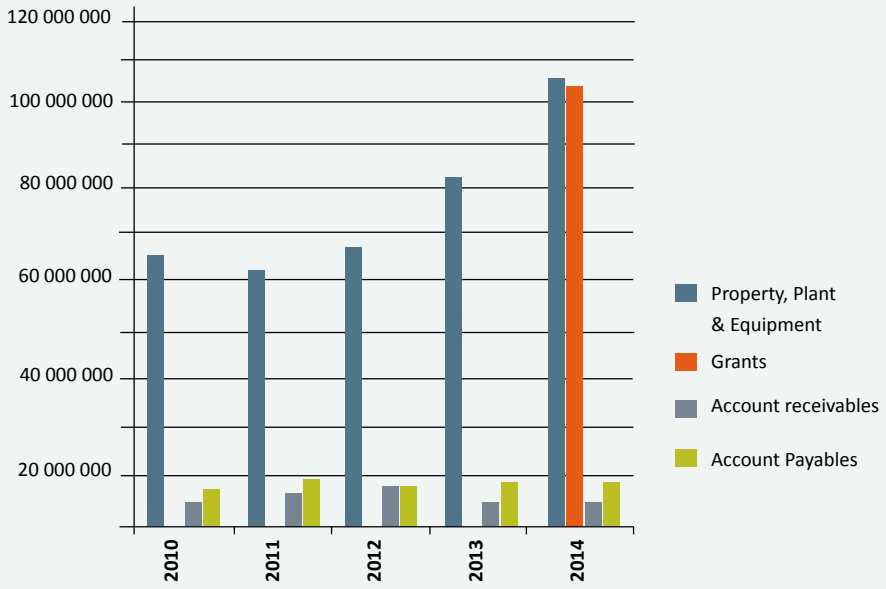


Figure 1.5 (B)-Five year financial position of [72]OBP

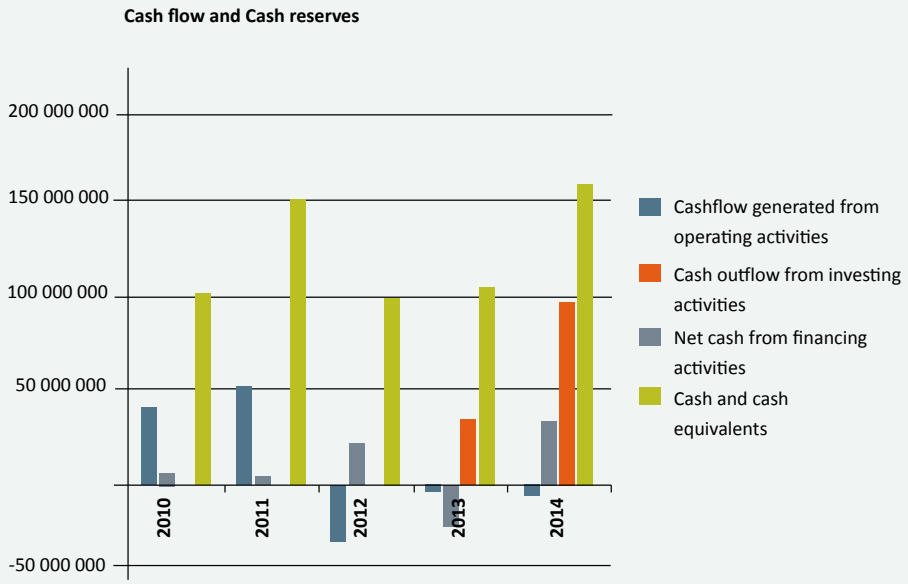


Figure 1.5 (C)-Five year cash flow and cash reserves of [72]OBP

	2010	2011	2012	2013	2014
Gross margin	37%	65%	73%	61%	66%
Current ratio	145.78	13.31	4.40	7.11	4.62
Quick ratio	12.93	3.46	3.93	5.85	0.90
Return on asset	3%	12%	12%	-1%	-9%

PERFORMANCE REPORT

Contents

1. KEY PERFORMANCE INDICATORS

2.1 Strategic Goal 1: Build a successful, high performance organization

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
1.1 Improved and on-going human capital development and management.	1.1.1 Workforce plan finalized for [72]OBP.	A competency framework designed.	Workforce or [46]HR Plan developed. Competency framework developed.	None	None	Implement [46]HR Plan.
	1.1.2 Leadership support framework.	Leadership development framework designed.	Leadership development framework developed.	None	Management buy-in.	Implement Action Plan.
	1.1.3 Employee value proposition.	Two Supportive interventions designed and implemented.	3 Interventions implemented.	Exceeded by 1 intervention.	Mobilising employees.	Implement Action Plan.
	1.1.4 Departmental Training.	160/200 employees trained on relevant internal standards.	37 staff members trained on [43]GMP standards with Alex Cameron and Associates. 3 staff members trained on operation and maintenance of the new filling Bausch and capping machines Strobbel machine. 6 staff trained on documentation requirements for [52]ISO 17025. 39 staff trained on relevant standards. 2 staff trained on S7 ([82]PLC) trouble shooting validation requirements. 60 employees trained on internal processes. 16 staff members trained on Microbiological method Validation. 3 trained on Auditing to [43]GMP standards by Alec Cameron.	None	Staff retiring/ resignations. Lack of resources For policy review.	Relevant training of newly recruited staff to be conducted. Updating policies.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
1.2 Improved alignment of organizational structure to strategy.	1.2.1 Strategy alignment.	Organogram aligned to strategy and approved by board.	Organogram approved.	None	Implementation of approved Organogram.	Consultation process to be initiated.
1.3 Building the brand recognition of [72]OBP.	1.3.1 Number of publications in peer reviewed journals.	2	1 Article published in *Plant Biotechnology Journal* ([91]RDV).	-1	Staff shortages.	New staff appointed and tasks reprioritised.
	Number of popular articles.	2	1 poster published.	-1	Staff shortage.	Refer to action plan above.
	Number of conferences and or seminars.	2	1 Poster published ([91]RDV). 1 Conference presentation ([90]RDB). 1 Conference presentation ([90]RDB) [86]QC & EA: 1). 1 [97]SAALAS conference. 2 [100]SAEVA conferences. 1 Orange Vaal conference.	+5	Sponsorship budget limited.	New scientists appointed and more budget allocation has been requested. Use [24]CPD points in order to stay registered with [103]SAVC. Identify more seminars and workshops to attend.
	Number of Farmers days.	4	11	+7	Sponsorship budget limited & limited human resources personnel.	New budget submitted and request submitted for technical manager vacancy to be filled.
	1.3.2 Increased brand awareness (internal).	60 staff trained.	180 employees trained.	Exceeded by 120 employees.	Embedding [72]OBP values.	Refresher sessions to be conducted.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
1.4 Driving a high performance culture.	1.4.1 Develop productive and effective teams and individuals at all levels within [72]OBP.	Eight team-building workshops concluded.	8 workshops conducted.	None	None	Team effectiveness workshops for departments.
	1.4.2 Employee engagement processes.	Four general staff meetings concluded.	4 general staff meetings held.	None	None	Continue with staff meetings.
	1.4.3 Percentage training budget of budgeted sales revenue.	Annual training plan developed and implemented to align to skills needs of the organization.	Training plan developed.	None	Availability of staff to attend training courses.	Training arranged based on operational requirements.
		100% of R667, 809 spent.	R1, 399,762.	None	None	Increase training budget – moving toward [20]cGMP.
	1.4.4 Shape culture to best support strategy implementation and organizational effectiveness.	Conduct 8 workshops to embed values.	8 workshops conducted.	None	None	Team effectiveness workshops for departments.
	Quarterly performance reports for company are compiled and submitted to [28]DAFF and Treasury.	4 quarterly reports submitted on time to board, Treasury and [28]DAFF.	4 Reports submitted to [28]DAFF and Treasury.	None	None	Continue as required.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
1.5 Building a customer-centric and service-focussed business.	1.5.1 Customer satisfaction survey.	10% improvement on previous results of customer satisfaction survey Complete implementation of branding.	Project plan developed, interviews conducted with Executives.	None	Scope of project changed, limited budget allocated.	Revised project plan drawn, report back of survey expected towards end of 2nd Quarter.
	1.5.2 Customer complaints reduced.	<80 customer complaints	35 customer complaints were received for 2013/2014.	None	Outstanding corrective action to be finalised by complaint owners. Not all customer complaints are received by [72]OBP from Bayer and [119]UTI.	Follow up with executives. Follow up with Bayer and [119]UTI.
	1.5.3 Increased brand awareness (external).	Increase brand awareness through minimum of 3 marketing campaigns at key local and international conferences.	16	+13	Lack of human capacity with technical abilities and financial resources.	New budget submitted for both human and financial needs. Other activities will be shared with R&D.
1.6 Building a change enablement frame-work for [72]OBP	1.6.1 Structured change framework for enabling change interventions with [72]OBP designed.	4 change management workshops conducted.	10 workshops conducted.	Target exceeded by 6 workshops.	Availability of staff for workshops.	Workshops planned based on operational requirements.

2.2 Strategic Goal 2: Improve business processes and management practices

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
2.1 Optimise business processes though Implementation of the Enterprise Resource Planning ([33]ERP) system.	2.1.1 Scope of [33]ERP implementation achieved	Maintain full functionality of [33]ERP system by drawing four quarterly reports	2 reports completed Next report will be submitted in April following assessment and report from consultant	Underachieved	Verification has largely been completed – but due to gaps identified, changes need to be made and re-verified. Slow progress from users due to production needs, holidays and awaiting finalization of outstanding gaps. The [33]ERP production planner/scheduler and super user posts have not yet been filled and as a result progress has been slow in not having an alternative super-user to assist other users with problems. In addition, no progress or training has yet been given on the capacity planning module.	Report will only be provided in April. Following resignation of the consultant, a new person has come on board and is conducting review sessions of progress made to date, challenges and outstanding issues. A report will be compiled and submitted in April that will also inform the scope of the project going forward and budget required. Re-scoping of remainder of project and project plan drawn up with timeline and budget. Appointment of production planner/ scheduler and super user. Completion of simulation phase and start of [115]UAT.
	2.1.2 Implementation of [44]HIRS VIP system.	Skills and equity modules to be implemented. Four reports drawn to evaluate the system.	Skills and equity module implemented. 4 reports drafted.	None	None	Finalise implementation.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
2.2 Provide service delivery support throughout the organization: such as security management, legal services, stake-holder and communication. services and [53]IT	2.2.1 Physical Security.	100% (10) of strategic areas secured each quarter.	Strategic areas secured.	None	Current upgrade of the facility.	Use of force multipliers and security officer to mitigate the risks.
	2.2.2 Personnel Security.	Security clearance of all employees occupying positions that require security clearance - 75%. (29)	27 staff vetted.	- 2 employees.	The security vetting process is managed by [111]SSA.	Constant communication with [111]SSA.
	2.2.3 Document/ Information security.	8 documents classified.	Supplier appointed to develop a file plan for [72]OBP.	-8	File plan not in place for [72]OBP.	Process to develop file plan initiated.
	2.2.4 Communications and Stakeholder Relations.	4 newsletters.	4	None	None	Plans in progress for the 2014/15 newsletters.
		100 daily internal communications.	400	+300	None	In the process of finalising communications policy.
		2 information sessions.	None	-2	Information sessions not conducted yet, communications policy needs to be finalised.	Information sessions to be conducted in 2014/15.
		Stakeholder database updated with 60 entries.	72	+12	None	Stakeholder database to be properly tiered.
	2.2.5 Legal Services.	8 company contracts drafted, reviewed and vetted.	18	+10	None	Continue as required.
	2.2.6 Information Technology.	80 staff members have access to computers with all the relevant software.	±100 staff members have access to computers.	+20	Staff who are not office based tend not to have interest in using computers.	[46]HR to open training centre for all to access outside of the admin area.
		20 staff members receive training.	None	-20	Target not clearly defined.	Review [56]KPI.
	2.2.7 Review, approval and Implementation of [53]IT policy.	New [53]IT policy implemented by the Steering Committee - 4 meetings.	The [53]IT policy was updated and posted on the intranet. 2 Steering committee meetings held.	-2	Committee formulated in Q3. Time constraints.	Schedule meetings and schedule on year planner in advance to ensure availability of members and continuity.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
2.3 Improved financial management and reporting of the company.	2.3.1 Quarterly financial report compiled and submitted to Treasury (within 30 days after the end of the quarter).	4 Quarterly reports.	4 reports submitted within due dates.	None	None	Continue as required.
	2.3.2 Monthly financial reports and variance analysis to internal stakeholders.	12 monthly reports before 10th working day of new month.	Monthly financial reports presented at the monthly [61]ManCo meetings.	None	None	Implement self-assist program for access to reports by management.
	2.3.3 Manage spending of the capital expenditure ([13]CapEx) against the budget.	80% of the budget spent.	Refer to point 8 below.	Refer to point 8 below.	Refer to point 8 below	Refer to point 8 below.
	2.3.4 Achieve unqualified audit report.	Unqualified.	Obtained unqualified audit report.	None	None	Prepare for next audit.
	2.3.5 Management of annual budget process in line with Treasury regulations.	31 December (Draft). 28 February (Final board approved).	Budget submitted to [28]DAFF and Treasury.	None	None	Continue as required.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
2.4 Manage and achieve efficiencies across the full value chain for vaccine production.	2.4.1 % of actual production versus forecast met across all production departments.	Number of batches produced - 200.	^{92}RM:Bulk mediums ^{122}YTD Total batches produced = 186/200 (93%). Small mediums Total batches produced: 451/457 (98.68%). Virus mediums Total batches produced: = 445/467 (95.3%). ^{121}VP: ^{122}YTD = 186/189 (98/4%). ^{10}BV: ^{122}YTD = 119/274 (43.4%). ^{120}VV: ^{122}YTD = 30/52 (57.6%).	Achieved for ^{92}RM and ^{121}VP (both dependent on the production activities from the ^{120}VV and ^{10}BV department) and disruptions or cancellations may mean cancellations on the side of ^{92}RM or ^{121}VP. Under achieved for ^{10}BV and ^{120}VV.	Equipment breakdown – particularly of freeze dryers and fermenters led to delays and cancellation of planned production activities and intermediate antigen production for ^{10}BV. Bottle-neck created due to only having one filling line for Vaccine, blood and diluents. The filling machine is also working below its required speed as it is in need of a service. This led to many planned batches of diluent not taking place as scheduled and thus a poorer success rate for ^{10}BV Substandard in-process titres for some viral products. Unfilled posts and staff resignations – in particular of key production technologist meant production targets could not be fulfilled.	Bottle and freeze dry as and when product is available from production departments. Completion of repair of freeze dryer 618. In processes of procuring second liquid filling machine. Budgeted for new fermenter, plant – awaiting appointment of structural Engineer. Recruit, appoint and train new production technologists.
		No of batch failures <20.	^{92}RM: Bulk mediums Total batch failures = 0/186 (0%).Small mediums Total batch failures = 6/457 (1.3%). Virus mediums Total batch failures = 1/445 (0.22%). ^{10}BV: ^{122}YTD = 1/54 batch failures (1.8%) failure. ^{120}VV:^{122}YTD= 9/27 (33.3%). ^{121}VP: Bottling ^{122}YTD= 3/201 (1.5%).Freeze drying ^{122}YTD = 3/41 (7.3%)	Achieved and overachieved for ^{92}RM, ^{121}VP and ^{10}BV. Underachieved for ^{120}VV.	Freeze dryer failure and wrong combi-seals received from stores. Steam quality and availability. Variance in raw-material quality. Equipment breakdown.	Necessary equipment repaired and incorrect combi-seals rejected. Introduced additional raw material tests prior to procurement. Replaced temperature and pressure gauges and equipment.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
	2.4.2 Improved packaging efficiency and output.	Reduction in packing lead time.	Bottles labelled [122]YTD= 1534265. Units packed [122]YTD =578212.	Partially achieved – difficult to measure against target.	Not sure how to measure against the set target as target has not defined unit of measure. Hand packing is time consuming and not very productive.	The order was placed for a packing machine that will improve the packing lead time for certain products. It will be delivered during the 3rd or 4th quarter of the next financial year.
		Average packaging lead time <3 days per batch.	No analyses done to date. Due to the fact that batch sizes vary and that we are packing partial batches it is very difficult to translate the packing lead time to the target.	Not achieved.	Due to the fact that batch sizes vary and that we are packing partial batches it is very difficult to translate packing lead time to the target.	To remove as a measurable target.
		Reduce overtime by 80%.	No overtime worked during Q1. Production of especially [36]FD vaccines started mid-August and the products became available in Q3. The demand for products necessitated the need for overtime. Very little need for overtime during Q4.	Under achieved.	Not possible to keep up with the demand for product without making use of overtime. The set target of <150 person hours is also unrealistic – as this is only one weekend of overtime in the year. During peak demand overtime is required to ensure product availability – especially if production has been delayed due to equipment repairs and upgrades.	To remove as a measurable target or set a more realistic person hour's target, Closely monitor packing activities and request overtime only when critically needed.
	2.4.3 Conduct final product testing on all final products effectively and efficiently.	95% of received samples tested and released within predetermined lead time – 20 days.	2895/2989 of samples tested and released at 97% efficiency. These samples include in process, [88]R&D as well as final products.	Achieved above target.	Staff Shortage and up scaling of [88]R&D projects resulted in shifting priorities.	Continue as required. Got approval to advertise and fill vacant Microbiologist position and employ interns.
		400 batch documents reviewed.	983 batch documents received were reviewed and 208 products were released according to specifications.	Over achieved.	None	Continue as per production schedule.
		200 tests conducted.	191 final products released and 295 intermediate products released.	Over achieved.	Staff Shortage and up scaling of [88]R&D projects and production, resulted in routine tests release becoming priorities.	Continue as required. Got approval to advertise and fill vacant Microbiologist position and employ interns.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
	2.4.4 Conduct raw material & in-process quality testing.	95% of received samples tested and released within predetermined lead time.	461/483 samples tested and released at 95% efficiency.	Achieved.	Only 1 Chemical Analyst performing all the duties in the chemical laboratory. There is a vacancy for an assistant.	Continue as required and Employ interns.
		440 tests conducted.	483 tests conducted	Achieved	Number of tests is determined by the number of samples received; therefore it cannot be pre-determined. Staff shortage. Up scaling of [88]R&D projects.	Continue as required and Employ interns.
	2.4.5 Improved production efficiency.	Batch failure rates limited to no more than 10% based on contamination and 5% based on efficacy. Reduce intermediate production losses to no more than 10%.	[92]RM: Bulk mediums Total batch failures = 0/186 (0%). Small mediums Total batch failures = 6/457 (1.3%). Virus mediums Total batch failures = 1/445 (0.22%). [10]BV: [122]YTD = 1/54 batch failures (1.8%) failure. [120]VV: [122]YTD = 2/27 (7/4%) batch losses. [121]VP: Bottling [122]YTD= 3/201 (1.5%). Freeze drying [122]YTD = 3/41 (7.3%).	All departments overachieved.	Unapproved materials and equipment unreliability.	Equipment repaired and wrong materials discarded. Improve system with assistance from [85]QA to approve and release materials.
		Intermediate losses.	[10]BV: [122]YTD = 12/129 (9/3%). [120]VV:[122]YTD = 14/188 (7.45%).	[10]BV: Achieved. [120]VV: Achieved.	Batches lost on pilot fermenter (also then affects the production fermenter too). Bio-burden from Raw Material department high. Resignation of production technologists.	[72]OBP plans to procure new fermenter to replace Analogue fermenter. Technologist is in training, assisted by Technical assistant.Recruit and appoint new production technologists.
		Efficacy losses.	[10]BV: [122]YTD = 1/72 (1.39%). [120]VV: [122]YTD = 9/27 (33.3%).	[10]BV:Over achieved. [120]VV: Under achieved.	Unable to grow some strains to adequate titres. Problem with seed stock material for some strains.	Various attempts being made to address problems to improve titres and [88]R&D in process of remaking seed material for some strains.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
	2.4.6 Improved sales forecast and production plan.	Actual sales revenue versus forecast.	R86.2 million	-R23.8 million	Current recapitalisation of facility slowing down production.	Refer to action plan below.
		Update 5 month rolling production plan reviewed and updated monthly.	5 month rolling plan updated every month (i.e. 11 meetings held to date - no meeting held in January due to shutdown period and staff being on leave). Backorder has exceeded the R1 million average for all 4 quarters of the year. [122]YTD average backorder = R4.8 million	Backorder value not achieved.	Backorder of >R 1 million is unrealistic – in history of [72]OBP this has seldom been achieved – due to unreliability of forecast and equipment breakdowns. In addition product availability has been affected due to repairs needed on freeze driers, and the upgrade of part of the packing facility.	A realistic backorder target – looking at past 3 to 5 year averages should be set. Maintain planning activities within limits of available resources. Focus on production of high monetary products to minimise backlog. Overtime is being worked particularly in [121]VP to pack available products to meet demand and clear the backlog.
	2.4.7 % of production plans not affected by material unavailability.	95% of production plans are not affected by material unavailability.	Experienced some problems with unavailability of packing materials during the year.	None	Packing plan mainly disrupted due to erratic demand and high workload shared between primary and secondary packing activities. Some delays occurred due to availability of packing materials.	Closer monitoring of stock levels of packaging material – the [33]ERP system should assist with this as soon as it is fully implemented. Revise target as annual target and quarterly targets do not correlate. Due to the fact that we are packing partial batches it is difficult to measure against a batch target.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
2.5 Invest in upgrading the quality and manufacturing system to comply with local and foreign standards.	2.5.1 Pass [52]ISO audit.	Pass 6 monthly external audits.	Obtained [98]SABS certification Audit – no findings recorded. Received our [98]SABS certificate.	None	Preparing for next audit. Departments reviewing document according to review dates .Policies to be updated.	Preparing for [98]SABS audit for 2014/2015 Updating [107]SOP and policies.
	2.5.2 Number of quality control tests for products internally validated ([52]ISO 17025).	80% (86) internally validated [86]QC methods 10	14 methods validated using historical data. Microbial methods validation received in Q3. Finalized [52]ISO 17025 Quality Manual.	-72	Validation was put on hold due to production constraints, [33]ERP implementation, up scaling of [88]R&D projects (priorities) and staff shortages.	Work with historical data for validation, employ interns and get approval to fill vacant Microbiologist position.
	2.5.3 Number of tests (Experimental animals) for products validated in small animals ([52]ISO/[42]GLP/[41]GCP standards).	50% (30) internally validated [29]EA methods.	2 methods validated using historical data. Microbial methods validation received in Q3.	-28	Validation was put on hold due to production constraints, [33]ERP implementation, up scaling of [88]R&D projects (priorities) and staff shortages.	Work with historical data and employed 5 animal caretakers, but must still get approval for learnership.
	2.5.4 Procurement of production, packaging and [86]QC equipment as per [13]CapEx budget:	80% of budgeted [13]CapEx items are procured or in process of procurement.	Production: Items delivered: Sarto check; pH meter; hoses; some trolleys; melamine cupboards; sterilising device. Outstanding items include: Hoses and trolleys – still to obtain quotes; Nitrogen cylinders – awaiting installation of tanks; Water tanks none on order; Trolley and washing machine x2 Budget for EA&[86]QC .	42% in monetary value delivered.	Received [13]CapEx approval late Q3 and time constraints due to workload and personnel shortages prolonged procurement process. (Refer to point 5 below).	Expedite purchasing of critical items if accommodated in the revised budget.
	2.5.5 Procurement of production, packaging and [86]QC equipment as per [13]CapEx budget in excess of R 500 000:	Review recapitalization plan and develop specifications for critically identified equipment.	Bioreactor delivered – awaiting installation which is subject to completion of modification of room and utilities. Clean steam generator; 2 x Washing machines; Tender specifications completed for [45]HPV generator, protein concentrator (cross flow filtration system); Cell processing system (as part of modular system) and pilot freeze drier Items ordered – but awaiting delivery : Autoclave x 3 and Labelling machine(Refer to point 5 below).	Refer to point 5 below.	Progress on certain activities has been halted to await the appointment of the structural engineer and [43]GMP specialist; delays in tender process [86]QC & EA: No Budget.	[35]FAT for vial washer and sterilisation tunnel. Tenders will go out for the [45]HPV generator, cell isolator system, cross-flow filtration system and pilot freeze drier; Finalisation of specifications for new filling machine, fermenter plant and upgrade of cell production facility (modular system). (Refer to point 5 below).

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
2.6 Effective plant and utilities management.	2.6.1 % operating efficiency and availability of key production/packaging equipment of equipment.	75% operating efficiency and 85% availability.	Availability: Q1= 5286/6656 (79.4%). Q2 = 5681/6656 hours (85%) availability achieved. Q3 = 4934/6032 (81.8%).Q4 = 3741/5192. (72%) [122]YTD= 19642/24536 (80.05%).	Under achieved.	Prolonged equipment down time due to unavailability of spares and skills. Freeze dryer 618 is not available. Some of the machines do not have log books – so difficult to determine availability and operating efficiency.	Develop system to determine operating efficiency of critical production equipment. More training and transfer of skills is needed on key equipment. List of spares of key equipment will be requested from suppliers and purchased to be held in stock.
		Loading.	None	Not achieved.	Unable to measure or determine on all equipment.	To remove from targets.
		Performance.	None	Not achieved.	As above for operating efficiency.	To remove from targets.
	2.6.2 % availability of utilities	95 hours	Q1= 8364/8736 (95.7%).Q2 = 8420/8736 hours (95.3%). Q3 = 7339/8832 (83%). Q4 = 6440/8640(74/5%).[122]YTD = 30563/34944 (87.5%).	Under achieved.	Frequent and extended municipality water cuts experienced in Q3 and Q4 affected operations of boilers. Prolonged statutory services on boiler 2 due to the annual shut down. Boiler 4 on statutory maintenance in Q4 (reducing availability). Unavailability of adequate number of boiler operators to run shifts 24/7.	Recruitment of additional boiler operator initiated. Plant water back up project in the pipeline.
	2.6.3 Average man hours spent on Condition Based Maintenance ([14]CBM) (per month/per [32]EMU employee.	Average man hours spent on Condition Based Maintenance ([14]CBM) (per month/per [32]EMU employee.)	Q1= average of 39 hours. Q2= average of 40.8 hours. Q3 = average of 40.3 hours. Q4 = average of 37.7 hours. [122]YTD = 39.45.	Achieved above target.	Staff shortages due to resignations and retirements.	Appoint critical staff; continue [14]CBM as required.
	2.6.4 Implementation of Logbooks for all key equipment.	100 % implementation of logbooks for all key equipment.	Log books in place for all key equipment. [32]EMU/[121]VP:11 log books are available (2 machines are out of commission). In addition logbooks are also in place for other equipment in other departments:[92]RM:30/30 (ten new logbooks put in place [121]VP: 15/15.[10]BV: 180/215.	None	[32]EMU don't complete the logbooks with completion of breakdowns. Operators do not complete logbooks. Logbooks are not replaced when they are full.	A revised format of logbooks and log sheets need to be introduced – to ensure compliance to MP. Maintain and enforce use of log books. Create logbooks for new equipment. Train employees on use of logbooks.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
2.7 Achieve compliance and governance throughout the organization.	2.7.1 % compliance achieved with all statutory and regulatory requirements.	>90% in all areas.	Compliance action plans and register updated. [24]EA: All relevant [29]EA staff registered with [103]SAVC.	[24]EA: Achieved.	None	None
	2.7.2 Critical and compliance policies and processes are in place.	80 % (28/35) of policies approved by the Board of Directors and implemented.	3 in Q2. 2 in Q4.	-23	Identification of new policies. Existing policies need to be reviewed – time constraints.	Continue with process of monitoring and update.
	2.7.3 Operational policies and processes in place.	90% (57/64) of operational polices and processes in place.	65 Operational policies are in place, 28 of them are due for review according Review date or if instructed to be changed or compiled.	Policies compiled and tabled as required. Review according to Policy review dates specified in the document.	Policies to be reviewed by the departments.	[107]SOP's and policies to be reviewed as per [72]OBP policy for Documentation control system. New equipment [108]SOPs to be initiated.
	2.7.4 Number of staff trained on policies and processes.	All staff (200) trained on 75% of policies.	(Refer to point 1.14 above for standards and processes). 167 staff attended the sexual harassment workshop.	Majority of [107]SOP's and policies are due for review. Once updated, training will commence.	Lack of resources and time constraints for review.	Update policies and monitor to ensure that updates are conducted throughout the company.
	2.7.5 Risk management activities.	Risk reports. Risk assessment.	Strategic risk assessments and operational risk assessments completed. Operational Risk registers compiled ensuring alignment to operational and strategic plans. Monitored action plans, identified overdue tasks and completed tasks. Reports completed.	Only 50% of operational risk registers completed. Status on Medium and low risks not completed.	Lack of risk information management system. Risk progress not available for documentation.	Submission for procurement of risk software. More communication to be done.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
2.8 Develop a sustainable Corporate Social Investment([25]CSI) programme	2.8.1 Develop a [25]CSI programme.	Review the [25]CSI strategy and Policy.	Draft policy finalised.	Policy not yet finalised.	Policy not finalised due to time constraints.	Policy to be finalised in 2014/2015.
	2.8.2 Number of [25]CSI projects as per [72]OBP's key focus areas	2 information sessions.	None	-2	Information sessions were not conducted due to the fact that the [25]CSI policy is still in the process of being finalised.	Conduct sessions in 2014/2015 financial year.
		4 [25]CSI projects.	15	+11	None	Finalising [25]CSI policy.
		1 smallholder project implemented.	3	+2	None	Continue as required.

2.3 Strategic Goal 3: Build a profitable and sustainable company

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
3.1 Improved financial management and reporting of the company.	3.1.1 Effective distribution strategy to ensure that all market segments have access to [72]OBP products.	Distributor must bring in net sales of R80 million	-45% Behind annual budget (R80 million)	-R36 million	Product unavailability due to recapitalization, unable to control and measure distributor.	Awaiting non performance report from distributor, new distribution proposal submitted.
	3.1.2 Number of new local distributors/ province.	3 new distributors in 3 provinces.	2	None	Distributors unable to place orders directly from [72]OBP due to [72]OBP/BAYER relationship (contract).	Separate account to be opened for new distributors in Q1 2015.
	3.1.3 Number of provinces where [63]MOUs are signed and [72]OBP is preferred supplier of products.	3 [63]MOUs with 3 additional provinces.	1 [63]MOU signed.	-3 Awaiting feedback from provinces.	Provinces not responding despite continual efforts and follow-up.	Province business to be pursued through RT12 tender.
	3.1.4 Number of country and/ product registration in international markets.	2 country and/ or product registrations done or in the pipeline.	Follow-up correspondence received from Sudan following company registration submitted in November 2011. Additional information was supplied as required. Israeli delegation visited [72]OBP for an audit, regulatory documents were submitted as part of the document requirements and [89]RA presented to the panel on regulatory requirements in [94]RSA. Certificate of free sale was supplied to a customer in Oman. Technical information for the same vaccine ([60]LSD) was submitted through International sales to a customer in Egypt. A total of 44 [72]OBP products were registered in Swaziland in the year under review.	None	None	None
	3.1.5 Increased brand awareness (external).	7 distributors visited.	10	+3	Lack of human capacity.	Increase visitations to at least two per month.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan		
	3.2.1 Control operating costs.	Operating costs as a percentage of sales=60%.	83%	-23%	Majority of costs are fixed.			
3.1 Improved financial management and reporting of the company.	3.2.2 Identify and implement cost reduction initiatives.	At least 4 cost saving initiatives identified and implemented per department per annum.	Production: Improved outputs and reduced wastage on new filling machine. Improved outputs and reduced wastage on new capping machine. Minimised usage of overtime in Q1 and Q2 in [121]VP. Unfilled vacancies and new resignations have resulted in savings on staff costs.[72]OBP able to import serum with another institute and save on freight costs. Small volume medium components aliquoted into smaller volume bottles – which are much cheaper than bio bags. [32]EMU: i) An early warning system (Beyond Wireless) has been installed on critical equipment to prevent loss of product due to power failure. ii) Cold room meter (electrical) has been changed. iii) Perimeter fence with fire break has been erected – to minimise damage and squatting on property associated with costs. v) Extension of the condensate return line is in progress. vi) Upgrade of the boiler water back up system is in progress – to ensure availability of steam to plant during water disruptions.	None	Implementation of the projects started late in Q4 due to limited suppliers.	Implement identified cost saving initiatives. Critical vacant posts to be filled – but looking at redefining roles and merging positions where possible to ensure some savings.		

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan		
	3.2.3 Manage pricing pressure and shrinking margins.	4 reports on total discount given.	Report submitted,	None	4 reports submitted.	None	None	None
	3.2.4 Reduced cost of sales (as % of sales.)	37%	47%	-10%	Sales target not met.	None		
	3.2.5 Operating profit as a percentage of sales.	2%	-24%	-26%	Refer to point 3.2.4 above	None		
	3.2.6 in total revenue (revenue growth in value)	5% growth from 2012/13 target.	- 2%	-7%	Recapitalization process.	None		

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
3.3 Enhance and invest in product development and innovation.	3.3.1 Number of new and/ or combination vaccines in the pipeline.	7 Viral. 7 Bacterial.	8 viral projects - 5 progressing as scheduled, 3 delayed. 7 bacterial projects - 4 progressing as scheduled, 3 delayed.	-7 viral vaccines. -7 bacterial vaccines.	Delays in contract negotiations with Morocco affected 2 viral projects, inability to obtain import permit for vaccine strain affected 1 viral project, and 3 bacterial projects were affected by Animal trials due to available space at [98]UBPRC.	Project re-scoping and re-scheduling. Rescheduling of animal trials.
	3.3.2 Number of collaboration projects running.	3 Projects	Number of collaboration projects currently running.[91]RDV=3 projects. [90]RDB = 1 project.	+1	None	Exploration of additional potential collaborations.
	3.3.3 % of product dossiers updated as per prioritised 40 top products.	40% of products ranked 18 to 40 updated.	A total of 9 dossiers (40%) were required to be updated, a total of 11 existing vaccine dossiers were updated in the year under review.	None	None	Continue as planned.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
	3.3.4 Number of new or improved innovative processes or technologies modified or adopted within the production.	5 per annum	[121]VP Improved process for labelling blood vaccines with batch number and date moving away from "[48]LETRA set" to a printout on transparent film. [10]BV Reduced the Aluminium content within Gel to comply with international standard. Inoculating Botulism flasks using dosing pump and Fire-plus gas Bunsen burner – reduced contamination to 2/64 flasks, safe for technologist to use and increased batch yields to no failures to date. Installed Germ-star hand sanitizer in critical work environments to minimize contamination. [120]VV Bioreactor delivered Feb 2014.	None	Time available to investigate; necessary to procure equipment which can be a long/ delayed process. Resignation of staff and delay in appointment of new staff to continue or implement new initiatives is at times challenging. Training of staff to implement new technology.	Recruitment and appointment of staff to fill critical vacancies. Delivery and installation of certain equipment and ensuring that staff receive necessary training.
	3.3.5 Reduction in lead time of products.	2pa	None	-2	No project champion.	
	3.3.6 Improved shelf-life of products.	1 product completed.	1 product completed in Q1.	None	Staff shortage to champion projects.	
	3.3.7 Improved [86]QC test methods.	2pa	[49]IBR and [80]PI3 Elisa testing.	None	Staff Shortage.	To implement in 2014-2015 financial year.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
	3.3.8 Improved production processes.	2 processes per department per annum – 4 depts.	[92]RM: Changed storage containers of some medium components to smaller volumes – reduction in wastage and risk of contamination. Critical repairs done of proteose extraction plant - resulting in improved reliability of bulk medium production. Washing machines on order to replace hand washing process of some glassware items. [10]BV: Improved process for inoculating Botulism flasks with use of a dosing pump and flame boy – resulting in improved efficiency and reduction in contamination. Improved quality of aluminium gel by minimizing the excess aluminium content. [120]VV: Optimised [62]MOI, [114]TOH for 3 viruses in viral vaccine production. Intermediate antigen stability data generation for 3 products ongoing. Improved cell quantification with Vi-cell. [121]VP: Filling of freeze dried products in new filling machine successfully implemented. Capping of freeze-dried products in new capping machine with inkjet coding successfully implemented. Improved packing output on [23]CP 150 due to maintenance and training given at end of Q3. The [85]QA dept. audited 4 processes. Sterile diluents: 2 batches. Lumpy Skin and Viral vaccine batch document missing. The [85]QA dept. is conducting audits on 22 departments.	None	Optimisation experiments on hold due to staff shortage. Personnel retiring/ resigning.	Improved freeze dried product output – with re introduction of revamped freeze drier. Procurement of additional labelling machine – to improve packaging lead time and output. Procurement of new filling machine to improve lead time on liquid filling process. Motivation was sent to [46]HR for additional staff. Ongoing audits conducted on departments.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
3.4 Commit to environ-mental principles in business operations.	3.4.1 Achieve savings and reductions through an Energy management program: Reduction in energy consumption and utility bill: [46]kW of energy saved; Rand saved in energy bill.	24[46]kW daily demand. 4 224[4]7[58]kWh monthly energy savings or R47, 067.49 Potential Annual energy savings.	Cold room meter (electrical) has been changed which will reduce consumption value but not maximum demand.	Refer to challenge and action plan.	Target was copied from previous year's document and not revised or reviewed. As previously indicated it is not possible to determine the actual energy savings due to new additions on the power system e.g. air conditioners, new equipment installations etc. that are on-going.	Remove from targets as currently unable to monitor cost savings due to an increase in consumption resulting from new installations and equipment.
	3.4.2 Improved waste management.	Identify areas where waste management must be improved and include in budget if needed. Start implementing measures where possible.	Company appointed to determine waste streams. Internal management of common waste streams e.g. Paper, medical waste general waste. Use of specific service providers for specific streams. Investigating more service providers.	None	Variance of waste streams. Different volumes of waste streams (Small volumes (oil) Paper variant week to week). Discarding of old stains chemicals & media. No commercial service provider to handle all [72]OBP waste streams.	Continue with single companies. Determine waste volumes per waste streams. Find service providers for specific waste streams. Appoint & train someone to do separation, monitoring and informing suppliers of collection.

2.4 Strategic Goal 4: Facilitate job creation through indirectly supporting our clients and directly creating subsidiaries and joint ventures and incubating, accelerating and spawning off new business entities.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
4.1 Supply pharmaceuticals (vaccines) to smallholder farmers to maintain their herd health improve production	4.1.1 Number of vaccine packs supplied.	100	None	N/A	Budget not yet available for project.	Awaiting government response and new strategy submitted for government and emerging farmers.
	4.1.2 Number of pharmaceutical packs supplied.	100	None	N/A	Budget not yet available for project.	Awaiting government response and new strategy submitted for government and emerging farmers.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
4.2 Supply pharmaceuticals (vaccines) to smallholder farmers to maintain their herd health and improve production	4.2.1 Number of support programmes developed and implemented.	1	None	N/A	Budget not yet available for project.	Awaiting government response and new strategy submitted for government and emerging farmers.
	4.2.2 Number of livestock farmers supported.	50	None	N/A	Budget not yet available for project.	Awaiting government response and new strategy submitted for government and emerging farmers.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
4.3 Supply pharmaceuticals (vaccines) to smallholder farmers to maintain their herd health and improve production.	4.3.1 Investing in subsidiaries.	1	None	N/A	Budget not yet available for project.	Awaiting government response and new strategy submitted for government and emerging farmers.
	4.3.2 Supporting start-up biotech companies.	2	None	N/A	Budget not yet available for project.	Awaiting government response and new strategy submitted for government and emerging farmers.

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
5.1 Supporting a number of groups of smallholder farmers in each province through its products and services and monitoring their performance wrt: Head size, Off-take (number of animals harvested per annum)	5.1.1 Increase in the average herd size of supported farmers.	(10%) 5	None	N/A	Budget not yet available for project.	Awaiting government response and new strategy submitted for government and emerging farmers.
	5.1.2 Average number of animals marketed per farmer.	10	None	N/A	Budget not yet available for project.	Awaiting government response and new strategy submitted for government and emerging farmers.

2.5 Strategic Goal 5: Contribute to Government priorities with respect to food security and economic growth

Strategic Objective	Key Performance Indicator (financial and non-financial)	Annual Performance Target 2013/14	Actual Performance to date	Variance to date	Challenges	Action Plan
5.2 Increasing export vaccines.	5.2.1 Total value of vaccine exports in Rands.	R30 million	R20 621 877	-R9 378 123	Product availability, lack of [43]GMP and inability to register products in targeted countries.	Improve sales forecast and increase level of visitation to improve relationship, implementation of low pricing strategy.
	5.2.2 Total number of international distributors.	15	2 international distributors appointed.	-13	Appointing agents takes 3-12 months.	Will appoint Zimbabwean, Kenyan and Mozambican agents and incentivise current agents to perform & revise annual target of 15 agents per annum.

3. Financial Analysis

	April 2013- March 2014			
	Actual	Budget	Budget Variance	Variance %
GROSS SALES	**115,588,807**	**150,684,932**	**(35,096,124.2)**	**-23%**
Local	91,458,683	105,479,452	(14,020,769)	-13%
Export	24,130,124	45,205,479	(21,075,355)	-47%
DISCOUNT GRANTED	29,377,771	40,684,932	11,307,160	28%
NET SALES	**86,211,036**	**110,000,000**	**(23,788,964)**	**-22%**
COST OF SALES	40,052,666	44,419,332	4,366,666	10%
GROSS MARGIN	**46,158,370**	**65,580,668**	**(19,422,298)**	**-30%**
Operating income	5,018,681	2,617,245	2,401,436	92%
EXPENSES	**71,398,723**	**66,290,507**	**21,591,893**	**-5,108,216**
Personnel	54,771,053	65,778,971	11,007,919	17%
Travel	828,473	1,560,738	732,265	47%
Marketing	3,412,301	3,069,633	(342,668)	-11%
Chemicals	2,511,655	1,147,117	(1,364,538)	-119%
Water and Electricity	6,100,487	6,180,000	79,513	1%
Research and Development	3,680,030	1,033,219	(2,646,811)	-256%
Audit Services	2,738,179	3,255,000	516,821	16%
Insurance	1,272,025	1,202,972	(69,053)	-6%
Amortisation and Depreciation	9,219,467	8,388,640	(830,827)	-10%
Government Grant	(8,155,647)	-	8,155,647	100%
Repairs and Maintenance	6,590,271	5,881,821	(708,451)	-12%
Animal Feed	3,826,118	4,200,587	374,469	9%
Other Operating Expenses	5,591,646	3,455,155	(2,136,491)	-62%
Administrative Expenses	10,442,192	5,916,235	(4,525,957)	-77%
Included in COS	(31,429,526)	(44,779,581)	13,350,055	-30%
OPERATING PROFIT (LOSS)	**(20,221,673)**	**1,907,405**	**(22,129,078)**	**-1160%**
INVESTMENT INCOME	7,765,386	5,595,555	2,169,830	39%
Interest Received	6,458,169	5,000,000	1,458,169	29%
Forex Gain/(Loss)	1,307,217	595,555	711,661	119%
PROFIT/(LOSS) BEFORE TAX	**(12,456,288)**	**7,502,960**	**(19,959,248)**	-266%
CORPORATE TAX	**-**	**-**	**-**	**0%**
PROFIT/(LOSS) AFTER TAXES	**(12,456,288)**	**7,502,960**	**-19,959,248**	**-266%**

4. Guarantees And Borrowings

None

5. Capital Investment Projects

Department (Project Beneficiary)	Project Name	Start date	End date (Assumed lead time of ±24 months	Project value	Expenditure to date / commitment (R000)	Total Budget shortfall	Expenditure remaining	Key challenges
Vaccine Packaging.	Filling Machine.	Apr 11	Sep 13	4 000	5,697	-1,697	-1,697	Equipment installed, under budgeted.
[38]HR.	Refurbishing the old toxicology building into staff training centre for [43]GMP .	Jul 13	May 15	1 500	1,186	-	314	Approval of plans by municipality.
Vaccine Packaging.	Refurbishing and construction of new area for freeze drying filling line, new capping machine and future vial washer and sterilisation tunnel.	Dec 12	Sep 14	2 000	4,580	-2,580	-2,580	
Viral Vaccine Production.	Refurbishing the walkways around and through department to maintain sterility.	May 13	Sep 13	1 500	927	-	573	
Vaccine Packaging.	Vial washer.	Jun 13	May 15	15 000		10,704	4,296	[35]FAT to be conducted in May 2014.
Viral Production.	[45]HPV generators and accessories X2.	Jun 13	May 15	2 000	Specs submitted.	-	2,000	Delays in procurement process and due to exchange rate we now have to go out on tenders. Specifications compiled.
Media Production.	Autoclave x3.	Jun 13	May 15	1 000	2,036	-1,036	-1036	On order – awaiting delivery and installation.
Vaccine Packaging.	Carton packer.	Jul 13	Jun 15	8 000	4,131	-	3,869	None – equipment currently being manufactured. Some delays in getting new packing material specifications finalised and samples manufactured.
Vaccine Packaging.	Labeller.	Jul 13	Jun 15	1 000	358	-	642	Ordered.

Department (Project Beneficiary)	Project Name	Start date	End date (Assumed lead time of ±24 months	Project value	Expenditure to date / commitment (R000)	Total Budget shortfall	Expenditure remaining	Key challenges
Viral Production.	^{108}VI cell quantifier.	Jul 13	Jun 14	500	291	-	209	Delivered.
Bacterial Production.	Hopper vessels x1.	Jul 13	Jun 14	2 000	-	-	2,000	Specifications still being finalised.
Media Production.	Clean steam generators.	Jul 13	Jun 15	1 500	743	-	757	Delivered.
Viral and Bacterial Production/^{38}HR.	Moving staff open areas out of the production areas and thereby ensuring sterility is maintained.	Jul 13	Jun 14	1 500	4,287	-2,787	-	
Viral Production.	Modular units x3.	Sep 13	Aug 15	36 000	Specs submitted	-	36,000	Part funds to be spent on equipment – cell isolator specifications finalised.
Vaccine Packaging.	Freeze driers x2.	Oct 13	Sep 15	20 000	6,379	-	13,621	As it is still unsure what capacity is needed and if a new facility will be built, we cannot at this stage commit to purchasing new freeze driers.
Vaccine Packaging.	Pilot freeze drier.	Oct 13	Sep 15	5 000	-	-	5,000	Specifications finalised.
Vaccine Packaging.	Bulk antigen storage ultra-freezer.	Oct 13	Sep 15	4 000	-	-	4,000	On hold - awaiting decision and progress re upgrade or new facility.
Bacterial Production.	Analogue fermenters x3 (1200l, 600L, 200l).	Oct 13	Sep 15	22 000	-	-	22,000	On hold - awaiting decision and progress re upgrade or new facility.
Media Production.	Washing machine x2.	Oct 13	Sep 15	1 600	1,209	-	391	Delivered
Media Production.	Production mixing plant.	Oct 13	Sep 15	5 000	275	-	4,725	On hold - awaiting decision and progress re upgrade or new facility.

Department (Project Beneficiary)	Project Name	Start date	End date (Assumed lead time of ±24 months	Project value	Expenditure to date / commitment (R000)	Total Budget shortfall	Expenditure remaining	Key challenges
Raw Material.	Raw materials.	Oct 13	Sep 15	800	-	-	800	On hold - awaiting decision and progress re upgrade or new facility.
Vaccine Packaging.	Pilot sterile protein concentrator.	Dec 13	Nov 15	900	-	-	900	Specifications compiled – but will be funded form [113]TIA funds – this budget to be allocated to other activities.
Viral Production.	Bio-reactor and accessories.	Dec 13	Nov 15	2 500	86 347 00 (Euro)	-	853	Delivered – awaiting installation (room and utilities still been upgraded and installed).
Sales and Marketing.	Refurbishment of sales counters to ensure revenue generation.	Jan 14		700	-	-	700	
[18]CEO's office.	New vaccine production facility project management.	Jan 14		3 600	-	-	3,600	
[18]CEO's office and Quality.	New vaccine production project management.	Jan 14		1 000	-	-	1,000	
Raw Material.	Water purification on plant upgrade.			10 500	-	-	10,500	On hold - awaiting decision and progress re upgrade or new facility.
[18]CEO's office.	Building phase 1.			92 600	-	-	92,600	
	Additional Q2.			1 488				
[18]CEO's office.	Building phase 2.			267 200	-	-	267,200	
	Various.			24948				
TOTAL				**514 900**	**70 886**	**-8100**	**444 414**	

6. Non-Core Asset/Business Acquisition Or Disposals

None

7. Socio-Economic Development/Transformation

7.1 [9]BEE Procurement

Total Procurement Budget	119,215,685
[122]YTD Spend	
% Actual spend on Woman Owned Entities	
% Actual spend on Black Owned Companies	

7.2 Skills Development/Training

A budget of R1.4 m has been set aside for training. Employees continue to attend internal and external training programmes. An amount of R239, 993 was spent on training. [72]OBP has spent R1, 399, 768 million on training to date since the beginning of this financial year, against a budget of R1, 467, 809 m.

8. Occupational Health And Safety

The results of the Occupational Hygiene Survey have been presented to all Departments. A medical surveillance programme is being implemented. The information sessions on the health risk assessment have been finalised.

9. Non-Core Asset/Business Acquisition or Disposals

None

10. Risk Management

Risk 3 - Salary Bill vs. revenue, and Risk 5- Staff Productivity Action Plans, are completed and will be reviewed to see if the risks have been reduced to desired levels. Most of the actions for the priority risks are not completed as per target dates provided and the reasons for the delay are given on the comment column and the target dates have been revised.

2014/15 [39]FY

No.	Objectives	Risk Owner	Risk Name	Inherent Risk	Risk Gap	Action	Q 4 Progress	Target Date	Comment
1	Build a profitable and sustainable company.	Chief Operations Officer.	Production efficiencies.	70.52	27.06	Completion of implementation of [33]ERP. Task Owner: [22]COO Verify production structures. Task owner: [22]COO.	Verification of production structures took place in early Oct and the period to complete this phase was closed off at the end of Oct 2013.	Oct 2013	Verification has largely been completed.

No.	Objectives	Risk Owner	Risk Name	Inherent Risk	Risk Gap	Action	Q 4 Progress	Target Date	Comment
						Conduct simulation Task owner: [22]COO.	Simulation commenced in November 2013. New consultant appointed onto project (previous consultant resigned in Dec 2013). New consultant has had to spend time becoming familiar with the setup and to help identify issues. This exercise will run into April 2014 before a proper project plan with revised timelines can be developed.	Q1 2014/15	New consultant appointed onto project (previous consultant resigned in Dec 2013). New consultant has had to spend time becoming familiar with the setup and to help identify issues. This exercise will run into in April 2014. There are still some outstanding issues to be addressed before simulation can be completed – particularly in relation to the test orders. Due to additional staff resignations in December 2014, some sections are challenged to complete the simulations as per the timelines. New appointees will need to be trained and become familiar with system. Appointment of a super user who should be able to assist in this regard has still not happened. No progress or training has yet been given on the capacity planning module – awaiting appointment of planner. Job was advertised in Feb 2014.

No.	Objectives	Risk Owner	Risk Name	Inherent Risk	Risk Gap	Action	Q 4 Progress	Target Date	Comment
						Conduct [115]UAT Task owner: [22]COO.	None As the simulation of production structures has not yet been completed, progress to [115]UAT cannot take place. Due to the shutdown period and staff taking leave before and after this – very little progress was made on the [33]ERP in December or January. The new consultant also needs to get up to speed and as the planner/ super user has not yet been appointed or trained further delays are anticipated. [115]UAT can also only run once the planning module is in place – this is also dependent on the appointment of the master scheduler/ planner.	Q2 2014/15.	As the simulation of production structures has not yet been completed, progress to [115]UAT cannot take place. Due to the shutdown period and staff taking leave before and after this – very little progress was made on the [33]ERP in December or January. Progress will now be further hampered due to the resignation in December of the consultant from Just Dynamics who was working with and at [72]OBP. It is hoped that [115]UAT will commence by mid to end July 2014.

No.	Objectives	Risk Owner	Risk Name	Inherent Risk	Risk Gap	Action	Q 4 Progress	Target Date	Comment
						Going Live.	None	1 Sept 2014	It is hoped that the system will go "dummy" live by 1 May – and run for 3 to 4 months to iron out any problems or issues and then go fully live by Sept 2014.
						Recruit a production planner.	Adverts only placed in Feb 2014.	Q1 2014/5.	[46]HR is still in process of short listing candidates.

No.	Objectives	Risk Owner	Risk Name	Inherent Risk	Risk Gap	Action	Q 4 Progress	Target Date	Comment
						Development system to monitor and track the capacity. Task Owner: [22]COO.	None	Q4	It is anticipated that once the [33]ERP is fully implemented it will also be possible to extract the necessary information to start determining capacity.
						Implement the upgrade [11]Capex plan. Task Owner: [22]COO.	Review of progress against plan is regularly being tracked (end Q2, Q3 and Q4). Several of the smaller items have been procured and/or the specifications finalised. The larger and bigger items have required consultation with suppliers and consideration of options – much of which has been done. Specifications were written for the appointment of a consultant to assist with the design, layout and identification of equipment and specifications for the fermenter (and protein plant) and the cell culture facility (modular units) but this was put on hold (See comments column)	Quarterly	Due to notification received in Dec 2013 that [72]OBP will not be receiving further funding – further discussion and feasibility assessments need to be done to determine whether [72]OBP is going to construct a new facility or upgrade the current facility. The main task owner of this is the [19]CFO and [18]CEO and the [43]GMP Project manager (who is still to be appointed). Thus in Dec, further activities relating to the upgrade of the facility were put on hold.
2	Build a successfully performing organization.	Chief Executive Officer.	Continuity of the Board.	88.32	26.50	Advertisement of new board positions. Task Owner: Minister.	The advert for new Board members did appear in the press. Waiting for feedback from [28]DAFF.	June 2014	Still waiting for feedback from [28]DAFF.
4	Build a profitable and sustainable company.	Acting Chief Scientific Officer.	Research and development output.	62.16	21.99	Develop and implement a research and development strategy. Task Owner: [27]CSO.	Currently at a development stage and awaiting market survey to complete the strategy.	End June 2014	Awaiting market survey. Revised date to end June 2014.

No.	Objectives	Risk Owner	Risk Name	Inherent Risk	Risk Gap	Action	Q 4 Progress	Target Date	Comment
6	Build a profitable and sustainable company.	Business Development Officer.	Competiveness and Market share.	59.20	20.87	Finalise the [63]MOU with the department of Rural Development. Task Owner: [18]CEO.	[72]OBP signed the [63]MOU but it is currently still with legal services of [109]DRDLR.	Mar 2014	
						Implement a formal three year distribution agreement with Beyer. Task Owner: [18]CEO.	Completed.	Mar 2014	The following are the related risks identified. Risk: Loss of brand identity, loss of supply chain network, external and uncontrollable price increases. Loss of commercial value due to client data being supplied to Bayer. Please refer to the S&M operational risk register.
						Draft new sales and marketing strategy including outline on distribution and submit for approval. Task owner: [8]BDO.	Draft strategy completed.	November 2013	New distribution proposal submitted to [29]EXCO for consideration. We are awaiting response.
						Research and develop new and innovative products for the market. Task Owner: [27]CSO.	8 viral products; 5 progressing as scheduled and 3 delayed. 7 bacterial products; 4 progressing as scheduled and 3 delayed.	Ongoing.	Product portfolio submitted by [8]BDO to[27]CSO.
7	Improve business processes and management practices.	Chief Executive Officer.	Ability of the plant and structural technology to meet business needs.	64.00	20.16	Develop the full [43]GMP project scope and implement. Task Owner: [18]CEO.	This has been delayed because of the unsuccessful search for a project manager.	Oct 2014	The [43]GMP protect team will take 6 months to finalize the scope etc.
						Appoint a project manager for the [43]GMP Project. Task Owner: [18]CEO.	The post was advertised and no suitable candidates were found.	May 2014	The main [83]PM is starting in May and the other [83]PM: [43]GMP already started.
						Recruitment by means of a headhunting process. Task owner: [47]HRE.	[72]OBP embarked on a headhunting process. Interviews took place and the committee should meet in January to conclude it.	Nov 2014	Done. Main [83]PM starting May 2014 and the [43]GMP [83]PM started March 2014.

No.	Objectives	Risk Owner	Risk Name	Inherent Risk	Risk Gap	Action	Q 4 Progress	Target Date	Comment
8	Build a profitable and sustainable company.	Chief Operations Officer.	Availability and reliability of equipment.	68.88	18.43	Completion of the implementation of the [33]ERP Asset Management Modules. Task Owner: [22]COO.	The asset maintenance module was further developed and job cards are now submitted, monitored and managed on the system.	End June 2014.	However, the actual management of the inventory is still not fully integrated into [33]ERP system – as it must be linked to the costing module (which is still being done with finances).
						Stores inventory system – items to be identified and coded. Task owner: [22]COO. Stock take of spares Task owner: [22]COO.	The store's inventory system has been improved with proper identification codes. A stock take was only done at end of Nov 2013 together with the mid-year stock take of the whole company.	Completed.	Please also refer to Risk 1 above. Finances and procurement to provide details of actual spend.
						Implement the upgrade [13]CapEx plan. Task Owner: [22]COO.	Activities as per plan are largely on track (Finance is tracking amount spent). Labelling machine on order, Bioreactor delivered – awaiting modification of lab to complete installation. Autoclaves ordered – awaiting delivery. Washing machines delivered and to be installed in April 2014. Procurement of [45]HPV generator, cell isolator and pilot freeze dryer – in progress – the tender specifications documents were only approved by the adjudication committee on 27 March. Tenders will go out in Q1 2014.	Ongoing, Quarterly	

No.	Objectives	Risk Owner	Risk Name	Inherent Risk	Risk Gap	Action	Q 4 Progress	Target Date	Comment
9	Build a successful, performance organization.	Chief Executive Officer.	Continuity in leadership.	78.45	17.26	Orientation of the new Board and [18]CEO.	This is on track and to take place as soon as the new board has been appointed by the Minister.	March 2014. It is only applicable once the new board is appointed and we are still waiting on [28]DAFF.	Should be done 6 months before expiry, if not renewed then succession planning needs to be considered.
						Draft corporate Plan for 2014/15 that outlines current objectives for the next three years. Task Owner: Board.	The Corporate Plan was drafted and circulated to the Board.	End of August 2013. The final [23]CP was submitted in February 2014.	
						New Board and Minister to indicate whether the [18]CEO's contract is to be renewed. Task Owner: Board.	This engagement will take place before September once the Board is in place.	The latest Sept 2014. The Minister will decide this after the elections.	

No.	Objectives	Risk Owner	Risk Name	Inherent Risk	Risk Gap	Action	Q 4 Progress	Target Date	Comment
10	Build a successful, performance organization.	Chief Scientific Officer.	Adherence with terms of the research and development grant.	54.45	16.61	Effective monitoring of project progress Task Owner: [65]MRDC.	Discussions with power point progress reports at [65]MRDC Meetings. In the process of reviewing TOR. Submission of reports to [113]TIA, quarterly and annually.	Monthly.	Plans in place to empower and review roles and responsibilities of [65]MRDC to be more effective in addressing the risk.
						Effective reporting of projects. Task Owner: [27]CSO & Quality Executive.	Discussion with power point progress reports. Quarterly reports to [113]TIA are submitted including presentations and discussions.	6 weekly. Quarterly.	Technical reports for projects are submitted monthly.
						Monitoring of actual spend of project against budget Task Owner: [18]CFO/[27]CSO/ Quality Executive.	Monthly tracking of project spending by [75]R&D. [18]CFO created individual cost centres for each project.	Ongoing.	
11	Build a successful, performance organization.	Chief Executive Officer.	Ability to effectively utilize funding.	58.20	16.59	Develop the full [43]GMP project scope and implement. Task Owner: [18]CEO.	Same as Risk 7.	Oct 2014	
						Appoint a project manager for the [43]GMP Project. Task Owner: [18]CEO.	Same as Risk 7.	May 2014	
						Recruitment by means of a headhunting process. Task owner: [47]HRE.	Same as Risk 7.	Complete.	
						Monitoring of actual spend of project against budget Task Owner: [19]CFO/[18]CEO.	A report is included in the AC meeting of 24th January 2014.	Ongoing. It will be reported quarterly.	

ONDERSTEPOORT
BIOLOGICAL PRODUCTS

ONDERSTEPOORT BIOLOGICAL PRODUCTS SOC Ltd

FinancialReport 2013 2014

Statement of the Directors' Reasonability

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 2014 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 2014 and were signed on its behalf by:

Dr JH Adams | Chairperson of the Board

Certificate by the Company Secretary

For the year ended 31 March 2014

I hereby confirm, in terms of the Companies Act, 2008 as amended, that for the year ended 31 March 2014 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

1. Audit Committee Members and Attendance

Name

Mr. Baloyi,NT *, Dr. Hanekom,PE (Chairperson) *, Dr. Kgasi,AT *

* Respective membership of the Audit and Risk Committees from 1 April 2013 to 3 March 2014 comprised of the members listed below. The Audit Committee should meet four times per annum as per its approved terms of reference. During the current year (2013/14) the Audit Committee met five times with attendance as follows:

1 Apri1 2012- 31March 2013	22 Apr 2013	28 May 2013	19 Jul 2013	24 Oct 2013	24 Jan 2014
Mr. Baloyi,NT	P	P	A	P	P
Dr. Hanekom,PE (Chairperson)	P	P	P	P	P
Dr. Kgasi,AT	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 72OBP is conducted by PricewaterhouseCoopers (PwC). During the current financial year the function has been fully operational.

4. Risk management

The Committee is satisfied that 72OBP 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 72OBP for the year ended 31 March 2014, 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 PricewaterhouseCoopers 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.

Dr JM Mashaba | Chairperson of the Audit Committee

Report of the Auditor-General to Parliament

Introduction

1. I have audited the financial statements of [72]OBP set out on pages 91 to 116, which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of 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) [78]PFMA 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.
Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) ([76]PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of [72]OBP as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of 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) [78]PFMA.

Additional matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Other reports required by the Companies Act

8. As part of our audit of the financial statements for the year ended 31 March 2014, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the [76]PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2014:

- Strategic Goal 2: Improve business processes and management practices on pages 47 to 57
- Strategic Goal 3: Build a profitable and sustainable company on pages 58 to 63

11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the [38]FMPPI.

13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. The material findings in respect of the selected objectives are as follows:

- Strategic Goal 2: Improve business processes and management practices

Usefulness of reported performance information

15. The [38]FMPPI requires the following:

- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 31% of the targets were not specific.

Reliability of reported performance information

16. I did not raise any material findings on the reliability of the reported performance information for Strategic Goal 2: Improve business processes and management practices.

- Strategic Goal 3: Build a profitable and sustainable company

Usefulness of reported performance information

17. The [38]FMPPI requires the following:

- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 29% of the targets were not specific.

Reliability of reported performance information

18. I did not raise any material findings on the reliability of the reported performance information for Strategic Goal 3: Build a profitable and sustainable company.

Additional matter

19. I draw attention to the following matter:

Achievement of planned targets

20. Refer to the annual performance report on page(s) 43 to 79 for information on the achievement of the planned targets for the year.

Compliance with legislation

21. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the [76]PAA, are as follows:

Strategic planning and performance information

22. Effective, efficient and transparent systems of risk management and internal controls with respect to performance information and management was not in place as required by section 51(1)(a)(i) of the [38]FMPPI.

23. Procedures for quarterly reporting to the Minister of Agriculture, Forestry and Fisheries and the facilitation of effective performance monitoring, evaluation and corrective action were not established as required by Treasury regulation 29.3.1 and 30.2.1.

Internal control

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matter reported below are limited to the significant internal control deficiencies that resulted in the basis for the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

25. Management did not execute sufficient oversight to ensure that all set targets are in terms of the National Treasury Framework for Managing Programme Performance Information (specific and measurable). As a result, material findings were reported in this report on the usefulness of the strategic objectives selected for testing.

26. The internal policies and procedures pertaining to the planning, monitoring, managing and reporting of performance information are not in place.

Auditor-General

Pretoria
30 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Directors' Report

1. Presentation

The Directors present their annual report, which forms part of the audited financial statements of [72]OBP for the year ended 31 March 2014.

2. Nature of business

[72]OBP is a public company that operates in the bio technical industry and is wholly owned by 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 outbreaks, preventative and legislated vaccination programs. [72]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 R1 000 (2013: R 1 000).

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 as Chairperson
Mr. Baloyi,NT	Independent Non-Executive Term expired on 3 March 2014
Dr. Hanekom,PE	Independent Non-Executive Term expired on 3 March 2014
Dr. Kgasi,AT	Independent Non-Executive Term expired on 3 March 2014
Dr. Cornelius,ST	Executive ([18]CEO)

Directors are appointed for a three year term and can be re appointed by the Shareholder for a second three year term. The first term ended on the 3 March 2014.

Details of Directors' remuneration are set out in Note 17 of the Annual Financial Statements on pages.
The new board was appointed on the 15 May 2014 with Dr. JH Adams re-appointed the board Chairperson commencing the new term on 1 August 2014.

7. Company Secretary

The secretary of the company is Ms N.D. 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 [72]OBP 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

A special resolution was passed during the year under review to convert articles of association into Memorandum of Incorporation ([62]MOI).

11. Amendment of articles of association

The Memorandum of Incorporation ([62]MOI) has been reviewed, finalised and lodged with [21]CIPC to comply with the new Companies Act 71 of 2008.

12. Going concern

We draw attention to the fact that at 31 March 2014, the company had accumulated profits of R140 144 706 and that the company's total assets exceed its liabilities by R140 145 706. 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 losses of R8.6 m in 2013/14 (2012/13: R21.4 m) financial year, National Treasury approved R492.4 m over the [66]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 will be received as follows: 2013/14 (R96.5 m), already received; 2014/15 (R127.5 m and 2015/16 (R268.4 m). During April 2014 the company had received R63 750 000 (50%) as the first tranch of the 2014/15 financial year allocation.

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 [72]OBP

15. Audit committee

The audit committee met five 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 2014.

16. National Key Point

[72]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 2014 represents any amount exceeding R3.6 m (2013: R3.1 m) 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 from Tshwane Animal Health Innovation Cluster ([94]TAHIC) for funding of [72]OBP's Research and Development projects. During the 2012/13 financial year the company received an approval for R492.4 m from National Treasury for the recapitalisation of the plant; of which R96.5 m was transferred during the 2013/14 financial year.

Statement of Financial Position

	Note(s)	2014 [123]ZAR	2013 [123]ZAR
Assets			
Non Current Assets			
Property, plant and equipment	2	109 413 529	84 530 761
Intangible assets	3	154 394	374 400
Deferred tax	4	11 234 854	6 525 757
		120 802 777	**91 430 918**
Current Assets			
Inventories	5	21 429 098	18 931 811
Current tax receivable		1 805 284	2 090 244
Trade and other receivables	6	9 369 986	9 113 326
Cash and cash equivalents	7	156 076 345	108 552 964
		188 680 713	138 688 345
Total Assets		**309 483 490**	**230 119 263**
Equity and Liabilities			
Equity			
Share capital	8	1 000	1 000
Retained income		140 144 706	148 727 845
		140 145 706	**148 728 845**
Liabilities			
Non Current Liabilities			
Deferred Recapitalisation Grant	9	89 787 834	-
Deferred government grant – small animal facility	10	2 019 218	1 870 164
Deferred government grant – corporatisation of [72]OBP Ltd	11	22 747 417	24 988 032
Deferred Research and Development Grant	12	18 592 169	27 672 910
		133 146 638	**54 531 106**
Current Liabilities			
Trade and other payables	13	17 029 983	17 426 972
Deferred Recapitalisation Grant	9	3 131 158	-
Deferred government grant – small animal facility	10	285 576	718 041
Deferred government grant – corporatisation of [72]OBP Ltd	11	2 240 615	2 240 615
Deferred Research and Development Grant	12	13 503 814	6 473 684
		36 191 146	**26 859 312**
Total Liabilities		**169 337 784**	**81 390 418**
Total Equity and Liabilities		**309 483 490**	**230 119 263**

Statement of Comprehensive Income

	Note(s)	2014 [123]ZAR	2013 [123]ZAR
Revenue	14	87 054 131	89 032 037
Cost of sales		(31 501 429)	(31 594 804)
Gross profit		**55 552 702**	**57 437 233**
Other income	15	6 641 458	1 997 476
Operating expenses		(71 743 903)	(75 019 088)
Administrative expenses		(18 362 482)	(15 732 909)
Operating loss	16	**(27 912 225)**	**(31 317 288)**
Investment revenue		6 464 341	3 962 426
Appreciation of deferred government grants		8 155 648	2 958 656
Loss before taxation		**(13 292 236)**	**(24 396 206)**
Taxation	18	4 709 097	2 956 015
Loss for the year		**(8 583 139)**	**(21 440 191)**
Total comprehensive loss for the year		**(8 583 139)**	**(21 440 191)**

Statement of Changes in Equity

	Share capital 123ZAR	Retained Income 123ZAR	Total equity 123ZAR
Balance at 01 April 2012	**1 000**	**170 168 036**	**170 169 036**
As previously reported	-	(21 440 191)	(21 440 191)
Total comprehensive Loss for the year	**-**	**(21 440 191)**	**(21 440 191)**
Balance at 01 April 2013	**1 000**	**148 727 845**	**148 728 845**
Loss for the year	-	(8 583 139)	(8 583 139)
Total comprehensive Loss for the year	**-**	**(8 583 139)**	**(8 583 139)**
Balance at 31 March 2014	**1 000**	**140 144 706**	**140 145 706**

Statement of Cash Flows

	Note(s)	2014 [123]ZAR	2013 [123]ZAR
Cash flows from operating activities			
Cash receipts from customers		87 131 942	96 649 470
Cash paid to suppliers and employees		(109 116 973)	(103 794 585)
Cash used in operations	20	(21 985 031)	(7 145 115)
Interest income		6 464 341	3 962 426
Tax received	21	284 959	(1 590 246)
Net cash from operating activities		**(15 235 731)**	**(4 772 935)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(33 868 989)	(20 536 082)
Sale of property, plant and equipment	2	128 101	-
Net cash from investing activities		**(33 740 888)**	**(20 536 082)**
Cash flows from financing activities			
Movement in deferred government grant – recapitalization of [72]OBP		96 500 000	-
Movement in deferred research and development grant		-	34 146 594
Net cash from financing activities		**96 500 000**	**34 146 594**
Total cash movement for the year		**47 523 381**	**8 837 577**
Cash at the beginning of the year		108 552 964	99 715 386
Total cash at end of the year	**7**	**156 076 345**	**108 552 963**

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 ([50]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 ([78]PFMA). The preparation of financial statements in conformity with [50]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 ([51]IPCs)
Production costs for finished goods include [51]IPCs such as employee costs, depreciation, and maintenance.

[51]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 [51]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

[72]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

[72]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.

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.

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 [72]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

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.

Assets with the cost less than R7 000 are recognised in the statements of Comprehensive income in the year they are incurred.

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 [53]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:
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.

Classification

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

- 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 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 [48]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.

[72]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.

Derecognition 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

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.

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 a 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.

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.

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 income 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 borrowings.
- 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.

1.12 Translation of foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the relevant transaction [72]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 [48]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 [72]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 R100 000 or through natural hedging.

1.17 Government grant – corporatisation of [72]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 [78]PFMA Act. 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 ([94]TAHIC) grant relates to amounts received by [72]OBP from the [94]TAHIC to fund [72]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 [72]OBP's Recapitalisation programme. The grant was approved in 2012/13 financial year for R492.4 m of which R96.5 m was received during the 2013/14 financial year. During the financial year R3.6 m was realised into the income statement as a Deferred Government Grant.

2. Property, plant and equipment

	2014 [123]ZAR			2013 [123]ZAR		
	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	60 136 092	(25 156 900)	34 979 192	52 995 491	(21 944 552)	31 050 939
Furniture and fixtures	1 319 599	(1 149 867)	169 732	1 246 068	(1 026 267)	219 801
Motor vehicles	437 993	(385 919)	52 074	437 992	(370 497)	67 495
Office equipment	241 663	(236 184)	5 479	241 863	(235 262)	6 601
Computer equipment	8 266 730	(2 543 740)	5 722 990	7 941 956	(1 791 314)	6 150 642
Factory plant and equipment	107 740 094	(60 521 578)	47 218 516	78 268 292	(56 385 504)	21 882 788
Capital work in progress	16 160 206	-	16 160 206	20 047 155	-	20 047 155
Total	**199 407 717**	**(89 994 188)**	**109 413 529**	**166 284 157**	**(81 753 396)**	**84 530 761**

Reconciliation of property, plant and equipment - 2014 [123]ZAR

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Land	5 105 340	-	-	-	-	5 105 340
Buildings	31 050 939	5 340 965	-	1 799 636	(3 212 348)	34 979 192
Furniture and fixtures	219 801	84 753	(1 256)	-	(133 566)	169 732
Motor vehicles	67 495	1	-	-	(15 422)	52 074
Office equipment	6 601	-	(99)	-	(1 023)	5 479
Computer equipment	6 150 642	446 974	(5 715)	-	(868 911)	5 722 990
Factory plant and equipment	21 882 788	13 574 159	(79 446)	16 509 450	(4 668 435)	47 218 516
Capital work in progress	20 047 155	14 422 137	-	(18 309 086)	-	16 160 206
	84 530 761	**33 868 989**	**(86 516)**	**-**	**(8 899 705)**	**109 413 529**

The major capital expenditure incurred during the current financial year was the recapitalisation of the faciltiy to conform with Good Manufacturing Practices ([43]GMP) in line with the funding received from the National Treasury.

Reconciliation of property, plant and equipment - 2013 - [123]ZAR

	Opening balance	**Additions**	**Transfers**	**Other changes, movements**	**Depreciation scrapped**	**Assets**	**Total**
Land	5 105 340	-	-	-	-	-	5 105 340
Buildings	28 888 771	-	-	5 192 150	(3 029 982)	-	31 050 939
Furniture and fixtures	510 697	39 591	-	575	(218 457)	(112 605)	219 801
Motor vehicles	132 538	-	-	-	(65 043)	-	67 495
Office equipment	8 485	1 358	-	-	(988)	(2 254)	6 601
Computer equipment	1 188 973	403 145	2 104 851	3 720 628	(1 123 987)	(142 968)	6 150 642
Factory plant and equipment	27 010 846	4 333 416	4 419 465	(8 913 353)	(4 563 810)	(403 776)	21 882 788
Capital work in progress	10 812 899	15 758 572	(6 524 316)	-	-	-	20 047 155
	73 658 549	**20 536 082**	**-**	**-**	**(9 002 267)**	**(661 603)**	**84 530 761**

2. Property, plant and equipment (continued)

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.

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 [48]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.

During the 2013/2014 financial year the company increased its capital investment on the refurbishment and replacement of property plant and equipment.

	2014 [123]ZAR			2013 [123]ZAR		
3. Intangible assets						
	Cost /Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Patent	566 657	(566 504)	153	566 657	(418 885)	147 772
Trademark	260 022	(105 781)	154 241	260 022	(33 394)	226 628
Total	**826 679**	**(672 285)**	**154 394**	**826 679**	**(452 279)**	**374 400**

Reconciliation of intangible assets - 2014

	Opening balance	**Amortisation**	**Total**
Patent	147 772	(147 619)	153
Trademark	226 628	(72 387)	154 241
	374 400	**(220 006)**	**154 394**

Reconciliation of intangible assets - 2013

	Opening balance [123]ZAR	**Amortisation [123]ZAR**	**Total [123]ZAR**
Patent	342 920	(195 148)	147 772
Trademark	232 578	(5 950)	226 628
	575 498	**(201 098)**	**374 400**

	2014 [123]ZAR	2013 [123]ZAR
4. Deferred tax		
Deferred tax asset		
Other deferred tax	**11 234 854**	**6 525 757**
Reconciliation of deferred tax asset (liability)		
Accelerated depreciation for tax purposes	(4 871 952)	(4 244 579)
Prepaid expenses	(89 598)	(107 584)
Income received in advance	9 067 644	10 128 223
Accrual for leave	547 614	638 815
Assessed loss	6 054 233	-
Provisions	57 454	948
Doubtful debt	469 459	103 934
	11 234 854	**6 525 757**

The accelerate depreciation for tax purposes of R4 871 952 is due to the recapitalisation cost. The deferred tax asset of R11 234 854 is mainly as a result of assed loss (R6 054 233) and R9 067 644 relating to income received in advance ([113]TIA).

	2014 ¹²³ZAR	2013 ¹²³ZAR
5. Inventories		
Raw materials, components	2 750 149	1 718 669
Work in progress	5 102 151	3 638 008
Intermediate Finished goods	8 096 639	8 213 328
Finished goods	2 322 373	2 076 784
Packaging materials	3 362 978	3 312 286
	21 634 290	18 959 075
Less: Provision for obsolete inventory	(205 192)	(27 264)
	21 429 098	**18 931 811**
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	27 264	456 327
Amounts recognised in profit or loss	177 928	(429 063)
	205 192	**27 264**
Products scrapped/written off during the year	1 027 137	6 006 400
Products scrapped during the year were recognised as an expense in the Statement of Comprehensive Income.		
6. Trade and other receivables		
Trade receivables	9 771 228	9 155 518
Provision for doubtful debts	(2 107 449)	(384 227)
Prepayments (if immaterial)	245 992	342 035
VAT	1 460 215	-
	9 369 986	**9 113 326**
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	7 779 959	2 826 999
30 – 60 days	263 074	1 449 875
Past due but not impaired		
61 – 90 days	9 946	3 182 233
90 days and older	1 718 249	1 696 411
	9 771 228	**9 155 518**
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	384 227	332 092
Provision for impairment	1 723 222	52 135
	2 107 449	**384 227**

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

	2014 [123]ZAR	2013 [123]ZAR
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	10 500	5 500
Current account bank balance	92 031 480	56 569 760
Short term cash investments and deposits	64 034 365	51 977 704
	156 076 345	**108 552 964**
Included in the current year cash and cash equivalents is the grant funding from National Treasury of R96 500 00 which was received during the financial year.		
8. Share capital		
Authorised		
1 000 ordinary shares of R1 each	1 000	1 000
Issued		
1 000 ordinary shares of R1 each	1 000	1 000
9. Deferred Recapitalisation Grant		
Non current liabilities	89 787 834	-
Current liabilities	3 131 157	-
	92 918 991	**-**
Additions	96 500 000	-
Amortised	(3 581 009)	-
	92 918 991	**-**
The grant relates to the funding received from the National Treasury for [72]OBP's Recapitalisation programme. The grant was approved in 2012/13 financial year for R492.4 m of which R96.5 m was received during the 2013/14 financial year. During the financial year R3.6 m was realised into the income statement as a Deferred Government Grant.		
Maturity analysis		
Non current	89 787 834	-
Current	3 131 157	-
	92 918 991	**-**
10. Deferred government grant – small animal facility		
Opening carrying amount	2 588 205	3 306 246
Amortised	(283 411)	(718 041)
Closing net carrying amount	**2 304 794**	**2 588 205**
Maturity analysis		
Non current	2 019 218	1 870 164
Current	285 576	718 041
	2 304 794	**2 588 205**

	2014 [123]ZAR	2013 [123]ZAR
11. Deferred government grant – corporatisation of [72]OBP Ltd		
Opening carrying amount	27 228 647	29 469 262
Amortised	(2 240 615)	(2 240 615)
Closing net carrying amount	**24 988 032**	**27 228 647**
Maturity analysis		
Non current	22 747 417	24 988 032
Current	2 240 615	2 240 615
	24 988 032	**27 228 647**

The deferred income is recognised as income on a systematic and rational basis over the useful life of the remaining assets. The total amount expensed in the income statement for the government grants is R2 524 026 (2012/13 R2 975 845).

12. Deferred Research and Development Grant

The grant relates to the funding received from the Tshwane Animal Health innovation Cluster ([94]TAHIC) for [72]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 050 612 during the 2013/14 financial year

Opening carrying amount	34 146 594	-
Addition	-	34 146 594
Armotised	(2 050 612)	-
	32 095 982	**34 146 594**
Maturity analysis		
Non current	18 592 169	27 672 910
Current	13 503 813	6 473 684
	32 095 982	**34 146 594**
13. Trade and other payables		
Trade payables	11 766 770	5 763 926
VAT	-	2 454 903
Accruals	2 204 803	5 307 103
Other payables	3 058 410	3 901 040
	17 029 983	**17 426 972**
14. Gross to net revenue reconciliation		
Sale of goods	**87 054 131**	**89 032 037**
Gross revenue	115 588 807	117 533 000
Discount Granted	(29 377 771)	(29 793 480)
Net revenue – vaccines	**86 211 036**	**87 739 520**
Revenue dry ice	267 813	459 188
Revenue – transportation service	575 282	833 329
	87 054 131	**89 032 037**

Revenue decreased from R89 032 037 in 2013 financial year to R87 054 131 in 2014 financial year. The reduction in revenue is attributable to unfavourable market conditions.

	2014 [123]ZAR	2013 [123]ZAR
15. Other income		
Discount received	25 162	20 470
Rental income – [72]OBP houses	687 009	372 257
Other income 1	325 717	51 035
Other income (Including non recurring)	5 561 985	1 553 714
Profit and loss on sale of assets and liabilities	41 585	-
	6 641 458	**1 997 476**

Other income comprise mainly [102]SARS refund R1.3 m, Foreign exhange gain R1.3 m and other non revenue income from various sources.

16. Results from operating activities
The following items have been charged/(credited) in arriving at operating profit/(loss):

Depreciation and amortisation		
Buildings	3 212 348	3 029 982
Furniture and fixtures	134 027	218 457
Motor vehicles	15 422	65 043
Office equipment	1 031	988
Computer equipment	868 802	910 843
Factory plant and equipment	4 668 075	4 776 954
Intangible assets	220 006	201 098
	9 119 711	**9 203 365**
Auditor's remuneration		
Total fees paid for the statutory audit	2 850 426	2 274 814
Other disclosures		
Government Employee Pension Fund	2 421 724	2 994 861
Alexander Forbes Pension Fund	3 454 792	3 819 521
Scrapped inventory	1 027 137	6 006 400
Employee benefits – defined contributions plans	6 903 653	12 820 782
Research and development expenditure	3 891 475	3 215 349
Repair and maintenance expenditure	5 580 283	6 083 015
Amounts paid to employees	54 151 890	53 600 682
Amounts paid to consultants	11 966	250 011
Average number of employees	190	193

Employee benefits
The amount paid to employees increased from R53 600 682 to R54 151 890 in the 2013/2014 financial year. This is mainly the salary increase to employees during the financial year. 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.

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 kilometer 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 materilas benefits received, the payments are for acting on a higher position.

17. Disclosure of emoluments of executive and Non executive Directors as per Treasury Regulation 28.1.1:

Executive 2014

		Basic salary	Sums paid byway of expense allowances (travel & cell phone)	Contributions to officers' liability insurance cover	Other material benefits received	Total
		[123]ZAR	[123]ZAR	[123]ZAR	[123]ZAR	[123]ZAR
Dr. Cornelius,ST*	Chief Executive Officer	904 217	15 003	4 414	670 797	1 594 431
Mr. Gololo,M	Chief Financial Officer	959 139	95 249	4 414	-	1 058 802
Ms. Mobeng,DN	Company Secretary	941 166	62 227	4 414	-	1 007 807
Dr. Modumo,J	Business Development Officer	870 933	135 815	4 414	-	1 011 162
Mr. Pieterson,PM	Quality Executive	909 912	63 491	4 414	37 398	1 015 215
Mrs. Ramutle,NV	[46]HR Executive	899 903	50 947	4 414	-	955 264
Dr. Smit,T	Chief Operations Officer	923 864	67 741	4 414	-	996 019
Dr. Verwey,J	Acting Chief Scientific officer	201 823	12 242	1 438	26 741	242 244
Dr. Nthangeni MB**		337 413	43 153	1 798	-	382 364
		6 948 370	**545 868**	**34 134**	**734 936**	**8 263 308**

* The [18]CEO's salary includes an amount of R670 797 which is based on the secondment agreement between the University of Pretoria, [72]OBP and the Executive Authority.

** Dr. MB Nthangeni was appointed as the Chief Scientific Officer in November 2013.

*** Dr. J Verwey resigned on the 31 August 2013.

**** No Bonuses were paid or provided for by the company in the 2013/14 financial year

Executive 2013		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
		[123]ZAR	[123]ZAR	[123]ZAR	[123]ZAR	[123]ZAR	[123]ZAR
[123]ZAR							
Mr. Gololo, M	*****Chief Financial Officer	904 872	4 800	74 808	4 980	-	989 460
Dr. Heath,J		489 616	9 447	36 787	4 980	80 223	621 053
Ms. Khuzwayo, NV	Human Resorces Executive	838 824	11 574	54 023	4 980	-	909 401
Ms. Mobeng,DN	Company Secretary	888 177	11 389	53 411	4 980	-	957 957
Dr. Modumo,J	Business Development Officer	815 551	11 897	119 390	4 980	-	951 818
Mr. Pieterson,PM	Quality Executive	856 388	9 095	58 715	4 980	-	929 178
Dr. Smit,T	**Chief Operations Officer	867 944	7 878	65 225	4 980	-	946 027
Dr. Cornelius, ST	*Chief Executive Officer	852 632	20 558	-	4 980	472 340	1 350 510
		6 514 004	**86 638**	**462 359**	**39 840**	**552 563**	**7 655 404**

17. Disclosure of emoluments of executive and Non executive Directors as per Treasury Regulation 28.1.1: (Continued)

Non executive - 2014

	Fees for services as director or executive member	Expenses	Insurance liability cover	Total
	123ZAR	123ZAR	123ZAR	123ZAR
Dr. Adams,JH	56 634	-	4 414	61 048
Mr. Baloyi,NT	107 081	9 824	4 414	121 319
Dr. Hanekom,PE	151 816	5 550	4 414	161 780
Dr. Kgasi,AT	116 211	1 691	4 414	122 316
	431 742	**17 065**	**17 656**	**466 463**

2013	Fees for services as director or executive member	Contributions to directors' liability insurance cover	Total	Reimbursement of travelling expenses
	123ZAR	123ZAR	123ZAR	123ZAR
Dr. Adams,JH	206 476	1 106	4 980	212 562
Mr. Baloyi,NT	130 864	6 028	4 980	141 872
Dr. Graham,AH	55 616	4 552	2 490	62 658
Dr. Hanekom,PE	153 397	3 273	4 980	161 650
Dr. Kgasi,AT	136 930	1 927	4 980	143 837
	683 283	**16 886**	**22 410**	**722 579**

	2014 123ZAR	2013 123ZAR
18. Taxation		
Major components of the tax income		
Current		
Deferred tax (Income) / expense	(4 709 097)	(2 956 015)

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 (94TAHIC).

	2014 [123]ZAR	2013 [123]ZAR
18. Taxation		
Major components of the tax income (continued)		
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)	(0.21)%	(0.78)%
Other taxable items	(63.95)%	(43.11)%
Legal costs	(0.65)%	(0.15)%
Armortisation of recapitalisation grant	12.46%	-%
Disallowed deduction on production building	(17.78)%	(2.63)%
Amortisation of government grant – small animal facility	-%	0.84%
Amortisation of government grant – corporatisation	4.72%	2.63%
Penalties and interest	(0.15)%	(0.35)%
Other non taxable items	2.13%	0.23%
	(35.43)%	**(15.32)%**
19. Auditor's remuneration		
Fees	2 850 426	2 274 814
20. Cash used in operations		
(Loss) / Profit before taxation	(13 292 236)	(24 396 206)
Adjustments for:		
Depreciation and amortisation	9 119 711	9 203 365
Profit on sale of assets	(41 585)	-
Assets scrapped	-	661 603
Interest received	(6 464 341)	(3 962 426)
Changes in working capital:		
Inventories	(2 497 287)	6 242 884
Trade and other receivables	(256 660)	7 669 568
Trade and other payables	(396 989)	394 753
Deferred Recapitalisation Grant	(3 581 009)	-
Deferred Research and Development Grant	(2 050 609)	-
Movement in deferred government grant – small animal facility	(283 411)	(718 041)
Movement in deferred government grant – corporations of [72]OBP Ltd	(2 240 615)	(2 240 615)
	(21 985 031)	**(7 145 115)**
21. Tax refunded (paid)		
Balance at beginning of the year	2 090 244	500 000
Current tax for the year recognised in profit or loss	4 709 097	2 956 015
Balance at end of the year	(1 805 284)	(2 090 244)
	4 994 057	**1 365 771**

	2014 ¹²³ZAR	2013 ¹²³ZAR
22. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	13 800 657	9 671 480
This committed expenditure relates to plant and equipment and will be financed by existing internal cash resources.		
Operating leases – as lessor (income)		
Minimum lease payments due		
within one year	936 761	201 064
in second to fifth year inclusive	1 104 728	104 398
	2 041 489	**305 462**

The company has entered into an operating lease with the South Africa Post Office on adjoining premises. The lease is for 3 years with an option for the South African Post Office to renew. 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 R13 800 657 disclosable capital commitments at 31 March 2014 not reflected elsewhere for the purchase of upgrade property on its manufacturing facilities.

There are also commitments relating to service level agreements in respect of repair and maintenance of the company's plant and equipment as follows:

Name of Company	Description of agreement	Starting date	Expiry date	Remaining commitments as at 31 March 2014
African United Boiler	Boiler and steam reticulation system	1 October 2013	31 September 2016	638 150.00
Beyond Wireless	Early warning detection system	1 September 2011	Open ended	90 170.17
Charlebosey	Gardening services	02 December 2013	31 November 2016	612 285.40
Eldna Security Services	Security services	1 April 2013	31 March 2016	2 012 515.00
Careways	Employee wellness programme	1 November 2013	31 October 2016	281 560.29
Servworx	Contract rental of garment 2	1 March 2012	28 February 2015	735 483.43
Lunarcom	Early warning detection system	1 March 2011	Open ended owner of system	48 443.52
Masana hygiene services	Cleaning services	1 April 2012	31 March 2015	888 130.44
Samtoria	Telephone system	1 January 2012	31 January 2016	138 820.80
Quality and Service	Autoclaves	1 November 2011	Open ended	68 400.00
PWC	Internal audit services	1 January 2012	31 December 2014	484 472.91
Sudschemie	Water treatment	1 April 2014	31 March 2017	259 200.00
Wubbeling	Air handling units	1 December 2011	31 December 2014	111 222.72
Transfire	Maintenance of Fire Fighting System	1 Jan 2014	31 December 2016	314 382
Vicol	Water Purification Plant	1 November 2013	31 October 2016	367 256
FBO Trading	Supply of Coal	1 April 2013	01 May 2016	1 345 050.00
				8 395 542.68

22. Commitments (continued)

Name of Company	Description of agreement	Starting date	Expiry date commitments	Remaining as at 31 March 2013
Capstone	Boiler and steam reticulation system	1 October 2010	Open ended	426 176.00
Beyond wireless	Early warning detection system	1 September 2011	31 August 2014	104 052.00
Clean to the Roots	Gardening services	1 October 2010	31 August 2013	84 000.00
Eldna Security Services	Security services	1 April 2013	31 March 2016	3 018 782.88
Servworx	Contract rental of garments 1	01 December 2010	30 November 2013	185 374.00
Servworx	Contract rental of garments 2	01 March 2012	28 February 2015	984 541.68
Labcal	Freeze dryers	31 July 2012	Open ended	159 741.00
Lunarcom	Early warning detection system	1 March 2011	Open ended Owner system	45 831.48
Masana hygiene services	Cleaning services	1 April 2012	31 March 2015	1 598 036.64
Quality and service	Autoclaves	1 November 2011	31 October 2012 (Extended to 31/10/2013)	39 900.00
Pwc Internal audit	Audit services	1 January 2012	31 December 2014	1 403 654.99
Sudschemie	Water treatment	1 June 2011	31 May 2013	95 172.00
Wubbeling	Air handling units	1 December 2011	31 December 2013	99 311.94
				8 244 574.61

	2014 [123]**ZAR**	2013 [123]ZAR

23. Contingencies

As at 31 March 2014, a [15]CCMA case is in process against [72]OBP Ltd as a result of a dispute of unfair dismissal with a former employee of the company. The amount disclosed as a contingent liability amounted to R2 025 714. The amount includes estimated legal fees.

24. Related parties

Relationships
The related parties are companies that have common shareholding and directorship with [72]OBP. [72]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	(3 715 858)	(2 665 524)
Services procured from state departments	-	18 958
Payments to the Agricultural Research Council ([7]ARC)	11 516 033	5 736 884
Rent paid to (received from) related parties		
SA Post office rental received	(217 149)	(186 171)
Research grant received		
Research Grant from Tshwane Animal Health Innovation Cluster ([94]TAHIC)	-	(34 146 594)
National Treasury	(96 500 000)	-
Related party balances		
Accounts receivable (for products or services sold)	(493 684)	267 939

[72]OBP has an arm's length relationship with Onderstepoort Veterinary Institute ([75]OVI). [75]OVI is a unit of the Agricultural Research Council ([7]ARC). Both [72]OBP and [75]OVI have the Minister of Agriculture, Forestry & Fisheries as their shareholder. [75]OVI buys, among other things, vaccines, small animals and media products. In turn, [72]OBP buys from [75]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 17 to the financial statements.

	2014 [123]ZAR	2013 [123]ZAR

25. Financial assets by category

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

2014

	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)	7 663 779	-	-	7 663 779	7 663 779
Prepaid expenses	245 992	-	-	245 992	245 992
Bank balances	-	-	92 041 980	92 041 980	92 041 980
Investments	-	64 034 365	-	64 034 365	64 034 365
	7 909 771	**64 034 365**	**92 041 980**	**163 986 116**	**163 986 116**

2013

Trade receivables (incl doubtful debt provision)	8 771 291	-	-	8 771 291	8 771 291
Prepaid expenses	342 035	-	-	342 035	342 035
Bank balances	-	-	56 575 260	56 575 260	56 575 260
Stanlib Investment	-	51 977 704	-	51 977 704	51 977 704
	9 113 326	**51 977 704**	**56 575 260**	**117 666 290**	**117 666 290**

See note 27 for the fair value determination

26. Financial liabilities by category

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

2014

	Financial liabilities at amortised cost	Carrying amount	Fair value
Trade payables	11 766 770	11 766 770	11 766 770
Accruals	2 204 803	2 204 803	2 204 803
Income received in advance and other payables	3 058 410	3 058 410	3 058 410
	17 029 983	**17 029 983**	**17 029 983**

2013

Trade payables	5 763 926	5 763 926	5 763 926
Vat payable	2 454 903	2 454 903	2 454 903
Accruals	5 307 103	5 307 103	5 307 103
Income received in advance and other payables	3 901 040	3 901 040	3 901 040
	17 426 972	**17 426 972**	**17 426 972**

See note 27 for the fair value determination

27. 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 [48]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.

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 2014, the company had no open forward contracts. The recognition of foreign exchange gains and losses is recorded according to [48]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:

	2014 [123]**ZAR**	2013 [123]ZAR
Trade and other receivables	7 909 771	9 113 326
Bank balances and cash	92 041 980	56 575 260
	99 951 751	**65 688 586**

27. Risk management (continued)

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 2013 as a result of the short term maturity of these assets and liabilities.

28. 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. A new board was appointed on the 15 May 2014 by the Shareholder.

29. Fruitless and wasteful expenditure

During the year under review, Section 89 Quat interest and penalty of R76 677 was due to a late payment of the [116]UIF, [77]PAYE and [105]SDL to [102]SARS and R28 902 late payment of VAT due bank clearing the amount the following day. An Alternative Dispute Resolution ([2]ADR) has been raised with [102]SARS to object the R28 902 since the clearing of the payment was not within the company's control. The total expenditure in the current year was R101 580 (2013: R297 811).

	2014 [123]**ZAR**	2013 [123]ZAR
30. Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	1 167 056	4 060 820
Amount incorrectly raised in the prior year	(1 167 056)	-
Irregular expenditure Current year	-	1 167 056
Amounts condoned by Accounting Authority	-	(4 060 820)
Irregular expenditure awaiting condonement	**-**	**1 167 056**

During the current year the Auditor General reviews the irregular expenditure of R1 167 056 disclosed in prior year financials and it has established that the expenditure was actually not irregular.

Acronyms A - O

1	AFASA	African Farmers' Association of South Africa
2	ADR	Alternative Dispute Resolution
3	AGM	Annual General Meeting
4	AHS	African Horse Sickness
5	APAP	Agricultural Policy Action Plan
6	AR&IT	Audit, Risk & Information Technology Committee
7	ARC	Agricultural Research Council
8	BDO	Business Development Officer
9	BEE	Black Economic Empowerment
10	BOD	Board of Directors
11	BT	Blue Tongue
12	BV	Bacterial Vaccines
13	CapEx	Capital Expenditure
14	CBM	Condition Based Maintenance
15	CCMA	Commission for Conciliation, Mediation and Arbitration
16	CCTV	Closed Circuit Television
17	CD1	Outbred line mice (type of mice used in research laboratories)
18	CEO	Chief Executive Officer
19	CFO	Chief Financial Officer
20	cGMP	current Good Manufacturing Practices
21	CIPC	Companies and Intellectual Property Commission
22	COO	Chief Operations Office
23	CP	Corporate Plan
24	CPD	Continuing Professional Development
25	CSI	Corporate Social Investments
26	CSIR	Council for Scientific and Industrial Research
27	CSO	Chief Scientific Officer
28	DAFF	Department of Agriculture Forestry and Fisheries
29	EA	Experimental Animals
30	EAP	Economically Active Population
31	EE	Employment Equity
32	EMU	Engineering, Maintenance and Utilities
33	ERP	Enterprise Resource Planning
34	ExCo	Executive Committee
35	FAT	Factory Acceptance Test
36	FD	Freeze Dried
37	FET	Further Education and Training
38	FMPPI	Framework for Managing Programme Performance Information
39	FY	Financial Year
40	GAAP	Generally Accepted Accounting Principles
41	GCP	Good Clinical Practice
42	GLP	Good Laboratory Practice
43	GMP	Good Manufacturing Practice
44	HIRS VIP	VIP Human Resource Information System
45	HPV	Hydrogen Peroxyde Vapour
46	HR	Human Resources
47	HRE	Human Resources Executive
48	IAS	International Accounting Standards
49	IBR	Infectious Bovine Rhinotraheitis
50	IFRS	International Financial Reporting Standards
51	IPC	Indirect Production Cost
52	ISO	International Organisation Standardisation
53	IT	Information Technology
54	JPC	Joint Planning Committee
55	King III	The third report on Corporate governance in South Africa
56	KPI	Key Performance Indicators
57	Kw	Kilowatt
58	kWh	Kilowatt-hour
59	LHPG	Livestock Health & Production Group
60	LSD	Lumpy Skin Disease
61	ManCo	Management Committee
62	MOI	Memorandum of Incorporation
63	MOU	Memorandum of Understanding
64	MPO	Meat Producers Organisation
65	MRDC	Management Research & Development Committee
66	MTEF	Medium Term Expenditure Framework
67	NERPO	National Emergent Red Meat Producers Organisation
68	NWGA	National Wool Growers Association
69	NIA	National Intelligence Agency
70	NKP	National Key Point Act of 1980 (No. 102 of 1980)
71	NSPCA	National Society for the Prevention of Cruelty to Animal
72	OBP	Onderstepoort Biological Products SOC Ltd

Acronyms O - Z

73	OD	Organisational Development
74	OIE	Office International des Epizooties (World Organisation for Animal Health)
75	OVI	Onderstepoort Veterinary Institute
76	PAA	Public Audit Act
77	PAYE	Pay As You Earn
78	PFMA	Public Finance Management Act
79	PH	Power of Hydrogen
80	PI3	Parainfluenza Type 3 virus
81	PIC	Pharmaceutical Inspection Convention
82	PLC	Product Life Cycle
83	PM	Preventative Maintenance
84	POC	Proof of Concept
85	QA	Quality Assurance
86	QC	Quality Control
87	QMS	Quality Management System
88	R&D	Research and Development
89	RA	Regulatory Affairs
90	RDB	Research & Development Bacterial
91	RDV	Research & Development Viral
92	RM	Raw Material
93	RPO	Red Meat Producers' Organisation
94	RSA	Republic of South Africa
95	RVF	Rift Valley Fever
96	SAAHA	South African Animal Health Association
97	SAALAS	South African Association for Laboratory Animal Science
98	SABS	South African Bureau of Standards
99	SADC	South African Development Community
100	SAEVA	South African Equine Veterinary Association
101	SAPS	South African Police Services
102	SARS	South African Revenue Service
103	SAVC	South African Veterinary Council
104	SCM	Supply Chain Management
105	SDL	Skills Development Levy
106	SOC	State-owned Company
107	SOP	Standard Operating Procedure
108	SOPs	Standard Operating Procedures
109	SPCA	Society for the Prevention of Cruelty to Animals
110	SPF	Specific Pathogen Free
111	SSA	State Security Agency
112	TAHC	Tshwane Animal Health Cluster
113	TIA	Technology Innovation Agency
114	TOH	Time of Harvest
115	UAT	User Acceptance Testing
116	UIF	Unemployment Insurance Fund
117	UN	United Nations
118	UPBRC	University of Pretoria Biomedical Research Centre
119	UTI	United Transport Industries
120	VV	Viral Vaccine
121	VP	Vaccines Packaging
122	YTD	Year To Date
123	ZAR	Zuidafrikaanse Rand (South African Rand)

OBP

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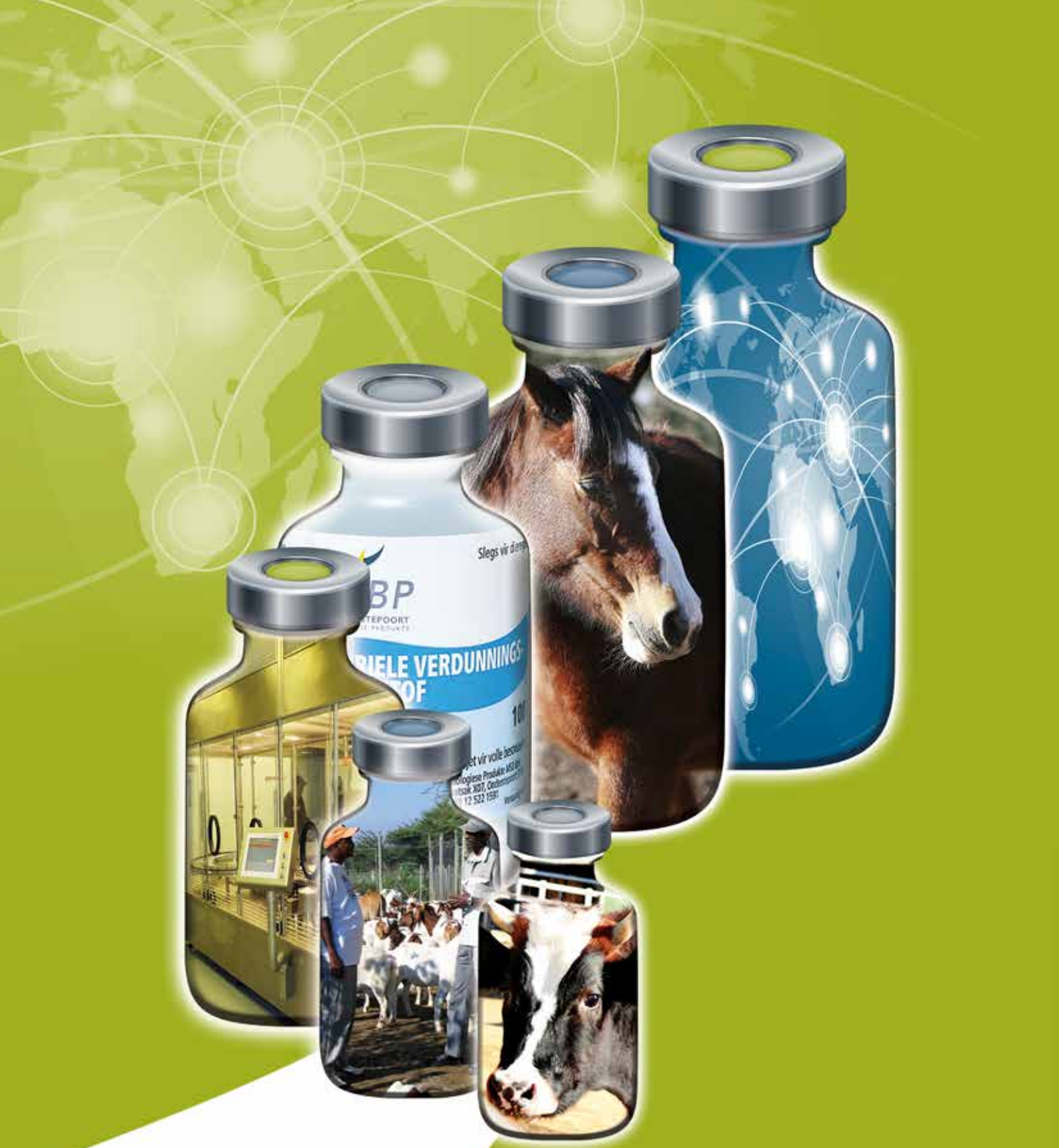

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