INTEGRATED ANNUAL REPORT

2021 2022

OBP
ONDERSTEPOORT
BIOLOGICAL PRODUCTS

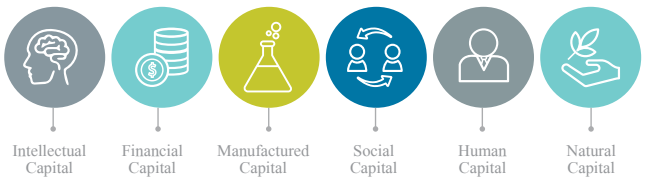
Innovative Bio-science

Innovative Bio-Science

ONDERSTEPOORT
BIOLOGICAL PRODUCTS

Integrated Annual Report 2021/2022

Innovative Bio-science



6. Scope and Boundary Report
8. Minister's Foreword
10. Strategic Dimensions
17. Organisational Structure
18. Letter to the Minister of Agriculture, Land Reform and Rural Development
20. Chairperson's Overview
23. Board of Directors
24. Executive Committee
25. Chief Financial Officer's Report
27. Report of the Chief Financial Officer
33. Corporate Governance Report
46. Risk Management
46. Sustainability Report
49. Stakeholder Engagement
54. Our Products
56. Holistic Organisational Review

70. ANNUAL PERFORMANCE REPORT

88. FINANCIAL REPORT

91. Report of the Audit Risk and Information Technology Committee
93. Accounting Authority's Responsibilities and Approval
94. Certificate of Company Secretary
95. Report of the Auditor-General to Parliament
99. Annexure – Auditor-general's responsibility for the audit
100. Directors' Report
104. Audited Financial Statements

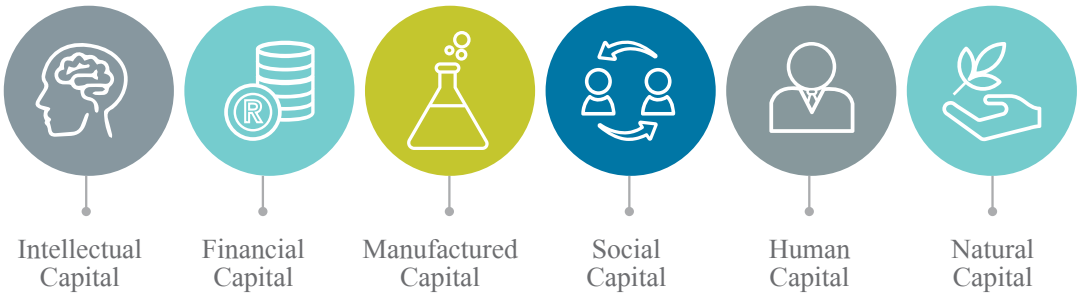
148. ACRONYMS

149. ACTS

1. Scope & Boundary Report

This Integrated Annual Report, compiled by Onderstepoort Biological Products (SOC) Ltd (OBP) provides information relating to governance practices, stakeholder engagement, as well as financial performance, and sustainability for the year 1 April 2021 to 31 March 2022.

This is the entity's first Integrated Annual Report which seeks to provide a concise and balanced account of performance over the reporting period and to detail the approach taken by the entity to identify and address the six capitals of integrated reporting, namely the financial, manufactured, intellectual, human, natural, as well as social and relationship capitals and risks, that may have a material impact on the long-term success of the business and the strategy going forward.



The entity's approach in the management of the six key capitals can be found on page 14-16 of this Integrated Annual Report.

This report has been prepared in accordance with International Financial Reporting Standards (IFRS), the Public Finance Management Act (PFMA), the requirements of the South African Companies Act as amended, the National Treasury Regulations, and the recommendations of the South African Code of Corporate Practice and Conduct (King IV)[1]

Both financial and non-financial data are aligned to the same financial reporting period, allowing for comparison of performance data, including any material matters, be it opportunities or risks, affecting the various stakeholders of the entity. These summarised consolidated financial results herein, with the audited consolidated annual financial statements are made available on the entity's website at *www.obpvaccines.co.za*

1 For the full designation and title of legislation, regulations, and codes, kindly refer to the Acronyms and Definitions section of the Integrated Annual Report

The Board accepts responsibility for the integrity of the entity's Integrated Annual Report. In accordance with King IV[1], the Board has delegated the responsibility to evaluate sustainability disclosure to the Audit, Risk & Information Technology Committee.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements which relate to the entity's future performance and prospects. Hence the statements and forecasts may encompass risk and ambiguity, as they are dependent on situations and events potentially occurring and relating to the future. This, therefore, means that there are no guarantees of future performance. The request is hereby, for all stakeholders, to not place excessive reliance on such statements, and to take cognisance and consideration thereof.

FEEDBACK

The entity welcomes feedback to ensure that the issues that matter to you are included in the future.
Go to: *https://www.obpvaccines.co.za/* or
email: *stakeholder@obpvaccines.co.za* for the feedback form.

2. Minister's Foreword

His Excellency, President Cyril Ramaphosa, during his 2021 State of the Nation Address, highlighted that, amid the severe economic damage caused by COVID-19, the country's agriculture sector performed remarkably well.

"This sector remains crucial, and as reiterated in my budget address, the outlook on agriculture is positive, as a show of strong growth figures and employment creation, are expected. This optimism is supported by good weather, expansion in area plantings, and improving business confidence in the agriculture and agribusiness sectors."

As animal and plant health are imperative for food security and agriculture trade, OBP remains a significant component of the sector and country, as a developer, manufacturer, and distributor of animal vaccines, whose products are used both locally and globally. OBP provides solutions for animal health to safeguard the national herd.

Despite the many challenges faced by the entity, challenges of which I am aware of, I urge the OBP Board, as well as its management team, to address these issues, and find resolutions swiftly, to ensure that the national herd is not compromised.

I wish OBP's Board, the Chief Executive Officer, and all employees well for the year ahead.

MRS A. T. DIDIZA, MP
MINISTER: Agriculture, Land Reform and Rural Development

Escherichia Coli
For animal use only
25 25 Doses
OIL-EMULSION
ESCHERICHIA COLI
VACCINE FOR CATTLE AND SHEEP
Reg. No. G 0671 (Act 36/1947)
Namibia: V01/24.4/144
50 ml
DOSAGE:
Cows: 2 ml intramuscularly
Ewes: 2 ml intramuscularly
Storage: 4 °C - 8 °C
See package insert for full instructions.
Registration holder:
Onderstepoort Biological Products SOC Ltd
Co. Reg. No. 2000/022686/06
Private Bag X07, Onderstepoort, 0110
Tel: +27 (0) 12 522 1500, Fax: +27 (0) 12 522 1591

Strategic Dimensions

OBP was established in 2000, in terms of the Onderstepoort Biological Products Incorporation Act 19 of 1999. Its primary objective is to create a favourable environment for the entity to build capacity in manufacturing technologies, infrastructure, and the development of new products with the aim of making profits.

"To be the first choice in animal health solutions"

Our Vision

Our Mission

"The entity is a customer-centric developer, manufacturer and supplier of cost-effective quality animal health solutions through innovation as a catalyst for food security, skills development, and economic transformation."

Our Mandate

OBP is a South African state-owned animal vaccine manufacturing entity whose primary mandate is to manufacture animal vaccines with the aim of preventing and controlling animal diseases that impact food security, human health, and livelihoods. The mandate is delivered through continued development of innovative products and efficient manufacturing, which ensures vaccine affordability and accessibility through varied distribution channels.

As a National Key-Point (NKP) utility, the entity is expected to provide security and availability of vaccines and related solutions to prevent, control, manage and report on the state of animal health in the context of South Africa's food security needs whilst being a sustainable, profitable enterprise.

According to its mandate as a schedule 3B public entity, (as per the PFMA) the entity has two policy mandate roles, namely:

PUBLIC GOOD

ensure that the government's responsibility in terms of food security and safety is met through the development, security, and availability of critical vaccine reserves; and

PRIVATE GOOD

the ability of the entity to manufacture, distribute and sell vaccines for financial gain.

Our Global Footprint

Our Values

PRIDE

- *People First*
- *Respect*
- *Integrity (Incl Accountability)*
- *Dedication*
- *Excellence (Incl Innovation)*

Our Goals (3-5-1)

Triple (3X) Earning before Interest, Tax, Depreciation and Amortisation Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) in 5 Years by:

- *Being a great place to work at*
- *Providing exceptional customer service*
- *Delivering leading "return on investment"*

Constitutional Mandate

The Bill of Rights to the Constitution sets out in Section 27 (b) that "everyone has the right to have access to sufficient food and water". The role of OBP is to support livestock production, which contributes to this absolute right.

Legislative Mandate

Onderstepoort Biological Products SOC Ltd is a state-owned company established by the Onderstepoort Biological Products Incorporation Act of 1999 and is responsible for the development, manufacturing, and distribution of animal vaccines. In pursuit of this mandate, OBP supplies vaccines and related biological products within the country and beyond South Africa's borders. OBP is a schedule 3B public entity in terms of the Public Finance Management Act 1 of 1999, and reports to the Minister of Agriculture, Land Reform and Rural Development (DALRRD). OBP is governed by the Onderstepoort Biological Products Act 19 of 1999, read together with Onderstepoort Biological Products Memorandum of Incorporation (MOI).

Our Strategic Outcomes

- Financial Growth and Sustainability
- Optimized business processes
- Improved Customer Services
- Capable Ethical and Developmental Organisation

Current Strategic Risks

Current Strategic Risks:

- Research & Development Outputs
- Intellectual Property
- Legislative and Regulatory Compliance
- Strategy Execution
- Business processes
- Business model
- Business Continuity Management
- Stakeholder Management and Reputational Risk
- Comprehensive HR strategy
- Health and Safety Risks

Further detailed of the Risk Management Report can be found on page 46-48.

OUR Business Model

The entity's business model is to develop and produce biological solutions, smart digital solutions for animal health and managed distribution solutions, which in essence, enable the entity to achieve its primary mandate of preventing and controlling animal diseases which impact food security, human health and livelihoods.

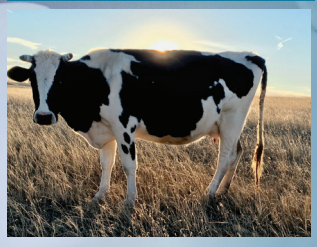
01 Develop and Produce Biological Solutions

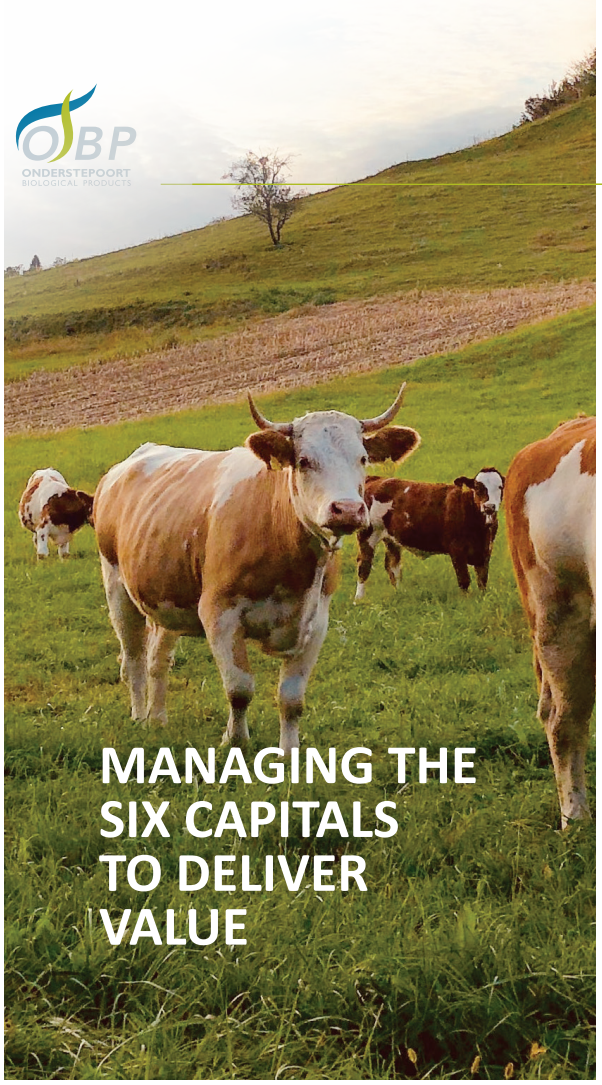
02 Smart digital solutions for Animal Health

03 Managed Distribution Services

SOCIETAL IMPACT

ANIMAL HEALTH	SKILLS DEVELOPMENT	ECONOMIC TRANSFORMATION	FOOD SECURITY





MANAGING THE SIX CAPITALS TO DELIVER VALUE

Intellectual Capital

Financial Capital

Manufactured Capital

Social Capital

Human Capital

Natural Capital

The entity therefore depends on the effectiveness of the six key capitals to create balanced and sustainable value, while being mindful of value erosion. As part of this integrated reporting endeavour, the entity is actively considering the relationships between the various operating units and the capitals in its decision-making.

FINANCIAL CAPITAL

The entity's operational funding is derived from it being a self-sufficient entity, which relies on its own sales and revenue for sustainability, also implementing the entity's Corporate Plan (strategy) which is in line with efforts to stabilise the entity.

The net cash & cash equivalents
(R 309 MILLION)

Net working capital
(R392 MILLION)

Interest-bearing debt
(Nil)

MANUFACTURING CAPITAL

The manufacturing capital is based on the equipment, site, and property, as well as infrastructure which the entity uses to develop, manufacture and distribute its products.

INTELLECTUAL CAPITAL

The entity's investment in appropriate skills, systems, and knowledge, including its intellectual property in its products can be analysed as follows:

- The entity's Brand and Products
- Applicable Policies and Standards
- Combination of Operational Expertise and niche market
- Extensive experience in leadership roles (Board and Management team)
- Extensive Intellectual Capital in Frontline Operators
- Information Technology and Communication Systems
- Research and Development Capabilities

HUMAN CAPITAL

The value of a business is a function of how well the financial capital and the intellectual capital are managed by the human capital. In the long run, your human capital is your main base of competition.

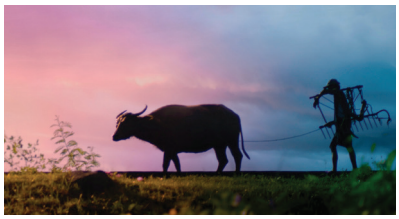
7 BOARD MEMBERS

202 EMPLOYEES

196 of whom are permanent various active learnership programmes during the year under review

SOCIAL AND RELATIONSHIP CAPITAL

The entity's stakeholder engagements are comprised of:



- Strong and continuous platforms for stakeholder engagement
- Corporate Social Investment initiatives
- Business and government partnerships

NATURAL CAPITAL

The natural capital consists generally of three principal categories: natural resource stocks, land and ecosystems that the entity uses to deliver its products. These include:

LAND
ELECTRICITY
WATER
ANIMAL FEEDS
MANUFACTURING
COMMODITIES

4 Organisational Structure

5. Letter to The Minister of Agriculture, Land Reform & Rural Development

The Honourable Ms Thoko Didiza
Minister of Agriculture, Land Reform and Rural Development
Private Bag x100
Pretoria
0001

Dear Honourable Minister,

I have the honour of presenting to you the 2021/2022 Integrated Annual Report of Onderstepoort Biological Products (SOC) Ltd, for submission to Parliament as required by Section 55 of the Public Finance Management Act 1999 (Act 1 of 1999).

The report covers the operations of Onderstepoort Biological Products (SOC) Ltd for the financial year ended 31 March 2022.

Yours faithfully,

MS. R KENOSI
Onderstepoort Biological Products (SOC) Ltd | **Board Chairperson**

Chairperson's Overview

HIGHLIGHTS

Full year with The Board in office

PEOPLE, PROCESSES & SYSTEMS,

The cornerstone of the business

OPERATIONS
Production challenges

Foot and Mouth Disease mitigated with ARC & DALRRD

07 years to implement

Capital investment plan & Maintenance plan

Annual Performance plan achieved

43%
of its targets

CONTRIBUTES TOWARDS NATIONAL PRIORITIES

"End hunger, achieve food security and improved nutrition and promote sustainable agriculture".

Gratitude for guidance, support and Leadership

OBP FUTURE

Increase in Collaboration/ partnerships in Research & Development and Production

Enhancement of e-commerce platforms

6. Chairperson's Overview

It was Warren Buffett who said, "in a chronically leaking boat, energy devoted to changing vessels is more productive than energy devoted to patching leaks."

This statement essentially sums up the financial year experienced by the entity during the 2021/2022 financial year. The Board's two-pronged strategic approach set in December 2020, to firstly, stabilising the entity, and thereafter, implement its strategy to be recognised as the "*first choice in animal health solutions*", gained traction through the stabilisation of the operations and workforce, whilst the entity only achieved 43% of the approved targets set forth in its annual performance plan.

GOVERNANCE

The 2021/2022 financial year was the first complete financial year in which the Board was in office and ultimately accountable for decisions taken, having been appointed on 1 November 2020. Whilst a challenging year in many respects, there have been gradual improvements in the people, processes, and systems, which are the cornerstone of the business and the foundation on which the ultimate strategy of being the ***"first choice in animal health solutions"*** is built.

In addition, the Board filled two key strategic positions, that is, the Chief Operations Officer and the Head of Legal and Company Secretary.

Notably, following due disciplinary processes spanning approximately eight months, the Board dismissed the Chief Executive Officer (CEO), Dr Dungu on 21 December 2021. This resulted in the Board having to assign an Interim Chief Executive Officer, beginning with the Ministerial Representative, Dr Ntshabele from May to October 2021, and subsequently, Mr. Mabombo, the Chairperson of the Operations Sub-Committee from November 2021 to date. The search for the entity's new CEO is currently underway.

"First choice in animal health solutions"

Our Vision

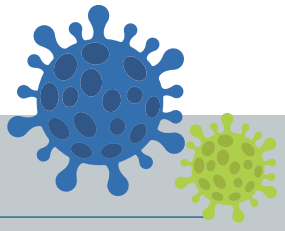
In an endeavour to improve its ethical culture, staff were required to complete a declaration of interests before the end of the financial year, and these are currently being evaluated independently by OBP's Internal Audit function. Whilst the entity awaits vetting of its entire staff complement, alternative probity assessments and controls are being implemented, as an interim measure. The year also saw numerous long outstanding labour matters being dealt with and finalised. The entity continues to reaffirm its zero tolerance for wrongdoing, and where there are incidences, it remains steadfast in executing consequence management.

A concerted effort in improving stakeholder relations has yielded positive results, especially with the Agricultural Research Council (ARC) and the Department of Agriculture, Land Reform and Rural Development. Relations with the animal health sector remains strained, but measures have been put in place to enhance same.

OPERATIONS

The entity continues to experience production challenges due to its aged infrastructure as well as load-shedding. In addition, management identified that breakdowns in the production environment were also due to an element of sabotage on some of its equipment; this is under investigation. Consequently, vaccine production was negatively impacted, with production mainly taking place in the 3rd and 4th quarters. This had a direct impact on the entity not achieving its revenue budget.

Significant activities in the last quarter of 2021/2022 entailed the following:



A Foot and Mouth Disease ("FMD")

outbreak in Limpopo, Free State, and Kwa- Zulu Natal provinces, where the entity worked closely with the ARC and the Department in ensuring sufficient vaccines were issued to mitigate the risk.

- **Approval of the entity's stabilisation strategy entailed :**
  - A Company structure aligned to the business strategy was approved by the Board and will be implemented following a re-organisation process, that will consider previous recommendations from skills and productivity audits.
  - A capital investment plan to be implemented over a period of seven years as well as a preventative maintenance plan.
  - ICT architecture for the upgrading and digitisation of the ICT infrastructure, security, and all the entity's operating systems.

- **Good Manufacturing Practice (GMP) Facility**
  - This remains one of the Board's biggest challenges and during the current financial year, management dedicated an astronomical amount of time ratifying the entity's expenditure incurred against its revenues. Construction on the GMP Facility commenced in 2017 and, to date, has not been completed, chiefly due to contractual and operational deficiencies. The Board has consequently approved that amongst others, an investigation by the Special Investigating Unit to be instituted in the 2022/2023 financial year.
  - The entity's lack of an accredited GMP plant has negatively impacted its international strategy, whereby the entity is only eligible to operate in a limited number of countries.

CONTRIBUTION TOWARDS NATIONAL PRIORITIES

The entity continued to contribute towards the achievement of the National Development Plan (NDP) vision 2030, National Priorities, and Agriculture sectoral plans. The NDP positions agriculture at the helm of the attainment of its mandates of an Integrated and Inclusive Rural Economy (Chapter 6), given agriculture, is the primary economic activity in rural areas. To that end, the entity, through the production of vaccines improved animal health, thereby enhancing agricultural productivity. The entity thus also supports the government's economic reconstruction and recovery plan by enhancing food security. The entity contributed towards the National Priorities: (1) Economic Transformation and Job Creation, and (2) Education Skills and Health. OBP continued to collaborate with relevant stakeholders within the National Systems of Innovation such as Government, HEIs, Industry, and other SOEs. Moreover, the entity supported the Africa Union Agenda 2063 in supporting Agricultural Productivity and Production (Goal 5) and aligns with UN Sustainable Developments (Goal 2) on supporting efforts to "End hunger, achieve food security and improved nutrition and promote sustainable agriculture".

THE FUTURE OF OBP

In the ensuing years, the Board has approved and/or encouraged the following initiatives:

- In accordance with the Constitution and good practice on environmental and social sustainability, the entity, in collaboration with the ARC, is investigating alternative energy sources for the Onderstepoort Campus.
- An increase in the number of collaboration/partnerships in both the research and development, as well as production.
- Enhancement of e-commerce platforms and distribution networks in the products' supply chain will be bolstered to ensure efficiency and access to markets, especially to emergent farmers.
- Effective communication between the entity and its various stakeholders.
- Enhancement of governance practices specifically in risk management, people, processes, and systems.

I would like to take this opportunity to thank:

- The Honourable Minister, Deputy Ministers, and the Department of Agriculture, Land Reform and Rural Development, for their guidance and continued support.
- Our stakeholders, especially the ARC with whom we work cooperatively.
- The current Board members for their guidance, support, and leadership.

Sincere gratitude goes to the Agricultural Research, Scientific and Educational fraternity, all our government, domestic and international customers, and partners for their unwavering support, contributions, and understanding of the entity's challenges and robust engagements.

Finally, to the interim CEOs, Dr Ntshabele and Mr Mabombo, the management and staff of the entity, I wish to express appreciation for your diligence, commitment, and support during the 2021/2022 financial year.

MS. R KENOSI
Onderstepoort Biological Products (SOC) Ltd | **Board Chairperson**

7 Board of Directors

Ms Rene Kenosi

Dr Boitshoko Ntshabele

Ms Kribashi Naidoo

Prof. Khathetselo Nephawe

Ms Nona sonjani

Mr Lufuno Nematswerani

Mr Luvuyo Mabombo

8. Executive Committee

Mr Luvuyo Mabombo
Interim Chief Executive Officer

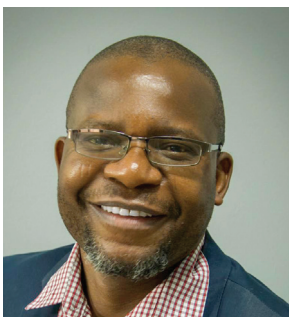
Mr Collin Manickum
Chief Operations Officer

Adv. Pieter van der Sandt
Head of Legal & Company Secretary

Dr Jacob Modumo
Business Development Officer

Ms Charlene Sheraton
Acting Corporate Services Executive

Ms Elspeth Govender
Chief Financial Officer



Dr Bethuel Ntangeni
Chief Scientific Officer

9. Chief Executive Officer's Report

Guided by the leadership of the Accounting Authority (the Board of Directors), OBP Management has been hard at work in ensuring that all the areas of business are anchored around good governance principles. This process has led to a series of reviews of internal operational systems, policies, and procedures to ensure that they are aligned with the Board's directives. Management has referred to this process as a "Back-to-Basics" approach. To align the delivery of services to customer expectations, the entity has increased its focus on stakeholder relations with an objective to be more responsive to customer needs. Relations with the shareholder department (DALRRD) have improved significantly, giving rise to more frequent strategic interactions. The entity has equally increased interactions with customer stakeholder groups, with the hope of finding each other in areas of disagreement.

OPERATIONAL PERFORMANCE

While COVID-19 remained a concern that impacts the domestic and international economic climate, its effects did not materially affect the operations of the entity. As the entity has an international footprint with customers on a global scale, these customers pay in US Dollars, which had weakened due to the current global economic crisis. This had a negative impact on foreign exchange transactions and product pricing.

The net revenues moved from a total of R209 million in 2020/2021 (Q4- year to date) to R170 million in 2021/2022 (Q4- year to date). The decrease is mainly attributable to the equipment breakdowns. This had a great impact on the production capacity of OBP, which resulted in supply constraints of certain products to the market.

As a science-based organisation, we continue to invest in research and development to develop new technologies for solving animal health challenges in the country. Our collaboration with science councils in the country, animal health professional bodies, and institutions of higher learning have yielded very positive results. The entity exceeded its own expectations in innovation, research and development with over 100% achievement in its output indicators specific to this area.

The year ahead is alive with possibilities within our innovation, research and development department expecting to introduce into production five (5) new technologies to solve clients' problems. This initiative is supported also by a capacity increase arising from our partnership with the National Research Foundation.

The entity has once more retained its International Standards Organisation 9001 (ISO) 9001:2015 accreditation, a symbol of our commitment to Quality Management as a pillar of our brand assurance. The entity will be investing more resources during 2022/2023 in further training of internal staff on quality management in support of our customer service ethos. Bar one incident, the entity has also closed on all occupational health and safety incidents reported.

Challenges of equipment breakdown because of historical lack of planned and preventative maintenance, significantly affected product availability for the market. In response, the entity has developed a maintenance plan as well as a 7year CAPEX programme. We are also looking at acquiring maintenance monitoring platforms that can support us in turning the tide.

Management takes the opportunity to thank the Employees of OBP for their commitment to finding solutions in times of crisis, our shareholder, the Department of Agriculture, Land Reform and Rural Development (DALRRD) for its listening ear, all our Customers for their patience, and the Board of Directors for their stewardship.

We look forward to a future that is stable and high in productivity.

MR LUVUYO MABOMBO
Onderstepoort Biological Products (SOC) Ltd | **Interim Chief Executive Officer**

10. Report of the Chief Financial Officer

INTRODUCTION

Over several years, competition has increased and has reduced the entity's market share. This is mainly attributable to the entity's inability to produce vaccines timely, because of its aged infrastructure, as well as the entity's inability to sufficiently evolve from an innovation perspective. However, the sustained performance measures implemented, that aligned with the budget the entity had to meet, buoyed the overall performance. The cost management initiatives yielded positive results with a reduction in expenses and, in turn, an increase in the overall profit margins as compared to the previous year.

The shareholder, through National Treasury, approved and transferred funding of **R 492 million** in the prior year's Medium-Term Expenditure Framework (MTEF) 2013/2014 period, for the modernisation of the current facility. This cash injection would facilitate production stability within the entity and secure global accreditation of its products.

Construction of the Good Manufacturing Standards (GMP) facility commenced in 2017. However, it was delayed due to various challenges including, amongst others, the COVID-19 lockdown measures. Subsequently, the Board has provided firm guidance to address the challenges and ensure continuity of the facility.

FINANCE

The Finance Department is responsible for Financial Management, Supply Chain Management (SCM), and ICT Management within the entity. The department strives for effective and efficient financial management, robust internal controls, and an effective and efficient ICT framework, aligned with the strategic objectives of the entity.

THE DEPARTMENT IS GUIDED BY THE FOLLOWING STATUTES IN THE EXECUTION OF ITS DUTIES AND REPORTING:

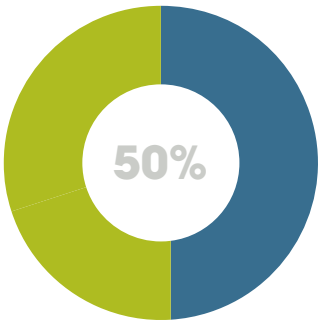
1. Public Finance Management Act 1 of 1999
2. National Treasury Regulations and Guidelines
3. Preferential Procurement Policy Framework
4. Income Tax Act 58 of 1962
5. Value Added Tax Act 89 of 1991
6. International Financial Reporting Standards
7. Companies Act 56 of 2008

FINANCIAL MANAGEMENT

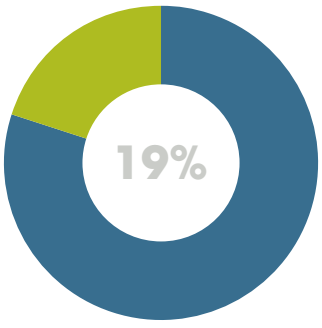
The Finance Department is responsible for maintaining and implementing sound financial management processes and controls and ensuring compliance to all relevant legislation. Key functions include Financial Administration, Cost and Management Accounting, Treasury Management Accounting, and Reporting.

SUPPLY CHAIN MANAGEMENT

The Supply Chain Management (SCM) department focuses on procurement, production planning, inventory control, distribution, and logistics. The main role of the department is to provide an integrated supply chain function through effective planning, sourcing, distribution, and safe delivery of the entity's products. The SCM department is mandated to work closely with other key functions in the entity in ensuring that these functions are fully supported. A key function of the procurement sub-division is to ensure a continuous supply of quality materials to the production functions and the entire entity. In doing so, the department must ensure compliance with relevant National Treasury regulations and the PFMA.



Procurement spending on black-owned individuals/ groups, entities/organisations



Procurement spending on Black women-owned individuals/groups, and /or entities/organisations

The entity achieved an average of 50% procurement spending on Black-owned individuals/ groups, entities/organisations, and 19% on Black women-owned individuals/ groups, and /or entities/organisations for the year under review. The procurement policy was also updated and approved by the Board during the same year.

In an endeavour to strengthen compliance in the supply chain environment, the department embarked on a project to train employees on key PFMA legislation and regulations, with the assistance of National Treasury, achieving great success.

The entity is in the process of obtaining the Broad-Based Black Economic Empowerment (BBBEE) Amendment Act 46 of 2013 certification in line with generic Verification Guidelines as issued by the Department of Trade, Industry and Competition (DTIC).

INFORMATION AND COMMUNICATION TECHNOLOGY

This department focuses on Information Technology (ICT) governance, security, and support of users within the entity. ICT has a critical function that the objectives of the entity, through utilisation of technology whilst maintaining a secure environment, are met. The department's risk management framework is reviewed, updated, and monitored regularly, in line with the risk demands of the entity and based on the adopted risk methodology.

During the financial year under review, 75% of the commercial local sales were processed through the customer E-commerce portal. The E-commerce platform offers the entity's customers an alternative to transacting its products outside of normal office hours. The portal forms part of the department's initiative to be an enabler and promote the use of technology within the entity.

The AR&IT Committee, as delegated by the Board, met quarterly during the financial year to process, and consider the ICT Steering Committee's reports, in order to intervene on matters requiring its guidance, as recommended by the ICT Steering and Executive Management Committees. The Enterprise Architecture Plan was approved and will be implemented to enable the entity's agility within the ICT space.

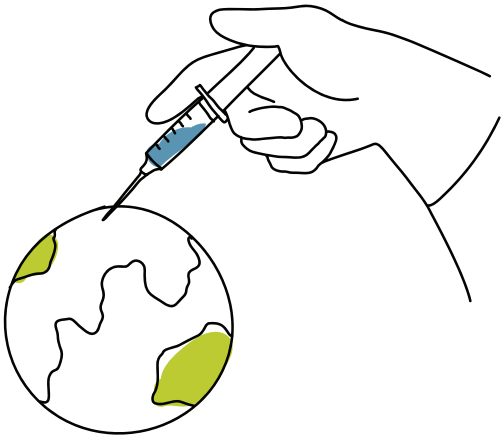
RESULTS FROM OPERATIONS

The financial performance of the entity has improved in comparison to the prior year, from an operational profit perspective, considering revenue and expenditure. Although international sales have continued to contribute significantly to the entity's overall revenue performance, the overall revenue decreased from the prior year.

	2022	% Change	2021
Revenue	186,699,807	22%	238,668,784
Expenditure	160,841,441	12%	183,695,164
Plant Investment	331,982,159	2%	338,161,996
Cash Equivalents	308,777,657	-13%	274,289,110

GROSS REVENUE

Revenue decreased from R238 million in the prior year to R 186 million during the year under review. The decrease in revenue is mainly attributable to a decrease in demand from foreign countries, and the entity's challenges in providing vaccines as required. A positive production output and revenue increase going forward is expected.



The favourable market conditions internationally, and the Rand devaluation against major trading partner currencies, will contribute to the expected upward trend in the new year. International markets for the entity's products continue to be the strategic route in diversification.

GROSS MARGIN

A gross margin of 78% was realised in comparison to the gross profit of 57% for the same period last year. The gross profit margin is mainly due to product mix with higher margin products being sold - for example, African Horse Sickness and Blue Tongue.

INVESTMENT INCOME

Investment income slightly decreased to R9,7 million in the current financial year in comparison to R10 million reported during the prior year.

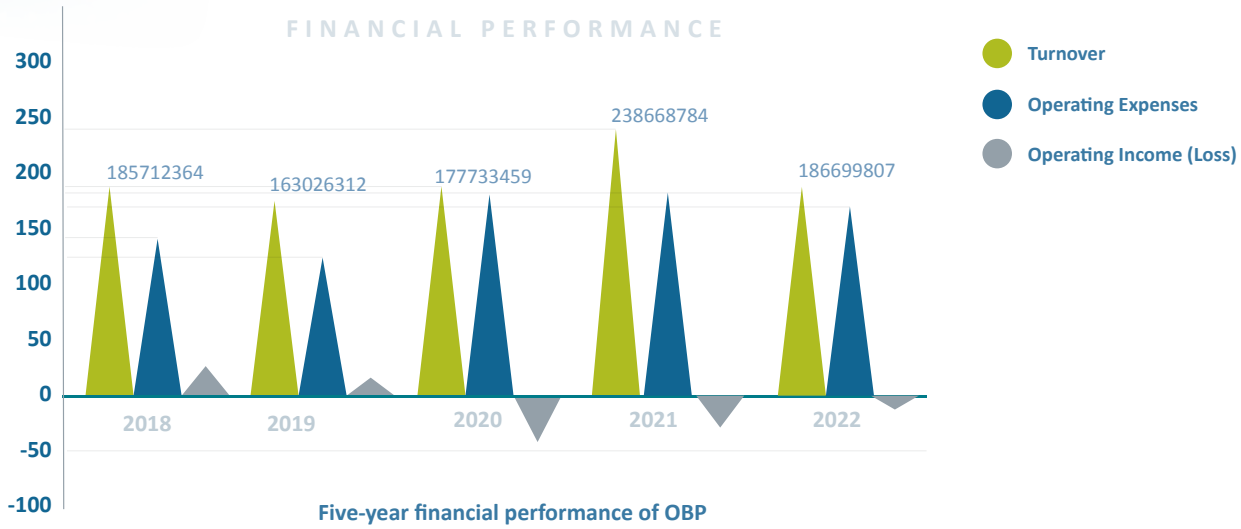
OPERATING AND ADMINISTRATIVE EXPENSES

The overall business expenditure decreased by 5% during the current year in comparison to the year prior.

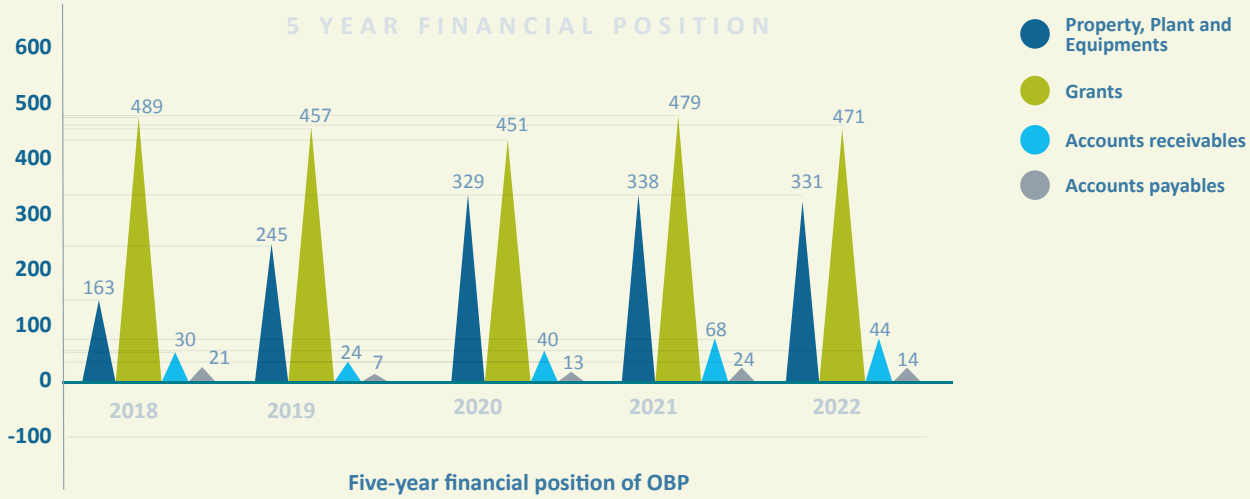
OTHER INCOME

This amounted to R 13.6 million for the year under review. The amount is slightly higher then the prior year by R 0.2 million. Included in other income are rental costs, forex gains, and any other income that is not part of the primary source of income which is the sale of vaccines.

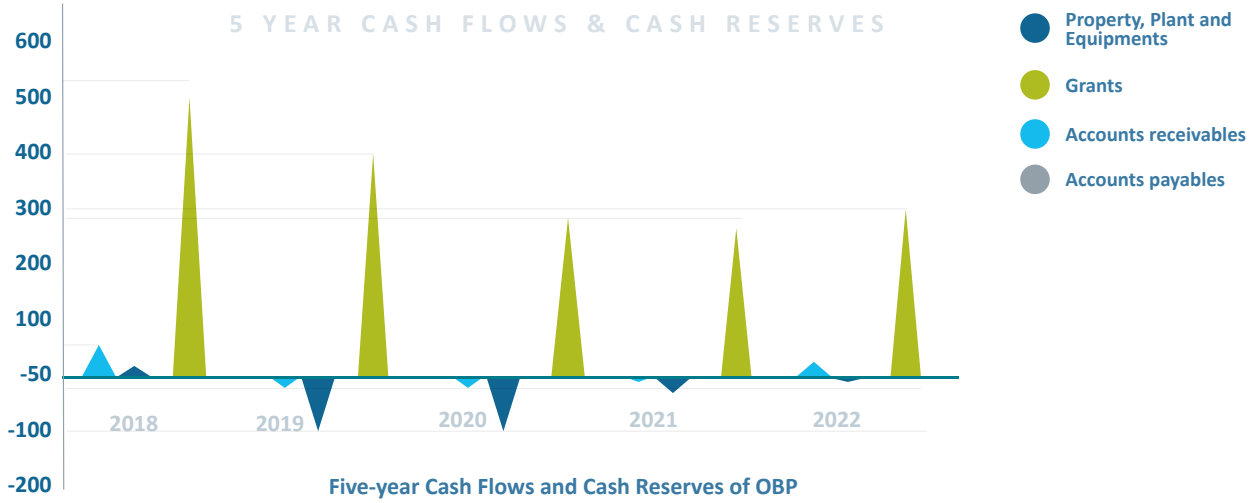
ORGANISATIONAL PERFORMANCE



Five-year financial performance of OBP



Five-year financial position of OBP



Five-year Cash Flows and Cash Reserves of OBP

FINANCIAL POSITION

The entity's financial position has improved over the past five years primarily due to the cash injection by the shareholder for the plant's recapitalisation programme.

The net cash balance on 31 March 2022 of R 308 million represents an increase of R 34 million in comparison to that of the year prior. The increase in cash position is due to the increase in operational cash flow and decrease in the investment in the modernisation and refurbishment project.

DELIVERING VALUE TO STAKEHOLDERS

Value is returned to the shareholder by ensuring that government priorities are met, particularly in alleviating poverty, through attaining food security and improved animal health within South Africa, the Southern African Development Community, Africa, and the world at large.

ISSUE GOING FORWARD

The entity remains cognisant of the need for continuous delivery to its stakeholders through improving operational performance and paying attention to efficiency, revenue maximisation, cost management, and the affordable pricing of products.

KEY FINANCIAL RISKS

A significant number of machinery acquisitions from overseas suppliers is envisaged within the MTEF. The entity has a formal foreign exchange policy approved by the Board, that will guide currency risk management in relation to the acquisitions to be executed. Currency risks are partially hedged through set-off effects of foreign currency assets and liabilities.

11 Corporate Governance Report

OVERVIEW

The Board accepts ultimate responsibility for the entity's adherence to sound corporate governance standards. It is the entity's intention to ensure that all business decisions at each level of the entity are made with reasonable care, skill, and diligence. Sound corporate governance structures and processes are applied at the entity and are considered by the Board to be pivotal in allowing the entity to deliver sustainable growth. Simultaneously, it is the Board's responsibility to ensure that the entity considers the full impact of its business on the social and natural environments within which it operates. Consequently, the Board continues to provide effective leadership on the basis of sound ethical business practices. The Board considers the entity's appropriate application of King IV as an essential feature in the manner in which the entity comports as a responsible corporate citizen.

The directors are ultimately responsible for the internal controls of the entity. The systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties. Ensuring that the proper monitoring of systems and controls in place throughout the entity is essential to providing assurance to the Board on the adequacy and effectiveness of the control environment.

Further detail on these systems and controls, including the operation of the entity's internal audit function, is provided in the AR&IT Committee section of the report. Accounting policies supported by judgments, estimates, and assumptions, in compliance with International Financial Reporting Standards (IFRS) are applied on the premise that the entity shall continue its operations as a going concern.

The Board, through the AR&IT Committee, oversees the implementation of the combined assurance approach and its effectiveness. It ensures that the scope of the combined assurance approach is informed by the principal risks and opportunities that materially affect the entity's ability to create value. The domains of assurance, comprising the entity's various departments internal and external assurance providers, and ultimately the Board) are collectively responsible for implementing and reporting on the combined assurance mandate through a coordinated approach to ensure its effectiveness.

Based on the information and explanations furnished by management, the internal auditors and the Board consider the internal financial controls to be adequate and that the financial records can reliably be used to prepare the financial statements in accordance with IFRS and to maintain accountability for the entity's assets and liabilities. The Board has presently not encountered anything to indicate a breakdown in the functioning of these controls potentially resulting in a material loss to the entity, transpiring during the year and up to the date of this report.

The Board has a reasonable expectation that the entity has adequate resources to continue operating as a going concern for the near future.

BOARD MANDATE

The Board is responsible for approving the strategic direction of the entity and assisting management in achieving its strategic goals. The Board is governed by a charter that sets out the framework of its accountability, responsibility, authority, and duty to OBP.

The Board conducts its business in the best interest of OBP and fulfils its fiduciary duty to act in good faith, with due care and diligence, and by ensuring that OBP performs in the interests of its broader stakeholders. These include present and future investors, customers, clients, business partners, employees, and the communities in which OBP operates.

Board of Directors

Independent Non-executive Directors

The OBP Board is comprised of:

- RENÉ KENOSI (Independent Non-executive Chairperson),
- Kribashni Naidoo,
- Lufuno Nematswerani,
- Dr Boitshoko Ntshabele[2] (Ministerial Representative),
- Nona Sonjani,
- Professor Khathutshelo Nephawe, and
- Luvuyo Mabombo*[3]

2 Dr Ntshabele was appointed as the Acting CEO on the 10 May 2021 and acted in this position until 29 October 2021.
3 Mr Mabombo was appointed as Interim CEO on the 9 November 2021 to 9 May 2022.
Mr Mabombo's appointment was extended for an additional 6 months.

AR&IT Committee

- NONA SONJANI (Chairperson),
- Professor Khathutshelo Nephawe,
- Kribashni Naidoo,
- Dr Boitshoko Ntshabele

Board Sub-Committees

The Board delegates certain functions to sub-committees without abdicating its own responsibilities. Delegation is formal and entails:

- approved and documented terms of references for each sub-committee, which are reviewed once a year; and
- that the sub-committees be appropriately constituted by members with adequate qualifications and skills.

The AR&IT Committee, Remuneration, Human Resources and Ethics (REMCO) Committee, Research and Development Committee, and Operations, Sales and Marketing Committee are established sub-committees that assist the Board in performing its duties. The combined roles and responsibilities of the sub-committees are imperative in enhancing good corporate governance, improving internal controls, and thus in assisting with the sustainable performance of the entity.

Operations, Sales & Marketing Committee

- Lufuno Nematswerani[4] (Chairperson),
- René Kenosi,
- Dr Boitshoko Ntshabele
- Luvuyo Mabombo

4 Mr Nematswerani, the Chairperson of the REMCO was appointed as Interim Chairperson of the Operations Committee from 9 November 2021.

REMCO

- Kribashni Naidoo[5] (Chairperson),
- René Kenosi,
- Lufuno Nematswerani,
- Dr Boitshoko Ntshabele
- Luvuyo Mabombo

5 Ms Naidoo was appointed as Interim Chairperson of the REMCO

Research & Development Committee

- Professor Khathutshelo Nephawe (Chairperson),
- Nona Sonjani,
- Dr Boitshoko Ntshabele
- Luvuyo Mabombo

Executive Management

Baptiste Dungu, CEO
(1 March 2019 – 21 December 2021)

Dr Boitshoko Ntshabele
Acting CEO (10 May 2021-29 October 2021)

Luvuyo Mabombo
Interim CEO (appointed 9 November 2021)

Elspeth Govender
Chief Financial Officer

Dr Jacob Modumo
Business Development Officer

Dr Bethuel Nthangeni
Chief Scientific Officer

Collin Manickum
Chief Operations Officer
(appointed 2 November 2021)

Adv Pieter van der Sandt
Head of Legal and Company Secretariat
(appointed 1 October 2021)

BOARD CHARTER

KEY ROLES AND RESPONSIBILITIES

The general powers of the Board and the directors are conferred in the entity's Memorandum of Incorporation (MOI). The terms of reference for the Board are set out in its charter which is reviewed on an annual basis and provides a clear and concise overview of the roles, responsibilities, and authority of the Board members. The revised charter is available upon request from OBP's Company Secretariat.

The powers and responsibilities of the Board include:

- approving the strategic direction of OBP and the budget necessary for the implementation of the strategy,
- being the guardian of the ethics and values of OBP,
- retaining full and effective control of OBP,
- appointing the Chief Executive Officer and ensuring proper succession planning for the senior executive management,
- monitoring and guiding management,
- safeguarding the integrity of corporate governance processes,
- implementing best practice disclosure and reporting practices that facilitate transparent and open communication with key stakeholders throughout the year,
- effecting proper strategic measures for the safeguarding and growth of OBP's assets,
- approving the financial statements.

THE ROLE OF THE CHAIRPERSON

- The Chairperson provides leadership and firm guidance to the Board while encouraging proper deliberation,
- Being the link between the Board and Management,
- Being the main contact between the Board and the entity's Shareholder.

The non-executive directors are individuals who objectively contribute a wide range of industry skills, knowledge, and experience to the Board and are not involved in the daily operations of the entity. All non-executive directors have unrestricted access to management at any time. When required, non-executive directors are entitled to have access to the external auditors and, at the entity's expense, to seek independent professional or expert advice on any matters pertaining to OBP. The Board meets at least once every quarter; eight board meetings were held during the reporting year. (four quarterly board meetings and four special board meetings).

Details of attendance are in the table on page 42.

AR&IT COMMITTEE

The AR&IT Committee has an independent role as a separate statutory committee with accountability to both the Board and OBP's shareholder. The Committee is chaired by an independent non-executive director, Ms Nona Sonjani, and comprises of two independent non-executive directors. Committee members are assessed in terms of their qualifications, experience, and independence in line with their required duties in compliance with corporate best practices and the Companies Act. The Committee members are recommended to the Board for approval annually and will be presented for shareholder election at the annual general meeting.

The Committee meets at least four times annually, but more often where necessary. During the reporting period, the Committee met eight times.

The Committee has unrestricted access to the internal and external auditors. OBP's Company Secretary is the secretary of the Committee. The Chairperson represents the AR&IT Committee at the annual general meeting.

The Committee's responsibilities of the Committee per its, states the following:

- Overseeing all risks that may impact on the integrity of the Integrated Annual Report. Interim and annual results are reviewed to ensure that the financial results are valid, accurate and represent OBP's performance fairly.
- Assisting the Board with all financial reporting, review the annual financial statements as well as the preliminary announcements and the interim financial information.
- Providing a level of assurance to the Board on the sustainability reporting in addition to the financial reporting.
- Providing the Board with its views in the bi-annual assessment of the going concern status of OBP, and regularly reviews the appropriateness of the capital structure.
- Assessing internal controls governing accounting, auditing, and financial reporting.
- Reviewing and recommending the Integrated Annual Report to the Board for approval.
- Reviewing and monitoring the structure, performance and activities of the Internal Audit function, the external auditors and the adoption of internal control procedures including accounting policies, legislative compliance, regulatory matters, and governance.
- Nominating the external auditors for appointment, approving the terms of engagement and remuneration for the external audit engagement, and monitoring and reporting on the independence of the external auditors in the annual financial statements.
- Setting the criteria for recommending the engagement of the external auditors for non-audit services.
- Approving the internal audit plan and overseeing the external audit process.
- Overseeing financial reporting risks, internal financial controls, fraud, and IT risks, as they relate to financial reporting.
- Advising and updating the Board on issues ranging from accounting standards to published financial information.
- Approving and monitoring OBP's whistle-blowing systems and processes.
- Consider the findings by the external auditors arising from their annual statutory audit when tabled, following the audit.
- Endorsing action plans for management to mitigate risks.
- Having access to the entity's records, facilities, employees, and any other resources as necessary to discharge its responsibilities effectively.

The CEO reports to the Committee on the effectiveness of internal controls. The Committee has considered and is satisfied with the expertise and experience of OBP's Chief Financial Officer and has considered and is satisfied with the independence of the external auditors and the effectiveness of OBP's internal audit function.

The AR&IT Committee recommended the Integrated Annual Report to the Board for approval.

INTERNAL CONTROL SYSTEMS

Management is responsible for internal control systems. These are designed to assist in achieving business goals and safeguard assets. They play a key role in preventing and detecting fraud and error. An effective internal control system provides reasonable assurance with respect to financial statement preparation and asset protection.

As the effectiveness of internal control systems can change with circumstances, these are reviewed and updated regularly. The systems presently in place are appropriately supported with the monitoring requirements.

INTERNAL AUDIT

During 2021/2022, OBP engaged Nexia SAB&T as an outsourced internal audit service provider. OBP's internal audit function uses a risk-based methodology. The annual internal audit rotation plan is developed to give due consideration to the risks identified and the business requirements. It is approved by the AR&IT Committee. OBP's ExCo are kept abreast with the internal audit function's activities through comprehensive reports that include the internal audit findings and recommendations, management comments and regular status updates. During the year, OBP's internal audit function fulfilled its duties with the support and cooperation of the Board, management, and staff.

REMCO

The Committee is responsible for ensuring that OBP's executive directors and management are rewarded fairly in accordance with their individual contributions to OBP's overall performance objectives. The Chairperson of the REMCO for the year under review was respectively Lufuno Nematswerani and Kribashni Naidoo. The Committee consists of the Chairperson and two Independent Non-Executive Directors. OBP's CEO attends all the REMCO meetings by invitation. Four meetings and one special meeting were held during the year.

REMUNERATION POLICY

OBP operates in a highly competitive market in which key skills and technical know-how are critical to the success of OBP. OBP seeks to reward employees fairly and in line with the market in similar industries.

The REMCO oversees and makes recommendations to the Board on matters such as salary increases and employee benefits in consultation with the CEO and management. OBP remunerates its executive directors based on reliable benchmarked data and seeks to achieve market-related cost to employer packages that are a combination of basic salaries augmented by incentives, provided that OBP achieves stipulated returns on assets. The performance of the CEO is evaluated annually by the Chairperson of the REMCO in order to determine his salary package for the subsequent year.

Similarly, the CEO conducts an annual review of the performance of all senior executives. The remuneration of these executives and other executive directors is detailed in the annual financial statements (refer pages 139 to 141).

The Committee is also responsible for the Social, Ethics, and Transformation function of OBP assists the Board in ensuring that OBP remains a good and responsible corporate citizen, and performs the statutory functions required of a Social and Ethics Committee in terms of the Companies Act and King IV.

The responsibilities and functioning of the Human Resources, Remuneration and Ethics Committee in relation to Social, Ethics, and Transformation are:

POLICY REVIEW:

The Committee is responsible for developing and reviewing the policies on the commitment, governance, and reporting of OBP's sustainable development performance and for making recommendations to the Board and management in this regard.

MONITORING SUSTAINABLE DEVELOPMENT PERFORMANCE:

The Committee performs a monitoring role in respect of OBP's sustainable development performance, in particular:

- stakeholder engagement,
- health and public safety - that includes occupational health and safety and the quality of OBP's clinical services,
- broad-based black economic empowerment and transformation,
- labour relations and working conditions,
- training and skills development of employees,
- management of OBP's environmental impacts,
- ethics and compliance, and
- corporate social investment.

The Committee also monitors relevant legislation and prevailing codes of best practice, specifically on matters relating to social and economic development, good corporate citizenship, environmental management, health and safety, consumer relationships, as well as labour and employment practices.

- Material sustainability issues: the Committee is responsible for annually revising or determining, in conjunction with senior management and through effective stakeholder engagement processes, OBP's material sustainability issues.
- Public reporting and assurance: the Committee is responsible for reviewing and approving the annual sustainability content, regarding social, ethical, and transformational issues included in the Integrated Annual Report and published on the entity's website. In addition, the Committee makes recommendations on external assurance of OBP's public reporting on sustainable development performance.

The Committee is also required to report on matters within its mandate, through one of its members, to the entity's shareholder at its annual general meetings.

As described, the Board assesses the effectiveness of the Committee annually, with the first assessment to be conducted towards the end of 2022.

For a more detailed review on sustainability, refer to pages 49 to 51 of this report.

2986

OPERATIONS, SALES, AND MARKETING COMMITTEE

The Committee is responsible for overseeing the development of strategies, policies, and standards related to the committee's functions as well as:

- Advising management on the mobilisation of resources and overseeing the establishment of processes for the support of the core mandate of the entity.
- Having an oversight role on consumer relations, including the entity's advertising, public relations activities, and compliance with consumer protection laws.

The Chairpersons for the Operations Committee for the year under review were, respectively, Luvuyo Mabombo and Lufuno Nematswerani. The Committee consists of the Chairperson and two Independent Non-Executive Directors. Four meetings were held during the year.

RESEARCH AND DEVELOPMENT COMMITTEE

The Committee oversees and is accountable for the establishment of strategies, policies and standards pertaining to the Committee's functions as well as:

- Advising management on the mobilisation of resources.
- Overseeing the establishment of processes for the support of the core mandate of the entity.
- Facilitating collaborations and partnerships with respect to the functions of the entity as well as the development of the research agenda for the entity, and
- Ensuring that all intellectual property is managed in accordance with the Intellectual Property Policy.

The Committee consists of the Chairperson and two Independent Non-Executive Directors. Four meetings were held during the year.

THE ROLE OF THE CEO

The year under review has been a tumultuous period with regard to the senior leadership of OBP. The former CEO, Dr Dungu exited the entity and the Board requested Dr Boitshoko Ntshabele to act as the CEO in May 2021. In October 2021 Dr Ntshabele regrettably had to step down due to ill health and the Board subsequently requested Mr Luvuyo Mabombo to fill the vacancy as Interim CEO in November 2021 for a period of six months, which was further extended for six months. OBP is currently in the process of recruiting and appointing a new, permanent CEO.

THE ROLE OF THE COMPANY SECRETARY

The role of the Company Secretary is largely determined in Section 88 of the Companies Act and includes:

- Guiding the Board members in their duties and responsibilities,
- Providing Board members with all necessary information sufficiently ahead of the scheduled Board meetings to enable effective discharge of their responsibilities,
- Making Board members aware of any law and governance best practice that is relevant to the entity,
- Reporting to the Board any failure by the entity or Board members to comply with the MOI, the Companies Act, the PFMA, Treasury Regulations, etc,
- Ensuring that all shareholders' meetings, board meetings, and sub-committee meetings are properly recorded,
- Certifying that the entity has filed the required returns and that notices appear to be true, correct, and up to date,
- Ensuring that a copy of the OBP's annual financial statement is distributed to the relevant stakeholders,
- Coordinating the formal induction programme for new Board members, and
- Overseeing the induction of new directors and the ongoing professional development of current directors.

MEMBER'S MEETING ATTENDANCE

Board and Committee Meetings attendance April 2021 to March 2022

Name	Board	Special Board	AR&IT	Special AR& IT	Operations Sales & Marketing	Research & Development	REMCO	Special REMCO
Total Meetings Held	4	4	4	4	4	4	4	1
* Ms R Kenosi	4	4			4		4	1
** Ms N Sonjani	4	4	3	4		4		
*** Mr L Nematswerani ******Mr L Nematswerani	4	4					4	1
**** Ms K Naidoo	4	4	3	3			4	1
***** Mr L Mabombo	4	4			4			
*******Prof K Nephawe	4	4	3	4		4		
· Dr B Ntshabele	4	3	3	3	3	4	4	0

Legend:

* Board Chairperson
** AR&IT Chairperson
***REMCO Chairperson – from April to December 2021
****REMCO Chairperson – from January 2022
*****Operations, Sales, and Marketing Committee Chairperson – from April to December 2021
******Operations, Sales, and Marketing Committee Chairperson – from January 2022
*******Research and Development Chairperson
· Minister's representative on OBP's Board

The table above indicates the attendance of Board members at the scheduled and special board and sub-committee meetings during the period 1 April 2021 to 31 March 2022.

REGULATORY COMPLIANCE

Board members are kept updated on changes to all relevant legislation. Based on the principal laws and regulations effective during the year, there were no known material areas of non-compliance within OBP. However, areas of improvement were noted, and action plans are monitored through the AR&IT Committee. No material fines were incurred nor were there any prosecutions of the entity or directors for failure to comply with any applicable regulations.

CONFLICTS OF INTEREST

The Board recognises the importance of acting in the best interest of OBP and protecting the legitimate interests and expectations of its stakeholders. The Board consistently applies the provisions of the Companies Act on disclosing or avoiding conflicts of interest. All directors are required to declare their universal interests annually and specifically at each meeting of the Board in accordance with the requirements of the Companies Act.

The entity has a policy to address the acceptance of gifts that requires that permitted gifts be officially declared and registered in the entity's gift register.

MANAGEMENT REPORTING

Comprehensive management reporting disciplines are in place. These include the preparation of annual budgets by all departments of the entity.

The entity's budget is reviewed by senior management and approved by the Board, with monthly results reported against approved budgets. Profit projections and cash flow forecasts are updated regularly, while working capital and cash levels are monitored on a continuous basis.

ICT

The Board recognises that ICT is an integral part of conducting business at the entity, fundamental to the support, sustainability, and growth of the entity. ICT serves all aspects, components, and processes in the entity, not only as an operational enabler but also as a strategic business imperative that can be leveraged to create opportunities and gain a competitive advantage. Conversely, the Board is cognisant of the fact that ICT also presents the entity with significant risks. This, together with its related costs and constraints, necessitates that it be well governed and controlled to ensure that it supports the entity's strategic objectives. While the responsibility for ICT governance ultimately resides with the Board, the oversight of this function is delegated to the AR&IT Committee, which oversees the adequate management of ICT governance across the entity.

ACCESS TO INFORMATION

The entity complies with the requirements of the Promotion of Access to Information Act 2 of 2000 (PAIA). The corporate manuals are available on the website at www.obpvaccines.co.za and from the entity's Company Secretary.

ALTERNATIVE DISPUTE RESOLUTION

As the primary step towards the resolution of disputes, the entity seeks to utilise constructive dialogue with the relevant parties and only engages external legal advisors, arbitrators, and/or mediators to expedite dispute resolution when and where dialogue has not yielded satisfactory progress towards resolution.

The entity endeavours to include dispute resolution procedures in contracts with suppliers, customers, and other stakeholders with whom it may contract from time to time.

HUMAN RIGHTS

The entity's commitment to fundamental human rights, as embodied in the South African Constitution's Bill of Rights, is an essential element of the entity's daily operations and is integral to its objective to be an exemplary global corporate citizen. the entity's pledge to human rights requires that all employees understand and carry out their responsibilities consistently in compliance with the entity's code of ethics and values. It is for this reason that the entity's employees, customers and suppliers, and representatives are expected to:

- honour human rights and respect the individual dignity of all persons globally,
- support diversity, equal opportunity, and freedom of association and not tolerate unlawful discrimination and harassment in the entity workplace,
- continually strive to provide safe and healthy workplaces to all employees,
- not use any form of forced or indentured labour or child labour in the production or manufacturing of goods, and
- not discriminate based on race, colour, religion, gender, age, language, culture, national origin, citizenship, sexual orientation, or disability.

FRAUD AND ETHICS MANAGEMENT

The entity has a zero-tolerance stance on fraud and corruption. The entity's expectation is that employees, business partners, contractors, and associates conduct themselves with the highest level of integrity and in line with the entity's code of ethics and the fraud and corruption policy. The detailed code of ethics commits the entity and its employees to the highest standards of ethical and professional behaviour and has the full support of the Board and the CEO.

This code has been effectively communicated to all the entity employees and is applied to all interactions between the entity, its directors, executives, management, and employees, both amongst themselves and with outside stakeholders, customers, suppliers, shareholders, and society at large.

The Board and management team do not tolerate unethical conduct and are committed to ensuring that the entity and its employees uphold the entity's credible reputation. The entity's code of business conduct, which is supplementary to the code of ethics, provides guidelines for employees on the expected behaviour in relation to business integrity, prohibition of unethical conduct (such as bribery, fraud, and theft), accountability, and compliance with legislation, regulations, and business controls.

All employees are required to sign and accept the code of ethics, acknowledge responsibility for their corporate fiduciary duty, and declare any conflicts, both upon appointment to the entity and as part of the scheduled annual certification. Management is accountable for implementing the fraud and corruption policy, the code of ethics, and the concomitant procedures.

The code of ethics forms the foundation of the entity's fraud policy that fosters a strong and healthy ethical culture. Both policies are fully compliant with the Prevention and Combating of Corrupt Activities Act 12 of 2004. The entity's fraud policy prescribes that all reported allegations be investigated.

WHISTLE-BLOWING

In an effort to enforce the code of business conduct, the entity acknowledges the importance of having a facility for reporting any unethical or improper actions. To this end, the entity has, in conjunction with its designated service provider, Whistle-Blowers (Pty) Ltd, established a confidential reporting facility that is available 24 hours a day. All stakeholders are encouraged to use this facility to report unethical or improper behaviour. In addition, employees are encouraged to anonymously report incidents to line managers, senior executives, or to the Whistle-Blowers facility.

All reports logged during the year have been referred to the Risk department for further investigation and reported to the AR&IT Committee. Where required, appropriate action has been taken, and necessary control improvements have been satisfactorily implemented.

LEGISLATIVE COMPLIANCE

The Board is ultimately responsible for overseeing the entity's compliance with relevant laws, rules, codes, and standards. The responsibility for implementing an effective compliance framework and processes as envisaged by King IV has been delegated to management. As such, the Head of Legal and Company Secretariat has been appointed as the entity's compliance officers. The compliance officer assures the Board that the entity is compliant with applicable laws and regulations and executes rectifying measures where required.

The Compliance Officer's functions include:

- identifying and advising the Board and management on new and existing legislation applicable to the entity's business.
- developing and implementing the entity's compliance programme.
- annually reviewing the compliance procedure.
- monitoring the development and implementation of new legislation and reporting quarterly on these matters to the AR&IT Committee and annually to the Board.

Based on the principal laws effective during the year, there were no known material areas of non-compliance within the entity. However, areas of improvement were noted, and action plans are monitored through the AR&IT Committee. Neither material fines were incurred nor were there any prosecutions of the entity or directors for failure to comply with any applicable legislation.

NOTE ON THE ENTITY'S FINANCIAL REPORTING

For more information on the entity's financial strength and sustainability, please refer to the Interim Chief Financial Officer's report on page 25 as well as the Annual Financial Statements on page 104.

As a part of the entity's corporate governance policy, standards and systems of internal controls are designed and implemented by management to provide reasonable assurance on the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments and entity assets.

12 Risk Management

Risk management is an integral part of corporate governance and culture. As a vaccine-manufacturing state-owned entity, the entity is exposed to a myriad of present and future risks and may experience unexpected variations in the overall business performance due to these occurrences.

The entity's Risk Management Policy and Framework set out an approach with responsibilities to effectively manage material risks – the possibility that an event that can adversely affect the achievement of the entity's strategic outcome-oriented goals can occur. It also sets out the approach to identifying, analysing, managing, and reporting internal and external risks and opportunities.

The entity has adopted both top-down and bottom-up approaches for risk identification to ensure effective risk management. The entity's risk management strategy aims to keep everyone in the entity involved in the risk management process, to ensure accountability, and to contribute to the risk awareness culture.

A formal risk assessment is conducted at least once a year and risk plans are developed for significant risks. The Risk management department tracks and monitors these risks and their mitigation plans at all operational levels. The AR&IT Committee and the Board receive regular progress updates on the implementation of the key responses identified.

The risk management unit regularly monitors the effectiveness of the entity's risk management processes, and the overall process is reviewed by internal auditors with the findings presented to AR&IT Committee and the Board.

In establishing the adequacy and effectiveness of management's actions to mitigate the associated risks, the AR&IT Committee and the Board have adopted a combined assurance model.

MANAGING RISKS

Risk assessments were conducted with the executive and management team followed by consolidation and analysis of the priority risks. The Board reviewed and approved the Strategic Risk register and the Risk Assessment Report.

Mitigation strategies for identified risks are developed by management to treat the risks to acceptable levels in alignment with the strategy. Management may use the options available to decide whether to:

- eliminate the risk through preventative processes,
- accept the risk by maintaining the risk at its current level,
- share the risk with an independent counterpart, or
- manage the risk by implementing policies and procedures to reduce the risk.

Line managers are responsible for ensuring that appropriate treatment action plans are implemented and that internal controls are in place.

The entity's current strategic risks are as follows:

RISK RATING	STRATEGIC RISK	POTENTIAL IMPACT ON VALUE
	Research & Development Outputs	Lack of research and development outputs may result in an inability to respond to customer needs and loss of business to competitors
	Intellectual Property	The Illegal use of OBP-developed Intellectual Property by third parties will have a significant value-based impact and resultant loss of revenue for the entity.
	Legislative and Regulatory Compliance	Failure to adhere to legislative and regulatory prescripts may result in penalties being imposed and reputational risk for the entity
	Strategy Execution	Failure to execute strategy effectively may result in problems such as unclear or missing objectives and targets, wrong use of measures and performance indicators (KPIs), failing resource allocation, or counterproductive incentives
	Business processes	Ineffective business processes will have a negative impact on operational effectiveness and business growth.
	Business model	The downturn in the economic climate and failure to timeously adapt the entity's business model adapt could adversely affect operating margins and pose a threat to financial sustainability
	Business Continuity Management	Delayed or interrupted recovery procedures from disasters and business disruptions may have an adverse effect on operations and loss of revenue for the entity.
	Stakeholder Management and Reputational Risk	Failure to effectively manage the entity's reputation and its stakeholder base could lead to lost revenue and diminishing stakeholder value
	Comprehensive HR strategy	Loss of key personnel and workforce cohesiveness
	Health and Safety Risks	The risk of health hazards, poor safety practices, and injuries to – or loss of life of employees and other stakeholders (i.e., suppliers, customers, etc.) may have an adverse effect on the operations and reputation of the entity.

OVERALL MANAGEMENT ASSESSMENT OF OPPORTUNITIES AND RISKS

The entity's commitment to continuous improvement in the implementation of the risk management framework has proven valuable in enhancing the entity's risk management capabilities and infrastructure.

The entity aims to proactively manage risk and opportunities in an ever-changing operating environment in pursuit of its strategic outcome-oriented goals including creating, preserving, and realising value for its stakeholders.

The entity is implementing responses (or recommendations) from the Board to mitigate risks and minimise the short-term and midterm impacts on its business.

The entity's management continues to focus the risk management process and activities on ensuring the effectiveness, appropriateness, and adequacy of these key mitigations of significant risk impact to deliver on its operational and strategic goals and its mandate.

13. Sustainability Report

The sustainability report presents a consolidated view of the entity's social and environmental performance for the year under review and aims to provide a balanced, understandable, and comparable account of its sustainability activities and challenges.

The entity recognises the regulations, guidelines, and recommendations of international sustainability best reporting practices, the King IV in South Africa, and the Global Reporting Initiative (GRI), the international benchmark for sustainability reporting.

The entity acknowledges that it still has some way to go in aligning reporting processes to the GRI. However, in keeping with the GRI's vision, the entity will continue to improve non-financial reporting processes over time, based on the principles of accountability and transparency.

In order to grow and prosper in years to come, the entity believes that it needs to contribute positively to the communities it operates in, its employees, and the macroeconomy.

SOCIO-ECONOMIC DEVELOPMENT

Socio-Economic Development is a vital part of the entity's identity. The entity strives to remain cognisant of its duty as a responsible corporate citizen, realising the importance of ploughing back into the various communities it operates in, which are mostly in rural and underdeveloped areas. Through the development of knowledge and skills, and in supporting developmental, social, and environmental projects, either financially or in kind, the entity contributes significantly towards the drive to sustainability.

Even during tough economic times, the entity's philosophy remains to assist, where possible, in working towards the improvement of impoverished facets of South Africa's society. During the year under review, the entity delivered non-perishable grocery hampers to the underprivileged communities of the Moletjie and Majosi villages of the Limpopo Province, as part of its Corporate Social Investments responsibility, and as part of its contribution towards Honourable Minister Ms Thoko Didiza's donation initiative.

Awareness regarding the exploration of mechanisms to address the triple challenges of inequality, unemployment, and poverty, was raised in the communities visited. The promotion of unity in the struggle against food insecurity, which includes hunger and malnutrition, was evident in the handout of the food hamper to the families in need.

The entity will continue to do its part as a responsible corporate citizen.

ENVIRONMENTAL

ENCOURAGE INNOVATIVE "GREEN" INITIATIVES THROUGHOUT THE ENTITY

Implementing an entity-wide environmental programme within a decentralised entity is not without its challenges. However, there are definite opportunities for innovative product development, particularly relating to technology offerings, enhancing existing procurement methods, and introducing a data collation strategy for environmental measurement.

The entity is at the cutting edge of technology adoption, both introducing key technologies from abroad and developing its own in-house emergent technologies. The world of work is evolving rapidly, and information technologies are increasingly being used to introduce efficiencies in the workforce management process.

CREATING AWARENESS AROUND ENVIRONMENTAL IMPACT

Awareness campaigns around environmental sustainability is a journey that will commence this year. Areas where internal initiatives can be implemented to further reduce impact on the environment will be identified. Over time, the aim is to embed a culture of social and environmental responsibility amongst employees, through training and awareness campaigns.

The entity, therefore, remains dedicated to preserving and investing in the natural environment, reducing its carbon footprint, to playing a broader role in the economy and upliftment of the societies in which it operates.

14 Stakeholder Engagement

STAKEHOLDER IDENTIFICATION

Stakeholders are individuals or parties who are directly or anticipated to be impacted by the entity's activities. That is, stakeholders have a vested interest in the entity and can either be affected by or affect the entity's operations and performance.

The entity has put in place policies and procedures to ensure timely communication of accurate and relevant information to each stakeholder in a consistent manner. Stakeholders, and the manner in which communication is disseminated to them, are reviewed regularly by management.

STAKEHOLDER ENGAGEMENT

The entity recognises that its continued sustainability is dependent on its relationships with key stakeholders, and will continue to improve communication channels, as well as provide accurate and relevant information to these stakeholders.

A stakeholder inclusive governance approach is something that the entity strives to implement timeously, through continued stakeholder engagement, as well as transparent and consistent communication systems.

The stakeholders are encouraged to interact with the entity to gain a better understanding of the business and to make suggestions on ways to improve its product and service offerings, using the following channels:

- direct contact with the customer,
- the independently monitored Tip-Offs Anonymous hotline,
- the Company Secretary who also provides access to publicly available corporate information, and
- products information and literature.

In addition, the Company Secretary deals with requests in terms of the PAIA, the manual for which can be obtained directly from the Company Secretary.

The entity uses opportunities to communicate its strategic direction and plans so that stakeholders are fully apprised of its expectations and requirements. Simultaneously, the entity receives valuable feedback from its customers and suppliers, with regards to its products and services, and where these can be improved. This feeds into the entity's product and service development plans. The entity attends and exhibits at the leading local and international trade fairs, as well as local engagements/events.

The entity also produces a quarterly employee newsletter, which keeps employees abreast of all news and information relevant to its internal stakeholders in addition to other regular communications with its employees.

High-level engagement also occurs with representative Labour Unions to promote matters of mutual interest.

The entity also engages directly with various government entities at a national, provincial, and regional government level.

COMMUNICATIONS

Communication, in principle, is a way of connecting people through the use of mutually understood platforms and remains a fundamental key function an entity cannot operate without when communicating to all of its diverse stakeholders.

As the world learns to live in the 'New Normal' and adapts to living with COVID-19, the dissemination of the desired information from the entity to its internal and external stakeholders, and processes, continues to evolve in its innovativeness, given the complexities thereof, that remain integral and desirable. Virtual-based communication channels as a communication medium, continue to thrive as the preferred means of communication.

It remains crucial for the entity to continue maintaining an informative and transparent environment, which promotes effective communication and dialogue for all stakeholders involved.

During the year under review, the communication channels were continuously maintained. In addition, intricate engagement with media houses and journalists was maintained, whether favourable or not, which further enhanced relationships, while enforcing transparency and information sharing as best as possible.

Alternative innovative methods of communication, in an endeavour to retain export customers, continued, even when lockdown regulations for the country were relaxed.

There were several engagements with industry stakeholders such as RPO, NGWA, SAVA, to name a few, as well as other emerging farmer groups, both national and provincial.

The entity will continue to ensure that positive and productive communication with its stakeholders is prioritised timeously and effectively.

15 Our Products

Full Range of our Products

BOVINE (CATTLE) | CAPRINE(GOATS) | EQUINE(HORSES) | OVINE(SHEEP) | AVIAN(POULTRY)

	BOVINE (CATTLE)	CAPRINE(GOATS)	EQUINE(HORSES)	OVINE(SHEEP)	AVIAN(POULTRY)
Actinomyces (Corynebacterium) Pyogenes	✓	✓		✓	
African Horse Sickness			✓		
Anaplasmosis (Frozen) (Tick-Borne Gallsickness)	✓				
Anthrax Spore	✓	✓	✓	✓	

Black Quarter	✓			✓	
Bluetongue				✓	
Blue Udder				✓	
Botulism		✓	✓	✓	
Botulism / Black Quarter (Combined)	✓				
B-Phemeral (3DSS)	✓				
Brucella Rev.1		✓		✓	
Brucella S19	✓				
Calf Paratyphoid (Inactivated Polyvalent)	✓				
Calf Paratyphoid (Live)	✓				
Campylobacter (Vibrio) *Fetus*	✓				
Chlamysure	✓	✓		✓	
Clostridium septicum	✓	✓		✓	
Corynebacterium ovis		✓		✓	
Coryzaplus					✓
Elephant Skin Disease	✓				
Enterotoxaemia (Alum-precipitated)		✓		✓	
Enterotoxaemia (Oil-emulsion)	✓	✓			
Escherichia coli (Oil-emulsion)	✓			✓	
Fowl Pox					✓
Fowl Typhoid					✓
Gas Gangrene Complex	✓	✓		✓	
Heartwater-Infective Blood	✓	✓		✓	
Lamb Dysentery				✓	
Leukopast	✓				
Leukopast 3	✓				
Lumpy Skin Disease	✓				
Orf (Freeze-Dried)		✓		✓	
Pasteurella Vaccine for cattle	✓				
Pasteurella Vaccine for sheep and goats		✓		✓	
Redwater African (Frozen)	✓				
Redwater Asiatic (Frozen)	✓				
Rift Valley Fever (Inactivated)	✓	✓		✓	
Rift Valley Fever (Live)	✓	✓		✓	
Swelled Head	✓			✓	
Tetanus	✓	✓	✓	✓	
Wesselsbron Disease		✓		✓	

16 Holistic Organisational Overview

MANUFACTURING AND PRODUCTION

Numerous challenges were experienced in the operations division during the 2021/2022 financial year. These challenges occurred within production, and in the Engineering, Maintenance, and Utilities (EMU) department. While production continued despite these challenges, these invariably had a negative impact on planned production, resulting in delayed availability of certain vaccines to the market. This delay in vaccine availability placed the entity under immense media scrutiny. Strategies to mitigate and overcome the impact of these challenges have been developed and executed by the newly appointed Chief Operations Officer.

Unforeseen breakdowns and repairs to equipment and machinery critical to vaccine production were major contributing factors to the failure to adhere to production plans. A short-term maintenance plan has been developed and implemented, that focuses on the preventative maintenance of critical equipment and machinery. In addition, a long-term infrastructure upgrade plan (up to 2029) has been developed for the upgrading of facilities and the replacement of obsolete machinery and equipment.

A new EMU plan, focussing on proactive predictive maintenance in line with engineering departments in world-class entities has been proposed and approved by the Board for implementation in the 2022/2023 financial year.

Additional challenges identified included, amongst others, a lack of modern management systems to aid production efficiency. Root causes for batch failures due to contamination and other causes were not identified, leading to repeat failures. Measures are being put into place to eradicate the root causes, leading to a change in the culture at the frontline operator level where batch failures are interrogated to preclude the occurrence of repeat failures.

Production further experienced challenges in its ability to react swiftly to changes in market requirements for vaccines. To facilitate the swift reaction time to market changes, collaborations between the operations and business development divisions resulted in the implementation of a multi-disciplinary bi-weekly Strategic and Operations Planning (S&OP) forum. This forum is to ensure two-way communication to accelerate responses to changes to market requirements.

Additional production capacity to ensure an improved capability to deliver vaccines is a goal of the GMP facility. This project was delayed during the year under review due to a contractual dispute with the principal consulting engineer. An outcome for this dispute had been identified in the last quarter of 2021/2022, and the project will resume during the subsequent financial year. During the year, the GMP roadmap has continuously been updated as identified internal activities have been executed.

SALES AND MARKETING AND BUSINESS DEVELOPMENT

ORGANISATIONAL PERFORMANCE

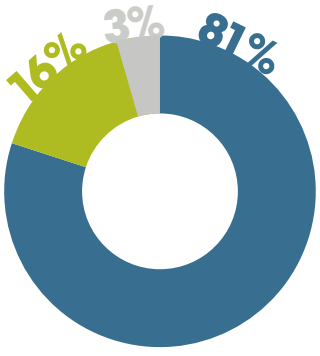
During the fourth quarter of the current financial year, the South African economy performed well, displaying expanded growth of 1,2%. The most significant contributor to economic growth was agriculture, which was supported by good rainfall seen in the latter part of the year. The first quarter was, however, severely affected by the COVID-19 lockdown regulations that were eased in later months. This positive change had the majority of farmers invest more in increasing their herd. The outbreak of FMD impacted farmers in provinces such as Limpopo and Kwa-Zulu Natal with most farmers unable to market their products. However, the outbreak increased demand for the vaccines and this benefited the entity substantially.

Though the entity had production and supply challenges, the entity performed well against its overall budget targets. Against both budget and previous financial year, the year ended at -2% and -22% respectively behind budget and sales of the previous year. During the same period, the domestic market was 6% and 23% behind both budget and sales of the previous year respectively while export was 3% above budget and 21% behind sales of the previous year.

Table 1: Organisational performance

	2021/22 vs budget	2020/21 vs 2021/22
Domestic	-6%	-23%
Export	3%	-21%
Gross value	-2%	-22%

PRODUCT PERFORMANCE



Products per segment, as indicated in figure 1, show that viral products contributed close to 81% of revenue, blood vaccines 3%, and bacterial products 16%.

Product supply challenges negatively impacted the total quantities sold in the 2021/2022 financial year, with fewer doses sold in the year under review.

PARTNERSHIP AND GOVERNMENT SUPPORT

The marketing team managed to meet its targets in the number of farmers trained, and emerging farmers benefitted from this initiative. The majority of the co-operatives were also visited, including co-operative head offices and branches. The entity participated in activities with farmer associations and provincial veterinary departments on disease awareness and training of farmers.

Botulism
For animal use only
50 100 100 50
Doses
ONDERSTEPOORT BIOLOGICAL PRODUCTS
BOTULISM
Clostridium botulinum types C & D
Reg. No. G 0111 (Act 36/1947)
Namibia: V01/24.4/180
100 ml
DOSAGE: Sheep and goats:
1 ml subcutaneously
Cattle, horses and mules:
2 ml subcutaneously
Storage: 4 °C - 8 °C
See package insert for full instructions.
Registration holder:
Onderstepoort Biological Products SOC Ltd
Co. Reg. No. 2000/022686/06
Private Bag X07, Onderstepoort, 0110
Tel: +27 (0) 12 522 1500, Fax: +27 (0) 12 522 1591

The entity's performance confirmed that strategies of engaging customers both at co-operative and farmer levels yield positive results in which demand for its products increased. During the financial year, a new market in the Republic of Sudan was identified, which significantly improved the entity's presence in that country. The entity anticipates that export performance will continue to improve and that viral vaccines in the local market will also be in high demand Due to favourable weather conditions. To ensure that the entity's products are easily accessible, the entity will focus on the following:

- Identifying new distribution networks for easy access by small and emerging markets.
- Communicating with customers on product availability and the supply to distributors.

RESEARCH & DEVELOPMENT

The R&D department exists to expand the product portfolio and introduce new production and quality control technologies within the entity. The major focus of the department is to advance proof of concept technologies and product development innovations for commercial implementations. This is in addition to troubleshooting activities of production process challenges that the entity may experience. The primary deliverables for the R&D department are the registration of new product dossiers, improved production processes, and the development and implementation of cost-effective analytical technologies new to the entity. It is the objective of the R&D department to pursue scientific excellence through investing in its staff development and in publishing scientific outputs on peer-reviewed platforms and technical presentations during scientific meetings.

COLLABORATIONS

The entity rarely embarks on discovery research for new vaccine antigens or diagnostic agents. However, it relies on its national and international network of collaborators to source relevant innovations for upscaling, validating, and adoption as new products and technologies at the entity, provided certain pre-set performance criteria and potential market opportunities have been fulfilled. To this extent, the entity benefited from collaborations on vaccine development projects with the Agricultural and Research Council, Council for Scientific and Industrial Research, and the Universities of Pretoria, Johannesburg, North-West, KwaZulu-Natal, Cape Town, and the Free State, as well as international research institutions. As part of a technology transfer package, staff from the Centre for Tick and Tick Born Diseases in Malawi were trained at the entity on vaccine production, quality control, and quality assurance.

PRODUCT REGISTRATION DOSSIERS

The entity submitted two product variations applications and three product dossier updates to the regulatory authority, as envisaged in the Fertilizers, Farm Feeds, Seeds and Agricultural & Stock Remedies Act 36 of 1947. Applications were also submitted for three new products to add to the entity's product catalogue. These applications are currently under review by regulatory authority for market authorisation. Two product variation applications submitted previously were approved through the regulatory authority in the financial year under review. Several technical documents, as well as product dossiers, were submitted to foreign customers for registration of the vaccines in Africa, Europe, Asia, the Middle East, and South Asia. It is noteworthy that all vaccine development initiatives are done in compliance with all regulatory and guideline prescriptions of the South African Veterinary Council, the National Council of Society for the Prevention of Cruelty to Animals, the Animal Diseases Act 35 of 1984, Act 36 of 1947 and the Genetically Modified Organism Act 15 of 1997.

HUMAN CAPACITY BUILDING

The R&D department continued to invest in staff capacity building, with the staff members from the department being registered or continuing with Doctorate degrees, and two staff members undertaking Masters Degrees at various South African Universities. Furthermore, one student completed her Doctorate degree from the North West University under the supervision of the entity's Senior Scientists. Two postdoctoral fellows continued with further training at the entity as sponsored by the National Research Foundation's (NRF) Professional Development Programme. The unit was further awarded two postdoctoral fellowships for a three-year cycle starting in the 2022/2023 financial year. Additionally, the R&D department is training two interns in the field of vaccine development, as part of human capacity development sponsored by the NRF and the, and the Department of Trade Industry and Competition.

FUNDING OPPORTUNITIES

The R&D department responded to several competitive funding calls with nationally funding opportunities successfully sourced from the NRF and the Technology Innovation Agency. The entity also attracted funding from international funding agencies to fund animal product development research. The external funding sources are in addition to an appreciable investment made by the entity as part of its R&D funding budget.

PEER-REVIEWED PUBLICATIONS AND PATENTS

Mlingo T A M, Nthangeni B M and Mokoena N B, 2021. Genome sequence of Bovine Ephemeral Fever Virus vaccine strain of South African origin. *Veterinary Medicine and Science* DOI: 10.1002/vms3.517.

Rutkowska Daria Anna, O'Kennedy Martha Magaretha, Stark Hester Catharina, Rybicki Edward Peter, Meyers Ann Elizabeth, Van Zyl Albertha René, **Mokoena Nobalanda Betty**. Plant-Produced Chimaeric Orbivirus VLPs. Patent Application No: PCT/IB2017/052236 Granted in July 2021; patent number: US 11, 053, 509, B2

Snyman, J., **Koekemoer, O**., van Schalkwyk, A., Jansen van Vuuren, P., Snyman, L., Williams, J., & Venter, M. 2021. Epidemiology and Genomic Analysis of Equine Encephalosis Virus Detected in Horses with Clinical Signs in South Africa, 2010-2017. Viruses, 13(3), 398. https://doi.org/10.3390/v13030398

Kahinda, C. T. M., 2021**,** 'Mastitis in Small Ruminants', in O. K. Dego (ed.), Mastitis in Dairy Cattle, Sheep and Goats, IntechOpen, London. 10.5772/intechopen.97585.

APPOINTMENT TO EXTERNAL COMMITTEES

- Dr Otto Koekemoer was appointed as a member of the Advisory Committee for Genetically Modified Organisms by the Minister of Agriculture, Land Reform and Rural Development

HUMAN RESOURCES

INTRODUCTION

The entity conducts its business in a sustainable way and pays special attention to fostering the development of its employees, caring for the environment, and contributing to social development. The greatest impact on the sustainability of the entity's business is continuing to ensure a motivated, talented, and diverse workforce. Employees remain an integral part of the entity's growth strategy in the future. The strategic intent of the entity is to seek sustainability of human capital through the following principles:

- Specialised training and education for talent.
- Wellness programmes to ensure health and wellbeing.
- Implementation of Human Resources policies and procedures.
- Ensuring safe working conditions.
- Fair remuneration and reward.
- Stimulating career opportunities
- Retention of talent that can perform in a manner consistent with the entity's culture and values and
- The identification of and investment in future leaders and high performers to ensure a succession pipeline is maintained

OVERVIEW

The Human Resources department is mandated to provide a support function to the business through the provision of strategic, transformed and value adding human resource services. Strategic initiatives, to ensure congruence with the business strategy and objectives namely, the development and refinement of the organisational structure, benchmarking of positions to ensure market competitiveness, review and development of Human Resources policies as well as employee engagement and people empowerment were the key drivers of the Human Resources department in the period under review. To this end, available resources were dedicated towards ensuring that these objectives are met, optimally and efficiently, with due cognisance of the challenges and risks of a high staff turnover within the Human Resources department. This lack of an effective succession pipeline remains a threat to the entity predisposing it to non-achievement of strategic Human Resources deliverables set for the period under review. However, the entity recognises the resilience and consistency of the current executive management in their continued pursuit and leadership in good governance and ethical principles.

The staff complement for the entity for the period under review was 202 as at 31 March 2022. During the period under review, the turnover rate was 4% averaged over the 12-month period. The staff turnover rate decreased by 0,9% – from 5,2% during the 2019/2020 financial year, to 4,3% during the 2020/2021 financial year. The staff turnover still remains within the generally acceptable norm of 14% in South Africa. This status reflects the available institutional memory and intelligence necessary to the realisation of the departmental mandate.

STRATEGIC INITIATIVES TO ENSURE ALIGNMENT TO THE BUSINESS STRATEGY

- ***Organisational structure review***

Reviewing an organisational structure seeks to realign the way in which an organisation is configured to deliver on its mission and mandate, with the emphasis on improving end-to-end processes in pursuit of continuous and improved performance, sales, and revenue. The last recorded organisational review exercise was conducted in 2010 which is a direct cause of the entities current state of flux as the organisational structure did not accommodate for organisational evolvement, international best practices such as GMP standards and other organisational realities and challenges. The outdated structure, furthermore, the already existing challenges of poor governance and Human Resources inefficiencies within the entity. The Board thus embarked on a process of refinement and realignment of the organisational structure to that of the vision, mission, and strategic objectives of the approved Corporate Plan of the entity. The newly aligned organisational structure was approved by the Board in January 2022 for implementation.

Implementation of the new structure was approved with the provision that such would be aligned to budget considerations and the assurance of good governance principles to ensure consistency and fairness in the deliverables of the project. The project deliverables were endorsed by REMCO and approved by the Board. Regular reporting on the progress of the project is presented to the REMCO and Board in its sittings. The identified risks and any mitigations are part of this report thereby ensuring and assigning accountability to respective stakeholders to the project. The high-level road map is outlined in the table below.

Activity	Deliverable
Conduct impact analysis	Consult ExCo members on the structure to identify the employee impact, if any, on staff
Quantify impact analysis	Present a report to ExCo on the employee impact
Finalisation of microstructure	ExCo endorsed Microstructure
Develop migration strategy for consultation with managers and labour	ExCo/Board endorsed migration strategy
Consult Labour on final structure and migration strategy	Consulted Microstructure for implementation
Onboard a service provider to profile jobs, benchmark and evaluate positions on new structure	Signed-off job profiles and job descriptions
Migration/ Placement of employees into the approved structure	Placement of Employees in the approved structure based on the criteria in the Migration Strategy
Management of employees not placed	Monthly progress report on status of unplaced

Activity	Deliverable
Implement Monthly/Weekly Communication Plan	Continuous publishing of flyers/ newsletters/ communiques on the progress of the project and expected deliverables
Onboard a service provider to develop a change Management Strategy & Plan	Roll out and implementation of change management interventions
Onboard a service provider to conduct a post placement skills audit	Skills audit Report

The Board has realised the strategic importance in onboarding and consulting labour on the organisational structure review process which has resulted in the positive turnaround in the relationship between management and labour. The project is at an advanced stage with labour having bought into the organisational structure. A migration strategy, as approved by the Board and labour, will guide the process of migrating staff into the new organisational structure thus ensuring a fair and equitable process. Considering the potential implications of the new organisational structure on staff, the Matching and Placement Framework, will impart the mechanisms to address these. The Framework specifies the reassignment of all employees, including management, from their old to their new position in the new organisational structure, based on an assessment of the organisation's structural redesign and the outcomes of competency-based assessments, where applicable.

- ***Benchmarking of positions to ensure market related competitiveness***

An analysis of the low staff morale as presented by the volatile labour unrest, disputes, and grievances and in most instances, reasons afforded to staff turnover, highlighted the salary disparities as an eminent contributing factor. These disparities are legacy issues which the current Board has acknowledged as critical to the stabilisation of the entity and thus identified initiatives to align these disparities. One of the key elements to ensuring market related competitiveness is the benchmarking and alignment of positions with that of industry standards and norms. The positions within OBP were last evaluated and implemented in 2010. A project is currently underway to ensure this review and alignment of positions are urgently addressed and benchmarked to ensure the skilled and competent talent is attracted and retained.

- ***Review and development of HR policies and procedures to ensure alignment to legislation***

A further contributing factor to the challenges of good governance practices within OBP is attributed to the dated Human Resources policies and procedures. The Human Resources department conducted a policy gap analysis which revealed quite an extensive all-encompassing policy profile, albeit dated, with the need for the development of certain policies to ensure alignment with legislative requirements and to keep abreast with latest developments within the Human Resources domain. A project has been initiated to review and develop Human Resources policies to ensure alignment and address the deficiencies identified as a course for fair, consistent, and sustainable Human Resources practices and market competitiveness promoting the attraction and retention of skilled and competent Human resources.

- ***Employee engagement to ensure sustained performance***

A culture survey conducted in 2020 to measure employee perception and satisfaction highlighted certain areas that affected employee engagement and satisfaction. These engagement drivers were summarised as employee recognition, active and active and ethical leadership, communication, policies and practices, compensation and benefits, resources, working environment, employee wellness and growth and development. The absence of a measurable implementation plan to address the findings of the report resulted in a lack of implementation. This however does not equate to zero implementation as certain aspects such as the policy review and development project mentioned previously and communication with staff through monthly staff meetings and other engagements, have been addressed within its respective projects and/or initiatives. The implementation plan has been planned as a deliverable for the first quarter in the 2022/2023 Annual Performance Plan.

- ***People empowerment and development to ensure improved performance.***

The entity continued to focus on offering its employees training and development programmes throughout the 2021/2022 financial year. However, given the impact of COVID-19, training interventions did not align with the approved Workplace Skills Plan during that period. The focus thus shifted to intensive, generic functional and legislative training to align skills development with good governance (King IV) in the following:

- ISO 9001 2015 Internal Auditing
- ISO 9001 2015 Requirement and Implementation
- ISO 9001 2015 Awareness

Further training initiatives focussed on Occupational Health & Safety governance aspects following an audit which revealed poor governance in this area. The following training was conducted:

- First Aid training
- Fire Fighting training
- Corrective and Preventative Action
- SHE Representative
- Incident Investigation & reporting

The entity remains committed to building a skilled workforce and ensuring the skills gap is addressed through these initiatives. The 2022/2023 Workplace Skills Plan, together with the job grading and benchmarking exercise, aim to address skill deficiencies and will be monitored in the 2022/2023 financial year with the constitution of a Human Resource Development Committee that will oversee alignment of skills development, as well as the strategic objectives and business continuity of the entity. Furthermore, the introduction of an internship programme to supplement the skills deficiency, both short and long-term, as well as ensuring a succession pipeline within the entity, is envisaged for the 2022/2023 financial year. The Board has approved a Bursary policy which will be consulted with labour and implemented in the 2022/2023 financial year to promote career pathing and progression within the entity. Leadership development has also been identified as a priority as the lack of leadership has been found to be one of the reasons for employee disengagement and therefore initiatives such as coaching and mentoring are planned for the 2022/2023 and 2023/2024 financial years given due consideration to budget limitations.

- **Performance against planned annual performance targets.**

The non-achievement of 3 out of 4 planned deliverables is unfortunate as such speaks to improved performance and overall stabilisation of the entity. A number of factors can be attributed to this poor performance but the most overt of all is the lack of leadership within the HR department as a result of a high turnover of managers over the past 2 financial years. The resourcing of this department has become a top priority for the entity given its strategic importance and driving force in terms of strategic objectives in the pursuit of transforming the entity. A further contributing factor was lack of articulation of performance indicators in terms of the Specific, Mearsurable, Achievable, Realistic and timely principles, also known as SMART principles, which resulted in challenges on the actual performance of deliverables. This has been addressed in the 2022/2023 Annual Performance Plan to ensure targets are realistic and achievable.

- **Conducive working conditions and safe working environment**

OBP employees remain its greatest competitive advantage and in recognising the nearly one-third of our lives that we spend at the workplace the working environment should be conducive to support continuous and improved performance. The Safety, Health, and Environment (SHE) functions has actively reinforced these priorities and embarked on a full-scale evaluation of the entity's Occupational Health and Safety (OHS) requirements and needs. Deficiencies in the OHS requirements were further highlighted as critical by an internal audit declaring certain issues as unsafe working conditions and environments needing urgent attention. The findings of this audit resulted in a series of projects and operational plans which the SHE officer has actively been driving with successes at certain intervals. Progress in terms of the implementation plan is reported to the Board and other legislative structures and is monitored closely by the relevant executive responsible. Achievement and success in this area has the potential to offset improved production, increase employee morale and employee wellness and therefore the function is set as a priority in terms of budget and resources in the following financial year as some deliverables require infrastructure projects. Important to note at this juncture is that during the financial year under review, no major safety incidents were reported.

- **Employee Relations barometer**

The entity remains committed to the promotion of progressive employee relations with the recognised labour unions. Relations between management and organised labour in the year under review were strained due to the instability in both the HR management and the executive level to drive strategic negotiations, take decisions and/or give strategic direction on matters negotiated in the bargaining forum. This resulted a lack of trust at the bargaining forum level that management is addressing in ongoing consultation, education, and transparency with labour on these matters. Additionally, analysis of the large number of grievances that resulted in referrals to the Commission of Conciliation, Mediation and Arbitration (CCMA) revealed a lack of understanding of policies and procedures on the part of both employees and management. The policy advocacy programme planned as part of the policy review project will address these, as well as interventions aimed at empowering managers with the skill to manage employee relations within their respective departments.

WORKFORCE PROFILE

Race and Gender profile as at 31 March 2022

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
Senior management	2	0	1	1	0	0	0	0	0	1	5
Professionally qualified and experienced specialists and mid-management	5	2	0	4	6	0	1	0	2	0	20
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	28	1	0	1	37	0	1	4	0	2	74
Semi-skilled and discretionary decision making	33	0	0	5	21	0	0	4	0	0	63
Unskilled and defined decision making	18	0	0	0	16	0	0	0	0	0	34
TOTAL PERMANENT	86	3	1	11	80	0	2	8	2	3	196
Temporary employees	2	0	1	0	3	0	0	0	0	0	6
GRAND TOTAL	88	3	2	11	83	0	2	8	2	3	202

AGE PROFILE

Age Profile as at 31 March 2022

Age Category	Total
Below Age 30	26
30 to 39	58
40 to 49	58
50 to 54	29
55 to 59	30
60 and over	1
Total	202

A total of 29% of OBP's staff are within the 50 years to 59 years bracket and could be considered a retirement risk. To mitigate this risk a succession planning policy is part of the policy development project which will provide an overarching framework as to a succession pipeline for the entity. Furthermore, initiatives to ensure knowledge management is institutionalised and streamlined within the company is underway.

Vacancy profile for the period ending 31 March 2022

Division	Number of posts	Number of posts filled	Vacancies
Interim Chief Executive Officer's Office	3	1	2
Quality Assurance	8	6	2
Quality Control	9	7	2
Clinical Unit	52	31	21
Risk Management	1	1	0
Operations	120	89	31
Projects	2	0	2
Research and Development	21	16	5
Sales and Business Development	14	12	2
Finance	30	22	8
Corporate Services	14	8	6
Company Secretariat and Legal Services	4	3	1
Total	**278**	**196**	**82**

Recruitment profile for the period 01 MARCH 2021 to 31 March 2022

No.	POSITION	DEPARTMENT	GENDER	RACE
1	Finance Administrator – Debtor	Finance	Female	African
2	Production Animal Technician	Experimental Animals	Female	African
3	Receptionist	Human Resources	Female	African
4	Quality Assurance Manager	Quality Assurance	Female	Indian
5	Cleaner	Facilities	Female	African
6	Cleaner	Facilities	Female	African
7	Finance Administrator Creditor	Finance	Male	African
8	Company Secretary and Head of Legal	Company Secretary	Male	White
9	Finance Manager	Finance	Male	African
10	Team Leader	Experimental Animals	Male	African
11	Animal Caretaker	Experimental Animals	Male	African
12	Animal Caretaker	Experimental Animals	Male	African
13	Production Technologist	Bacterial Vaccines	Female	African
14	Chief Operating Officer	Operations	Male	Indian
15	Safety Officer	Human Resources	Female	African
16	Veterinarian	Experimental Animals	Male	African
17	Quality Assurance Officer	Quality Assurance	Female	African
18	Animal Caretaker	Experimental Animals	Male	African

Fixed Term Appointments

No.	POSITION	DEPARTMENT	GENDER	RACE
1	Interim EMU Manager	EMU	Male	White
2	Interim Chief Executive Officer	CEO	Male	African

Exits profile for the period 01 April 2021 to 31 March 2022.

No.	POSITION	DIVISION	EXIT DATE	EXIT REASON
1	Chief Operating Officer	Operations	30 April 2021	Resignation
2	Veterinarian	Experimental Animals	30 April 2021	Resignation
3	Interim Human Resources Manager	Human Resources	30 April 2021	End of Contract
4	Postdoctoral Research Fellowship	Research & Development	30 April 2021	Resigned
5	Animal Caretaker	Experimental Animals	24 May 2021	Dismissal
6	Validation Officer	Quality Assurance	26 May 2021	Resignation
7	Maintenance Technician	EMU	31 May 2021	Resignation
8	EMU Manager	EMU	31 May 2021	Resignation
9	Research Assistant	Research and Development	31 May 2021	Retirement
10	Quality Assurance Manager	Quality Assurance	31 May 2021	Resignation
11	Finance Manager	Finance	6 July 2021	Dismissal
12	Quality Assurance Officer	Quality Assurance	15 July 2021	Deceased
13	Human Resources Manager	Human Resources	27 August 2021	Resignation
14	Production Manager	Production	31 August 2021	Resignation
15	Interim Finance Manager	Finance	31 August 2021	End of Contract
16	Safety Officer	Human Resources	6 September 2021	Resignation
17	Finance Administrator	Finance	7 September 2021	Resignation
18	Operator	Packaging	29 October 2021	Resignation
19	Chief Executive Officer	CEO	31 October 2021	Secondment expired
20	Export Sales Supervisor	Sales	15 November 2021	Resignation
21	Supply Chain Manager	Procurement	6 December 2021	Dismissal
22	Project Manager	CEO	17 December 2021	Resignation
23	Chief Executive Officer	CEO	21 December 2021	Dismissal
24	Manager in the Officer of the CEO	CEO	21 December 2021	Dismissal
25	Production Planner	Procurement	24 December 2021	Resignation
26	Interim Human Resources Manager	Human Resources	31 December 2021	End of Contract
27	Team Leader	Experimental Animals	31 December 2021	Retirement
28	Process Analyst	Information Technology	10 January 2021	End of Contract
29	Quality Assurance Officer	Quality Assurance	28 January 2022	Resignation
30	Laboratory Assistant	Quality Control	28 February 2022	Resignation
31	Large Animal Technician	Experimental Animals	31 March 2022	Resignation
32	Information Technology Officer	Information Technology	31 March 2022	Resignation
33	Interim EMU Manager	EMU Manager	31 March 2022	End of Contract

ONDERSTEPOORT
BIOLOGICAL PRODUCTS

Onderstepoort Biological Products (SOC) Ltd

Annual Performance Report

2021/2022

Schedule 3B Public Entity of the Department of Agriculture, Land Reform and Rural Development

April 2021 – March 2022

Contents

72. 1. EXECUTIVE SUMMARY
72. 2. ANNUAL FINANCIAL PERFORMANCE FOR FINANCIAL YEAR 2021/2022.
73. 3. FINANCIAL ANALYSIS
74. 4. ANNUAL PROGRAMMES TARGETS 2021/2022
Programme: Financial Sustainability
Programme: Continuous Improvement of Business Processes
Programme: Customer Service
Programme: Governance and Leadership
78. **5. GUARANTEES AND BORROWINGS**
78. **6. CAPITAL INVESTMENT PROJECTS**
78. **7. NON-CORE ASSET/BUSINESS ACQUISITION OR DISPOSALS**
78. **8. OCCUPATIONAL HEALTH AND SAFETY**
79. 9. RISK MANAGEMENT

1. EXECUTIVE SUMMARY

While COVID-19 remains a concern that impacts the domestic and international economic climate, its effects did not materially affect the operations of the entity. OBP has an international footprint with customers on a global scale, these customers pay in the US Dollar which is weakening because the current global economic crisis. This has impact on foreign exchange transactions and product pricing. The net revenues moved from a total of R209 million in 2020/2021 (Q4- year to date) to R170 million in the 2021/2022 (Q4- year to date). The decrease is mainly attributable to equipment breakdown. This had a great impact on the production capacity of OBP which resulted in supply constraints of certain products to the market.

On a positive front, OBP achieved the recertification for ISO 9001:2015. OBP is in a process guided by a roadmap to GMP compliance. A GMP gap assessment has been conducted by the Quality Assurance department, covering all GMP required processes and activities. The results have been evaluated and concluded in a roadmap to GMP. Vaccine Production labelling and packing area has been identified as a pilot project to GMP compliance. This will ensure that safe, efficacious, and quality products are delivered to the market.

OBP's increased export sales require regulatory registration of its vaccines. Some of the registration dossiers are incomplete and require critical additional data. A dossier deficiency gap analysis has been conducted, and based on that, projects aimed at closing these gaps were initiated.

2. ANNUAL FINANCIAL PERFORMANCE FOR FINANCIAL YEAR 2021/2022

Onderstepoort Biological Products SOC Ltd

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue	16	173 854 260	214 771 906
Cost of sales		(40 385 522)	(68 544 206)
Gross profit		**133 468 738**	**146 227 700**
Other income	17	13 623 309	13 489 560
Operating expenses	18	(140 461 334)	(165 355 488)
Administrative expenses	18	(20 380 107)	(18 339 676)
Operating loss		**(13 749 394)**	**(23 977 904)**
Investment revenue	19	9 759 396	10 028 366
Appreciation of deferred government grants		11 430 946	11 812 062
Profit (Loss) before taxation		**7 440 948**	**(2 137 476)**
Taxation	23	(2 083 466)	3 590 223
Profit for the year		**5 357 482**	**1 452 747**
Total comprehensive income for the year		**5 357 482**	**1 452 747**

3. FINANCIAL ANALYSIS

For the period ending 31 March 2022, OBP generated gross sales of R186 million, compared to the budget of R190 million. The company has done well both locally and internationally regardless of missing the local target by R5.9 million. The local market was the biggest contributor with 53% of total gross sales at R98,5 million, however export sales grew at a faster rate exceeding the budget by R2,6million.

The Profit before tax for the financial period under review is R5.3 million. The overall performance of the entity has improved when compared to the previous year. Going forward there should be cost cutting measures which will enable the entity to improve its financial performance.

4. ANNUAL PROGRAMMES TARGETS 2021/2022

4.1 Measuring Outcomes

4.1.1 Programme: Financial Sustainability

Purpose: To increase revenue and profitability

Out-come	Outputs	Output indicator	Annual Targets	Actual YTD Performance	Variance	Reason for variance	Action Plan
Financial Growth and Sustainability	Increased Revenue	Increased Revenue (R)	R190m	-R186,7m	-R3,2m Not achieved	Unavailability of AHS, S19 and blood vaccines.	We will adhere to the 2022 sales focus and production plan.
	New products	Number of new products dossiers submitted to regulatory authorities for registration	2	3	+1 Over-achieved	Overachievement in Q2. 3 new products were submitted during the year. Timely conclusion of negotiations with third party on new products.	Target achieved in the second quarter
	Product dossier submitted to new markets	Number of product dossiers submitted to new markets	2	2	0 Achieved	Target met as per schedule	Target met as per schedule
	Increased EBITDA	Increased EBITDA (%)	3%	89%	+86% Over-achieved	Cost management was implemented across the organisation with results in expenses being monitored closely and hence decreasing	To continue with implementing cost management and increase sales
	Increased Vaccines Sold	Increased vaccine doses sold (%)	6%	-25%	-31% Not achieved	Key products not available, especially blood vaccines	Conduct more promotions on OBP products

4.1.2 Programme: Continuous Improvement of Business Processes

Purpose:: To ensure the supply of improved quality products to the market through advanced technology.

Out-come	Outputs	Output indicator	Annual Targets	Actual YTD Performance	Variance	Reason for variance	Action Plan
Optimised business processes	Production efficiency index	Improved Production Efficiency	6.0	7.07	+1.07 Over-achieved	Overachievement due to higher transfers to distribution than planned in quarters 1 and 4; and high batch success rate	Target met as per schedule
	Percentage of achieved progress on action items against the GMP roadmap	Implemented action items against the GMP roadmap (%)	20% of GMP roadmap achieved	4%	-76% Not Achieved	Inadequate resources and absence of a QA Manager for majority of the year	Ensure conformance to ISO 9001 requirements and whilst updating systems, include GMP requirements as per the GMP Roadmap
	ICT enterprise architecture plan	Board approved plan to inform ICT strategy	Approved ICT Enterprise Architecture Plan	Plan approved	0 Achieved	Plan approved by Board	To utilise the approved plan to then inform the implementation of the ICT strategy
	Vector proof facility	Improved facilities- Accredited vector proof facility	Vector proof facility	Tender was re-advertised. The recommendation will be discussed by the BAC to select the supplier.	No vector proof facility (Not achieved)	Suppliers were non-compliant	To restart the tender process and award in the new financial year
	GMP facility	Improved facilities GMP	0%	Phase 1 incomplete	Not achieved	Due to suspension of works arising from contractual issues with principal consultant	Legal avenues with principal consultant. Principal contractor to continue with costing re-evaluation
	Top 20 products produced	Improved Output of Top 20 Products (%)	70%	74.43%	+4.43% Over-achieved	Overachievement due to higher transfers to distribution than planned in Q4 – making up of backlog from Q2 and Q3 (lumpy skin disease; rift valley fever live; blue tongue; pulpy kidney)	Target met as per schedule

4.1.3 Programme: Customer Service

Purpose: To provide excellent customer service.

Out-come	Outputs	Output indicator	Annual Targets	Actual YTD Performance	Variance	Reason for variance	Action Plan
Improved Customer Services	Satisfied customers	Increased customer satisfaction (%)	80%	58%	-22% Not achieved	Reporting was for Q4 Customer complaints mainly about the availability, or lack thereof, of OBP's products	Improve communication on product availability
		% of customer complaints resolved	80%	70.8%	-9.2% Not achieved	17/24 customer complaints resolved for the year	Awaiting customer feedback. Appoint QA Officer
	Top 20 customers retained	Top 20 customers retained (%)	75%	95%	20% Overachieved	Focussed on key clients/customers	Will continue to improve and strengthen relations with customers
	New distribution channels	Increased distribution channels	3	4	+1 Overachieved	4 distributors were registered due to more distributor engagement	More potential distributors will be invited to apply
	Trained farmers	Trained farmers	550	2198	+1648 Overachieved	Better/improved attendance by farmers after COVID lockdown	We will continue to invite farmers and broaden our reach.

4.1.4 Programme: Governance and Leadership

Purpose: To drive an ethical and accountable corporate culture.

Out-come	Outputs	Output indicator	Annual Targets	Actual YTD Performance	Variance	Reason for variance	Action Plan
Capable Ethical and Developmental Leadership	Board approved policies	Number of reviewed policies approved	14	0	-14 Not achieved	Instability in HR environment and lack of capacity to conduct review analysis	RFQ to on-board a service provider for 3 months in progress, to review and/ or develop HR policies Labour consultation omitted in process – task team being constituted for future policy reviews and/or development
		Number of new policies developed/ frameworks	2	1	-1 Not achieved	No variance	Post consultation with labour, the policy will still go to ExCo for review before submission to the Board
	Staff Retained	Staff turnover	<5%	Target of <5% achieved for each quarter	Target of <5% achieved for each quarter	Target of <5% achieved for each quarter	Target of <5% achieved for each quarter
	Report with Recommend-ations from the culture survey	(%) implemented recommend-ations from the report	65% implementation of recommend-ations and outcomes	0	-65% Not achieved	The absence of an HR Manager resulted in the lack of a consolidated approach to the implementation of recommendations	Target reviewed and refined in new financial year with measurable targets
	Trained staff as per WSP	(%) implemented staff training against the WSP	60%	2.2%	-57.8% Not achieved	Budget constraints resulted in prioritisation of training interventions	Training plan to identify priority training interventions for the new financial year

4. Guarantees and Borrowings

None

5. Capital Investment Projects

R6,3 million in total including R3 million on the GMP project.

6. Non-Core Asset/Business Acquisition Or Disposals

None

7. Occupational Health And Safety

REPORTING PER QUARTER	NUMBER OF INCIDENCES	CLASSIFICATION	STATUS
Q1	2	SAFETY-MINOR	CLOSED
	17	MEDICAL- COVID POSITIVE	CLOSED
Q2	2	SAFETY-MINOR	CLOSED
	3	MEDICAL-COVID POSITIVE	CLOSED
Q3	22	MEDICAL- COVID POSITIVE	CLOSED
Q4	1	LOST TIME INJURY	IN PROGRESS

8 RISK MANAGEMENT

Strategic Risk Register and Action Plan, 2021/2022

RISK No. and description	Strategic Objective	Root cause	Consequences / impact	Inherent Risk	Current Controls	Risk Owner	Residual Risk Exposure	Action Plan	Action Owner	Date	Q4 Progress
SR1: Insufficient Research & Development output	Accelerate the development of globally competitive products and technological offerings for future needs	• Unavailability of compliant infrastructure to carry out research • Loss of critical research staff • Lack of funding (funding for pilot infrastructure, but not for projects per se)	• Loss of market share • Revenue decline over time	20	• Use of third-party facilities were possible • Use human resources funded by third parties • Piggyback on the GMP facility construction	CSO	20	Third party facilities for Animal trials secured Service Provider for Vector Protected Animal Facility construction appointed HR succession strategy implementation	CSO	2022/03/31	• Evaluation of Vector Protected Animal Facility tender done and to be submitted to BAC for approval. • Two post-doctoral research positions secured from external funder (NRF)
SR2: Loss of IP (registered and unregistered)		• Leaking of SOPs & materials to competitors • Inadequate access controls • Loss of key personnel	• Organisational failure • Loss of market share • Revenue decline over time	20	QA manual Limited access to R&D data and dossiers	CSO COO	20	Restraint of trade agreement assessment with key employees as captured in revised policies (HR & IP) Master seeds insured Quality Manual reviewed to ensure strict document controls IP Policy reviewed	CEO CSO COO CS & LEGAL CSE	2022/03/31	• CFO and CSO will finalise the process towards insuring the Master seeds. • IP policy approved by the board
SR3: Non-compliance with international regulatory requirements		• Regulatory approval delays (Product dossiers do not have enough data) • OBP processes not GMP and GCP complaint	• Regulatory censures • Cannot enter new markets resulting in loss of market share • Revenue decline over time	15	Generation of data missing on product dossiers	CSO	15	Product dossiers updated as per APP targets Service provider for Vector Protected Animal Facility construction appointed	CSO	2022/03/31	• LSD dossier submitted to Pakistan • Data submitted to Saudi Arabia for registration of inactivated calf paratyphoid vaccine. • Short term maintenance plan developed and implemented includes repair and maintenance of small animal facility. Long term facility upgrade plan includes replacement of HVAC units in 7-year timeframe. • VPF delayed due to various reasons. Tender restarted. Evaluation of bidders done, and recommendation forwarded to BAC to finalise.

RISK No. and description	Strategic Objective	Root cause	Consequences / impact	Inherent Risk	Current Controls	Risk Owner	Residual Risk Exposure	Action Plan	Action Owner	Date	Q4 Progress
SR4: Ineffective execution of strategic initiatives	To cultivate congruence between the strategy and a progressive culture in the organisation.	• Unavailability of key Infrastructure to support strategy implementation • Poor project management & execution e.g. GMP accreditation project • Inadequate knowledge management systems • High staff turnover	• Organisational failure • Loss of market share • Revenue decline over time	16	Implementation of OBP strategic plan; GMP upgrade; Exit interviews conducted	CEO	16	Appointment of expert to resolve GMP contractual issues; Quarterly strategic review meetings; Transformation Committee being put in place Project management team established Draft knowledge management policy developed for Board approval.	ExCo	2022/03/31	• Contractual issues way forward approved by Board and being implemented. • Strategic Review meetings completed for the quarter. • Project Management Capability included in new org structure approved by Board (Project Manager and Project Administrator) • Communication strategy to be developed
SR5: Inefficient business processes.	To increase company profitability and position OBP as a top-five company in the market.	• Inadequate review of SOPs to align with an agile environment i.e. onerous processes • Business value chain not efficient (misalignment of key departments i.e. EMU, Production, SCM, Sales)	• Organisational failure • Loss of market share • Revenue decline over time	16	QA list with Policy/SOP due dates	CFO/ COO/ BDO	16	All SOPs due for annual review updated as per QA listing.	ExCo	2022/03/31	• QA: 48 out of 78 Policies are up to date. - Operations - SOP update schedule being developed for 2022/23 with focus on critical SOP's. -Review of SCM policy underway, to be finalised in Q1 of 2023 and submitted to board for approval in line with Q1 reporting submissions. -Delegation of authority approved and implemented. Adherence being continuously monitored. - Creditors policy implemented and monitored.

RISK No. and description	Strategic Objective	Root cause	Consequences / impact	Inherent Risk	Current Controls	Risk Owner	Residual Risk Exposure	Action Plan	Action Owner	Date	Q4 Progress
SR6: Inadequate business	To increase company profitability and position OBP as a top-five company in the market.	• Unprofitable products and over reliance on vaccines for income • Underinvestment in critical infrastructure	• Organisational failure • Loss of market share • Revenue decline over time	20	Current costing Current APP target on new markets and products	COO/ CEO	20	Product costing refined New markets and new income streams established	BDO; CEO/CFO	2022/03/31	• Cost and management accountant to be employed in 2023 who will finalise on product costing. 3 Project plan to be finalise by cost and management accountant. • On new markets we have submitted dossiers for registration in the UAE, Pakistan, Sudan and Syria. - Waiting on ACT 36 response on 3 products submitted. • No progress on manufacturing non OBP products. • Tender finalised and evaluated, recommendations submitted to the BAC for approval. 7year capital expenditure strategy updated with prioritization.
SR7: Inadequate Business Continuity Management capabilities (Cybersecurity, Succession Planning & Pandemic response & Security Management, Biosecurity		• Absence of Disaster Recovery Framework, Policy (i.e. site) • Poor response to BCM events e.g. COVID	• Organisational failure	16	IT disaster recovery policy	CEO	16	Disaster recovery framework including biosecurity, concluded IT disaster recovery site established	CEO; Risk Manager, CSE	2022/03/31	• OBP Business Recovery Framework finalised. IT disaster recovery site in progress to be finalised in Q1 of 2023

RISK No. and description	Strategic Objective	Root cause	Consequences / impact	Inherent Risk	Current Controls	Risk Owner	Residual Risk Exposure	Action Plan	Action Owner	Date	Q4 Progress
SR8: Poor stakeholder management	To build a high-performance organisation driven by service excellence and internal collaboration	• Failure to supply on time • Poor stakeholder management • Dissatisfied clients • Slow response timelines to queries and complaints related to products and internal collaborations	• Loss of market share • Revenue decline over time • Reputation risk to the organisation	16	Monthly statement sent to clients, use of sales forecast as a guide & technical department follow-up on queries	BDO/ CFO	16	SOP on Debtors reviewed, SOP on product management established Stakeholder management matrix reviewed SOP on product queries and customer complaints reviewed.	BDO, CFO, COO	2022/03/31	• No progress made on stakeholder; it will be reviewed in Q1 of 2022. • SOP for product queries and customer will be finalised in Q1 of 2022.
SR9: Absence of comprehensive HR strategy	To attract, develop and retain the best talent through technology-inspired human resource strategy	• Poor organisational culture • Lack of accountability • Failure to implement the succession plan • Low staff morale Outdated HR policies & procedures • Manual HR information management • Instability in HR management positions	• Loss of corporate knowledge • Increased costs to the organisation • Production inefficiencies & delays in execution of key tasks • Increased costs to the organisation	16	Employee Engagement Surveys & implementation of the succession plan. Policies are reviewed as and when is required; several policies are currently being reviewed. * HRIS not fully utilised.	HR	13	* Draft HR Strategy Developed. * Annual employee engagement surveys conducted; HR policies reviewed as per APP; Succession Planning Policy/strategy developed in conjunction with Performance Management Policy. * Employee files scanned to the HRIS and PMS automated. Own policies complied with to reduce high labour turnover and increase retention rate.	CSE	2022/03/31	• No progress reported for the quarter. Scheduled for new financial year RFQ for review of HR policies re-advertised as no suitable service providers. It will be developed as part of policy review project No progress reported for the quarter. HR policy review project to include policy advocacy.
SR10: Inadequate sustainability management (environment and social- HS , governance)	To constantly drive a culture of accountability to our customers, stakeholders and the shareholder	• Ineffective fraud and corruption awareness • Failure to provide timely reports to key stakeholders internally and externally • Unethical culture • Poor investigation on whistleblowing reports	• Organisational decay • Low staff morale • Increased costs to the organisation	25	Fraud and corruption policy Regular reports submission to the Board, National Treasury and DALRRD	HR	25	Fraud and corruption awareness workshops conducted across OBP. Conduct quarterly Employee engagement survey conducted, and immediate interventions identified and implemented. A formalized combined assurance plan in place	CFO/CSE	2022/03/31	• Fraud and Corruption policy is being aligned for approval with respect to Quality documentation standards.

RISK No. and description	Strategic Objective	Root cause	Consequences / impact	Inherent Risk	Current Controls	Risk Owner	Residual Risk Exposure	Action Plan	Action Owner	Date	Q4 Progress
SR11: Inadequate safeguarding of OBP as an NKP	All Objectives	Lack of maintenance of the facility with increased potential to proliferation. Bypass security access control. (Covid). Old infrastructure. GMP project - fire risk and safety. Environmental impact - pollution, damage on the IT cables during construction. Working contractors, clients and general public on site unsupervised. Lack of investment on IT resources and technology and security. Inadequate security to handle labour unrest breaches.	Loss of life. Loss of infrastructure. Loss of assets e.g., GMP material stored. Loss of IP (master seed, documents, research project information). Hefty fines on non-compliance on NKP Act, OHSA, NEMA and other critical legislation and bylaws, legislation or breaches. Reputational damage.	25	NKP compliant security company onsite. Annual security assessments are conducted by the NKP. Approved Enterprise architecture initiatives to address the inadequacies within the business. Fire detector and suppression system available. There is master seed security - access controlled and few staff having access. Information security. Written authority to remove any property, pass out system.	CEO	15	1. Facilities maintenance plan to be developed. 2. RFQ sent out for the servicing of Fire-fighting equipment and fire detectors. 3. Fire risk assessments to be conducted with focus on the critical areas for safeguarding by the specialised service provider. 5. Annual NKP Security assessments 4. The role players or action owners should be kept abreast on the progress of the GMP project to ensure low impact on the functioning, security access and infrastructure for safeguarding of the critical areas. 5. Budget allocation approval to address the gaps identified during risk assessments for IT, Safety and Security. 6. Setting up of the IT disaster recovery is underway. 7. New security guard to be informed or inducted by the Security Manager of the items to be checked at the gate.	SHE Officer; IT Manager; Security Manager	End of May 2022 (Security) ; June 2022 -ICT Vulnerability assessment; April 2022-DR Site SHE: 31 May 2022	• Request has been submitted to procurement to assist with RFI on competency required for a fire risk assessor and this will be followed with sending out the RFQ. • New servers were procured and deployed at the OBP data centre-the old servers will be deployed at the DR site. • Virtualisation and migration of servers and data is underway, as well as the procurement of a data line to link the two sites.

Risk No.	Risk Category	Strategic Outcome Oriented Goal(s)	Risk Description	Contributing Factor(s)	Consequences	Inherent Risk Rating	Current Controls	Residual Risk Rating	Control Improvement Plan(s)	Risk owner	Due Date	Q4 Progress
SR2	Business Development	1. Improve income and profitability 2. Expand product portfolio and access new markets 3. Supplier of choice optimised business processes 4. Improved product availability	Lack of market share growth/ Loss of market share and revenue	- Product unavailability - Ineffective sales and marketing models - Uncompetitive products and limited product diversity (uncompetitive bacterial products) - Competition - Short product shelf life (1 year) - Non-certification (GMP) - Inaccurate forecasting - Poor stakeholder engagement - Low sales to government (should be at least 30% of revenue) - Inadequate regulatory strategy	- Decline in sales and turnover - Sustainability threat - High stock levels/ expiry of product shelf life leading to stock write-offs	25	- Marketing strategy and implementation plan - Quarterly performance reviews - Customer satisfaction surveys - Identification of alternative distribution channels (emerging markets) - Collaboration with international partners to increase market share	18	1. Review, update and effective implementation of marketing strategy 2.Evaluation of performance against departmental operational plan/ performance contracts 3.Re-evaluation of product list and diversity 4.Improved forecasting 5.Effective stakeholder engagement 6. Stability Programme to improve product shelf life (QC)	SBDE	31-Apr-21 Monthly (Quarterly reporting) Bi-annually Quarterly Quarterly reporting Quarterly	1,2, 3,4,5 No progress reported for the quarter 6.Bot/Black Quarter was submitted to ACT36 for shelf life extension. To date no feedback received. The rest of the programme is ongoing and data to be submitted to regulatory when enough data is captured.

Risk No.	Risk Category	Strategic Outcome Oriented Goal(s)	Risk Description	Contributing Factor(s)	Consequences	Inherent Risk Rating	Current Controls	Residual Risk Rating	Control Improvement Plan(s)	Risk owner	Due Date	Q4 Progress
SR3	Sustainability	1. Improve income and profitability	Threat to financial sustainability	- Poor production and sales - Non-profitable products - Inappropriate product costing model - Non-compliance with policies and procedures - Poor budgeting and monitoring thereof - Inadequate financial skills - Inadequate capital expenditure project funding - Supply chain inefficiencies (manual process and under-staffing) - Inadequate financial reporting	- Fraud and corruption - Fruitless and wasteful expenditure - Non-compliance with relevant financial legislation and prescripts - Adverse audit opinion - Financial losses - Inadequate infrastructure - Non-cost effective procurement of goods and services - Business inefficiencies - Inappropriate decision making	20	- Financial policies and procedures approved by the board - Regular monitoring of adherence to financial policies and procedures by management. Covid response compliance w.r.t numbers of staff on site. . - Quarterly reporting and monitoring by the ARC and Board	14	- Develop and implement aggressive financial growth strategy. Review the action to ensure sustenance), - Review and implement effective costing model. - Regular financial reporting to Management - Inclusive budgeting process and effective monitoring - Monitor expenditure vs income	CFO	30-March-21 30-March -21 Monthly Monthly monitoring	Financial growth noted as at the end of the final quarter Current review of inventory EOQ, inventory holding and system BOM Management reporting implemented at MANCO. Departmental reporting to be implemented 30 April 2021 Inclusive budget process implemented. Monthly monitoring of management accounts implemented

Risk No.	Risk Category	Strategic Outcome Oriented Goal(s)	Risk Description	Contributing Factor(s)	Consequences	Inherent Risk Rating	Current Controls	Residual Risk Rating	Control Improvement Plan(s)	Risk owner	Due Date	Q4 Progress
SR8	Research and Development	1. Improve income and profitability 2. Expand product portfolio and access new markets 3. Supplier of choice optimised business processes 4. Improved product availability	Insufficient Research and Development output	- Misaligned R&D strategy - Inadequate R&D systems and processes (not aligned to OBP business) - Inadequate infrastructure (Pilot Production Facility, Freeze Drying Facilities, Animal Facility, Bio-Safety Level 3) - Availability of antigens	- Failure to improve and expand existing product range - Low R&D success rate (influenced) - Loss of market share to competitors - Negative brand perception	25	- R&D Strategy - Linkages with Sales & Marketing to identify and respond to market needs	18	- Review, align and effectively implement R&D Strategy. - Source funding that is aligned to R&D Strategy - R&D, Production and Sales & Marketing integrated planning, scheduler - Attain GLP and GCP standards	CSO	(Quarterly milestones and reporting) 30-March-21	Presentation to the board done and inputs incorporated. I New dossier updated. AHS monovalent. Botulism and Leukopast 4 Dossiers updated submitted to regulatory. All projects that need clinical trials are in standstill. Non antigens The tender for the animal facility had to be redone and opened to the public. This was done in December and it is currently with the BAC to select and/approve a supplier.

Risk No.	Risk Category	Strategic Outcome Oriented Goal(s)	Risk Description	Contributing Factor(s)	Consequences	Inherent Risk Rating	Current Controls	Residual Risk Rating	Control Improvement Plan(s)	Risk owner	Due Date	Q4 Progress
SR10	Fraud and Corruption	All	Fraud and Corruption	- Ineffective implementation of measures - Non-adherence to SCM policy and procedures - Conflict of interest - Lack of accountability - Collusion and bribery - Non-adherence to Code of Conduct/ Ethics	- Loss of resources - Reputational damage - Successful litigation against the organisation - Adverse audit opinion - Loss of stakeholder confidence and trust	16	- Fraud Prevention Plan - Code of Ethics/ Conduct - Delegations of authority - Declaration of conflict of interest - Supply Chain Policy	11,2	- Review and update of Fraud Prevention Plan - Fraud awareness	CSLC	30-Jun-20	1,2 No progress reported for the quarter Supply chain policy has been updated

Legend	Definition	No of Risks
▼	Decrease in risk exposure.	0
▲▼	Risk exposure unchanged.	4
▲	Increase in risk exposure.	1

ONDERSTEPOORT
BIOLOGICAL PRODUCTS

Onderstepoort Biological Products SOC Ltd

Financial Statements

for the year ended 31 March 2022

CONTENTS

91. Audit, Risk and IT Committee Report
93. Accounting Authority's Responsibilities and Approval
94. Certificate of Company Secretary
95. Report of the Auditor-General to Parliament
99. Annexure – Auditor-general's responsibility for the audit
100. Directors' Report
104. Statement of Financial Position
106. Statement of Financial Performance
107. Statement of Changes in Net Assets
109. Statement of Cash Flows
110. Accounting Policies

124. Notes to the Annual Financial Statements

The following supplementary information does not form part of the Annual Financial Statements and is unaudited:

146. Detailed Statement of Financial Performance

Published
29 July 2022

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

General Information

Registered name	Onderstepoort Biological Products (SOC) Ltd
Registration Number	2000/022686/06
Country of incorporation and domicile	South Africa
Tax number	4240191587
Nature of business and principal activities	Vaccine Production
Registered office	100 Soutpan Road Onderstepoort 0110
Business address	100 Soutpan Road Onderstepoort 0110
Postal address	Private Bag x07 Onderstepoort Pretoria Gauteng 0110
Telephone Number	+27 12 522 1500
Facsimile	+27 12 522 1591
Email	info@obpvaccines.co.za stakeholder@obpvaccines.co.za
Website	www.obpvaccines.co.za
Bankers	First National Bank Standard Bank (SA)
Auditor	Auditor-General of South Africa (AGSA) Registered Auditors
Company Secretary	Advocate Pieter van der Sandt pieters@obpvaccines.co.za
Published	29 July 2022

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Audit, Risk and IT Committee Report

1. Audit, Risk and IT Committee Members and Attendance

The members of the audit committee are all independent non-executive directors of the entity and include:

Name	Appointed	End of term
Ms N Sonjani (Chairperson)	01 November 2020	31 October 2023
Ms K Naidoo	01 November 2020	31 October 2023
Prof K Nephawe	01 November 2020	31 October 2023
Dr B Ntshabele (Minister's representative)	01 November 2020	

Schedule of attendance at Audit, Risk and IT Committee meetings	January 2022	October 2021	July 2021	April 2021
Ms N Sonjani (Chairperson)	Yes	Yes	Yes	Yes
Ms K Naidoo	Yes	Yes	Yes	Yes
Prof K Nephawe	Yes	Yes	Yes	Yes
***Dr B Ntshabele (Minister's representative)**	Yes	Yes	Yes	Yes

Schedule of attendance at Special Audit, Risk and IT Committee meetings	September 2021	July 2021	June 2021	May 2021
Ms N Sonjani (Chairperson)	Yes	Yes	Yes	Yes
Ms K Naidoo	No	Yes	Yes	Yes
Prof K Nephawe	Yes	Yes	Yes	Yes
***** **Dr B Ntshabele (Minister's representative)**	Yes	Yes	Yes	Yes

* Dr B Ntshabele was appointed as acting CEO from 10 May 2021 to 29 October 2021 and he attended the meetings in the capacity of acting CEO during his tenure.

The Audit, Risk and IT Committee has an independent role from management with accountability to the Board and the Shareholder. The Audit, Risk and IT Committee comprises of three non-executive directors and the Minister's Representative who possess the relevant qualifications and experience. The Audit, Risk and IT Committee should meet at least four times per annum as per its approved Charter. During the current year (2021/22) the Audit, Risk and IT Committee met 8 times with attendance as noted above.

2. Effectiveness of Internal Control

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

3. Internal Audit

The Internal audit function of OBP was conducted by Nexia SAB&T for the period ending 31 March 2022. During the current financial year the function was fully operational.

4. Risk Management

While the Board is responsible for overall governance of risk, it has appointed and is supported by the Audit, Risk and IT Committee in discharging this responsibility.The Committee is satisfied that OBP has an ongoing risk management process, focused on identifying, assessing, managing and monitoring all known forms of significant risks across all operations. This has been in place for the year under review and up to the date of approval of the Annual Financial Statements.

5. Evaluation of Financial Statements

The Audit, Risk and IT Committee has evaluated the Annual Financial Statements of OBP for the year ended 31 March 2022, and based on the information provided to the Committee, considers that it complies in all material respects with the requirements of the applicable legislation, regulations and standards governing disclosure and reporting on the Annual Financial Statements.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Audit, Risk and IT Committee Report

6. The Audit, Risk and IT Committee has:

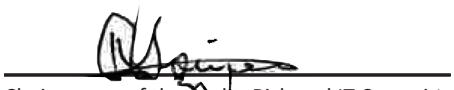
- Reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the Auditor-General and Nexia SAB&T.
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto.
- Reviewed changes in accounting policies and practices.
- Considered the risk management policy and plan, reviewed the effectiveness of the risk management activities, and identified key risks facing the entity.
- Reviewed the entity's compliance with legal and regulatory provisions.

The Audit, Risk and IT 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.

7. Level of Assurance

- OBP applies a combined assurance model to provide assurance obtained from management and from internal and external assurance service providers. The Auditor-General of South Africa audited the Annual Financial Statements for the 2021/22 financial year. OBP's financial, operating, compliance and risk management controls are assessed by the entity's management team, reviewed by internal audit on a risk basis and the process is overseen by the Audit, Risk and IT Committee.
- The Audit, Risk and IT Committee discharged all functions delegated to them in terms of their mandate and section 94(7) of the Companies Act 71 of 2008.
- OBP has been audited in terms of the requirements of Regulation 28(1)(2) and 30(2) of the Companies Regulations of the Companies Act 71 of 2008 which provides that, in addition to public companies and state owned companies (SOC), where the audit of any other company is desirable in the public interest, as indicated by prescribed criteria in any particular financial year, the Annual Financial Statements (AFS) of that company must be audited.

On behalf of the Audit, Risk and IT committee:



Chairperson of the Audit, Risk and IT Committee
MS NONA SONJANI

Friday, 29 July 2022

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Accounting Authority's Responsibilities and Approval

The Accounting Authority is required in terms of the Public Finance Management Act (Act 1 of 1999) and the Companies Act 71 of 2008 to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards . The Auditor-General of South Africa is engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority, represented by the Board, acknowledges ultimate responsibility for the system of internal financial control established by the entity and places significant reliance on maintaining an adequate and effective internal control environment. To enable the Accounting Authority to meet these responsibilities, it sets standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operational risks 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 policies, procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that 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 loss.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2023 and, in 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 Auditor-General of South Africa is responsible for independently auditing and reporting on the entity's Annual Financial Statements. The Auditor-General of South Africa as the external auditor was given unrestricted access to all financial records and related data to facilitate an indepedent review and report on the entity's Annual Financial Statements and to express an independent opinion.

The Annual Financial Statements set out on pages 104 to 146 which have been prepared on the going concern basis, were approved by the Accounting Authority on 29 July 2022 and were signed on its behalf by:

Approval of Annual Financial Statements, on behalf of the Board of Directors:

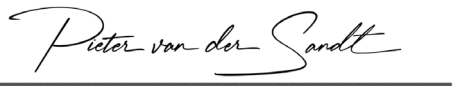
Ms Rene Kenosi (Chairperson of the Board)

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Certificate by Company Secretary

For the year ended 31 March 2022

I hereby confirm, in terms of the Companies Act, 2008 as amended, that for the year ended 31 March 2022 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.



ADV. P. VAN DER SANDT
Head of Legal & Company Secretary | Ondersterpoort Biological Products (SOC) Ltd

Onderstepoort Biological Products SOC Ltd

Annual Financial Statements for the year ended **31 March 2022**

Report of the auditor-general to Parliament on Onderstepoort Biological Products SOC LTD.

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Ondersterpoort Biological Products SOC Ltd set out on pages 100 to 146, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, and statement of cash flows and, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ondersterpoort Biological Products SOC Ltd as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Context for the opinion

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

Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Report of the auditor-general to Parliament on Onderstepoort Biological Products SOC LTD.

detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report for the year ended 31 March 2022:

Programmes	Pages in the annual performance report
Programme 2: Continuous Improvement of Business Processes	Page 75

13. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. The material findings on the usefulness of the performance information of the selected programmes are as follows:

Improved production efficiency index

15. The source information, evidence, and method of calculation for achieving the planned indicator was not clearly defined.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Report of the auditor-general to Parliament on Onderstepoort Biological Products SOC LTD.

Other matters

16. I draw attention to the matters below.

Achievement of planned targets

17. Refer to the annual performance report on page 75 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraph 15 of this report.

Adjustment of material misstatements

18. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Continuous Improvement of Business Processes. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act, 2008 (Act No. 71 of 2008). The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Report of the auditor-general to Parliament on Onderstepoort Biological Products SOC LTD.

24. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
26. Oversight responsibility regarding performance reporting was not adequately exercised, as the controls in place did not prevent or detect internal control deficiencies that resulted in material misstatements.

Auditor – General

Pretoria

31 July 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Onderstepoort Biological Products to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Directors' Report

The Directors have pleasure in submitting their report on the Annual Financial Statements of Onderstepoort Biological Products SOC Ltd for the year ended 31 March 2022.

1. Nature of business and domicile

Onderstepoort Biological Products SOC Ltd (OBP) is a public entity that operates in the bio-technical industry and is wholly owned by the Government of South Africa. The entity manufactures vaccines for the animal health care industry, primarily in South Africa and a number of other countries. Sales volumes are correlated to disease outbreaks, preventative and legislated vaccination programs. OBP produces the widest range of products for livestock in Africa and competes with large multinational pharmaceutical companies for local and foreign business.

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

100 Old Soutpan Road
Onderstepoort
0110

There were no material changes to the nature of the entity's business from that of the prior year.

2. Review of financial results and activities

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008 of South Africa and the Public Finance Management Act 1 of 1999 (PFMA). The accounting policies have been applied consistently compared to the prior year.

3. Dividends

In view of the current state of the global economic environment, the Directors deem it appropriate for the entity to conserve cash and maintain reserves to ensure that the entity is best placed to withstand any prolonged adverse economic conditions. Therefore the Directors resolved not to declare a dividend for the financial year ended 31 March 2022.

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 (2021: R 1 000).

5. Ownership

The entity is wholly owned by the Government represented by the Minister of Agriculture, Land Reform and Rural Development as Executive Authority.

6. Secretary

The company secretary is Advocate Pieter van der Sandt.

Postal address:	Private Bag x 07 Onderstepoort 0110
Business address:	100 Old Soutpan Road Onderstepoort 0110

7. Amendment of articles of association

The Memorandum of Incorporation (MOI) was reviewed, finalised and lodged with CIPC to comply with the Companies Act 71 of 2008. The Directors have been updated on CIPC to reflect current members in line with the dismissal of the CEO.

African Horse Sickness

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Directors' Report

8. Board of Directors

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

Directors	Designation	Appointed	Term end date
Ms R Kenosi (Chairperson of the Board)	Independent Non-Executive	01 November 2020	31 October 2023
Ms N Sonjani	Independent Non-Executive	01 November 2020	31 October 2023
Ms K Naidoo	Independent Non-Executive	01 November 2020	31 October 2023
*Mr L Mabombo	Independent Non-Executive	01 November 2020	31 October 2023
Mr L Nematswerane	Independent Non-Executive	01 November 2020	31 October 2023
Prof. K Nephawe	Independent Non-Executive	01 November 2020	31 October 2023
**Dr B Ntshabele (Minister's representative)	Independent Non-Executive	01 November 2020	
***Dr BK Dungu(CEO)	Executive Member	01 March 2019	21 December 2021

*Mr L Mabombo was appointed as Interim CEO from 9 November 2021 to 9 May 2022 with the option of an extension pending appointment of a permanent CEO. The appointment has been extended for 6 months.

**Dr B Ntshabele was appointed as Acting CEO from 10 May 2021 to 29 October 2021.

***Dr BK Dungu(CEO) was appointed on 1 March 2019 and dismissed on 21 December 2021.

Directors are appointed for a three year term and are eligible for re-appointment by the Shareholder for a further term of three years.

The board term commenced on 1 November 2020, and expires on 31 October 2023.

Details of Directors' remuneration are set out in Note 26 of the Annual Financial Statements on pages 40 to 43.

9. Conflict of Interest

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

10. Auditors

The Auditor-General of South Africa was appointed as external Auditors for the period under review in accordance with Section 84(4), and 85(1) of the Companies Act 71 of 2008 and the Public Audit Act 25 of 2004.

11. Special resolutions

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

12. Environment, health and safety

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

The entity's activities do not pose a significant threat to the environment.

The entity has introduced an employee health care program which includes preventative health care initiatives.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Directors' Report

13. Going concern

We draw attention to the fact that at 31 March 2022, the entity had retained earnings of R 279 280 055 and its total assets exceeded liabilites by R 279 281 055. The difference of R1 000 between the accumulated profits and net assets is the share capital.

The Annual 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.

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

14. Events after the reporting period

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report not otherwise dealt with in these Annual Financial Statements, which would materially affect the operations of the entity.

15. Audit, Risk and IT Committee

The Audit, Risk and IT Committee met 8 times during the year and has, in accordance with its adopted Charter, reviewed the internal and external audit reports for the previous and current financial years and the Annual Financial Statements as at 31 March 2022.

16. Materiality framework

In accordance with Treasury Regulations 9.1.5, irregular or fruitless and wasteful expenditure incurred during the year under review is disclosed in the notes to the Annual Financial Statements. The value of material expenses for the period ended 31 March 2022 represents any amount exceeding R11.3 million (2021: R12.3 million) per occurrence for the purpose of material, unauthorized, irregular or fruitless and wasteful expenditure as defined in the Treasury Regulations. Materiality is based on the average of 1% to 5% of Revenue, 1% to 2% of Total assets, 2% to 5% of Net profit after tax of the current financial year. This principle is in line with Treasury Regulations.

17. Funding

The entity generates funds from sales of vaccines to meet operational requirements and receives no funding for normal operations. The construction of the GMP facility commenced in December 2017. The funding for the GMP facility was received from National Treasury in 2013/14. The construction of the GMP facility has not been completed and the Board has requested management review of the project from inception to date. The review is currently underway.

18. National Key Point

Onderstepoort Biological Products SOC Ltd was declared a National Key Point on 22 January 2007.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Statement of Financial Position as at 31 March 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	2	331 982 159	338 161 996
Intangible assets	3	124 273	243 074
Deferred tax	4	11 238 017	13 321 483
		343 344 449	**351 726 553**
Current Assets			
Inventories	5	44 499 316	53 686 775
Trade and other receivables	6	44 198 707	68 242 961
Tax prepayment	7	29 138 851	29 260 416
Cash and cash equivalents	8	308 777 657	274 289 110
		426 614 531	**425 479 262**
Total Assets		**769 958 980**	**777 205 816**
Equity and Liabilities			
Equity			
Share capital	9	1 000	1 000
Retained income		279 280 055	273 922 573
		279 281 055	**273 923 573**
Liabilities			
Non-Current Liabilities			
Lease liabilities	10	6 259	131 954
Deferred Recapitalisation Grant	11	432 282 063	436 247 920
Deferred Government Grant - Small Animal Facility	12	-	20 493
Deferred Government Grant- Corporatisation of OBP SOC Ltd	13	4 721 159	6 973 034
Deferred Research and Development Grant	14	19 410 844	25 403 575
		456 420 325	**468 776 976**
Current Liabilities			
Trade and other payables	15	24 445 212	23 612 331
Lease liabilities	10	131 564	157 876
Deferred Recapitalisation Grant	11	5 623 471	7 280 634
Deferred Government Grant - Small Animal Facility	12	20 493	285 532
Deferred Government Grant- Corporatisation of OBP SOC Ltd	13	2 251 875	2 251 875
Deferred Research and Development Grant	14	1 784 985	917 019
		34 257 600	**34 505 267**
Total Liabilities		**490 677 925**	**503 282 243**
Total Equity and Liabilities		**769 958 980**	**777 205 816**

Foul Pox
SIEN VOUBILJET VIR VOLLE BESONDERHEDE.
For animal use only
OBP
ONDERSTEPOORT BIOLOGICAL PRODUCTS
100 Doses
FOWL POX
VACCINE
Reg. No. G 0101 (Act 36/1947)
Namibia: V01/24.4/158
Storage: 4 °C - 8 °C. See package insert for full instructions.
Registration holder:
Onderstepoort Biological Products SOC Ltd
Co. Reg. No. 2000/022686/06
Private Bag X07, Onderstepoort, 0110
Tel: +27 (0) 12 522 1500, Fax: +27 (0) 12 522 1591
Vervaardig in Suid-Afrika

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue	16	173 854 260	214 771 906
Cost of sales		(40 385 522)	(68 544 206)
Gross profit		**133 468 738**	**146 227 700**
Other income	17	13 623 309	13 489 560
Operating expenses	18	(140 461 334)	(165 355 488)
Administrative expenses	18	(20 380 107)	(18 339 676)
Operating loss		**(13 749 394)**	**(23 977 904)**
Investment revenue	19	9 759 396	10 028 366
Appreciation of deferred government grants		11 430 946	11 812 062
Profit (Loss) before taxation		**7 440 948**	**(2 137 476)**
Taxation	23	(2 083 466)	3 590 223
Profit for the year		**5 357 482**	**1 452 747**
Total comprehensive income for the year		**5 357 482**	**1 452 747**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Statement of Changes in Net Assets

Figures in Rand	Share capital	Retained income	Total equity
Opening balance as previously reported	1 000	275 465 292	275 466 292
Adjustments			
Prior year adjustments	-	(2 995 466)	(2 995 466)
Balance at 01 April 2020 as restated	**1 000**	**272 469 826**	**272 470 826**
Profit for the year	-	1 452 747	1 452 747
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**1 452 747**	**1 452 747**
Balance at 01 April 2021	**1 000**	**273 922 573**	**273 923 573**
Profit for the year	-	5 357 482	5 357 482
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**5 357 482**	**5 357 482**
Balance at 31 March 2022	**1 000**	**279 280 055**	**279 281 055**
Note	9		

ONDERSTEPOORT
BIOLOGICAL PRODUCTS

Integrated Annual Report 2021 | 2022

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Statement of Cash Flows

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Cash receipts from customers		220 405 642	170 944 891
Cash paid to suppliers and employees		(189 146 011)	(170 414 112)
Cash generated from operations	20	31 259 631	530 779
Interest income		9 759 396	10 028 366
Tax paid		-	(3 866 176)
Net cash from operating activities		**41 019 027**	**6 692 969**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(6 358 001)	(18 469 168)
Net cash from investing activities		**(6 358 001)**	**(18 469 168)**
Cash flows from financing activities			
Finance costs		(20 472)	(33 853)
Lease payments		(152 007)	(138 627)
Net cash from financing activities		**(172 479)**	**(172 480)**
Total cash movement for the year		**34 488 547**	**(11 948 679)**
Cash at the beginning of the year		274 289 110	286 237 789
Total cash at end of the year	8	**308 777 657**	**274 289 110**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below.

1.1 Basis of preparation

The Annual Financial Statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. An accrual basis of accounting is used except for the cash flow statement.

The financial statements have been prepared on a going concern basis.

The measurement currency for all transactions and amounts is disclosed in this document is in South African Rand.

These accounting policies are consistent with the previous period.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including any interpretations and directives issued by the International Accounting Standards Board and in the manner required by the South African Companies Act 71, as amended, the Treasury Regulations and the Public Finance Management Act 1 of 1999 (PFMA).

The preparation of financial statements are in conformity with IFRS that requires management to exercise its judgement, make certain estimates and assumptions in the process of applying the entity'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.

Changes in accounting estimates result from new information or new developments and accordingly, are not corrections of errors. The effect of a change in an accounting estimate is recognised prospectively by including it in the profit or loss in: the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both.

Key accounting estimates and assumptions

Indirect Production Costs (IPCs)

Production costs for finished goods include IPCs such as employee costs, depreciation, and maintenance.

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

Allowances for doubtful trade receivables

Onderstepoort Biological Products (SOC) 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 concentration, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful trade receivables.

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The business uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Accounting Policies

1.1 Basis of preparation (continued)

The entity writes off trade receivables when there is sufficient information indicating that the debtor is in severe financial distress without any realistic prospect of recovery and resulting in an impairment of their ability to make payments, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings in which case the balance will be written off. Trade receivables written off may still be subject to enforcement activities taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Deferred income tax assets and liabilities

Onderstepoort Biological Products (SOC) 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 consists 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 and internal lawyers knowledgeable about each case, as well as known outcomes in case law if applicable.

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

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

1.2 Property, plant and equipment

Property, Plant and Equipment are tangible assets which the entity holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of Property, Plant and Equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for additions to or replacements of parts of Property, Plant and Equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the entity and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, Plant and Equipment is subsequently measured at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Accounting Policies

1.2 Property, plant and equipment (continued)

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

Useful lives and residual values

The entity re-assesses the useful lives and residual values of Property, Plant and Equipment on an annual basis. In re-assessing the useful lives and residual values of property plant and equipment, management considers the condition and use of the individual assets to determine the remaining period over which the asset can and will be used

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

-Plant and Equipment transferred to OBP at inception of the entity, 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 entity occupies were transferred from the Public Works Department to the entity 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 entity 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.

Property, Plant and Equipment is depreciated on a straight line method over the average useful life.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the entity. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of Property, Plant and Equipment have been assessed as follows:

Asset Group	Average useful life
Land	Not depreciated
Buildings	
• Own improvements	5 to 20 years
• Section 13	20 years
• Demountable partitions	6 years
Furniture and fixtures	3 to 6 years
Motor vehicles	
• Company vehicles	3 to 7 years
IT equipment	
• Computers and electronic equipment	2 to 3 years
• Network servers	2 to 5 years
• Security control systems	10 to 20 years
Leased assets	
• Printers	3 to 5 years
Manufacturing equipment	
• Equipment acquired after 1 March 2002	2 to 20 years

Accounting Policies

1.2 Property, plant and equipment (continued)

- Digital equipment 3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on Property, Plant and Equipment when there is an indicator that they may be impaired. When the carrying amount of an item of Property, Plant and Equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising from the derecognition of an item of Property, Plant and Equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are subsequently measured at cost less any accumulated amortisation and any impairment losses.

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.

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Asset Group	Average useful life
Patents	3 years
Trademarks	10 years
Computer software	2 to 5 years

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Accounting Policies

1.4 Financial instruments

Financial instruments held by the entity are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the entity ,as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent considerations in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 24 Financial instruments presents the financial instruments held by the entity based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the entity are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the entity's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Accounting Policies

1.4 Financial instruments (continued)

Trade and other receivables are recognised when the entity becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note 27.

Impairment

The entity recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

Trade and other payables

Classification

Trade and other payables (note 15), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the entity becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note).

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Accounting Policies

1.4 Financial instruments (continued)

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 Financial Performance.

1.5 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income,

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 financial performance, except to the extent that it relates to items recognised directly in the statement of changes in net assets.

1.6 Leases

The entity has adopted IFRS 16.

.

The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The entity assesses whether a contract is, or contains a lease, at the inception of the contract.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the entity has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

Accounting Policies

1.6 Leases (continued)

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

OBP as lessee

The entity applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The business recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the entity is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the entity recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the entity uses its incremental borrowing rate.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the entity incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

As an exception, when the underlying assets are land and buildings, the entity adopts the revaluation model consistent with the accounting policy for land and buildings which are owned by the entity. The accounting policy for the revaluation model is explained in the Property, Plant and Equipment accounting policy.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of Property, Plant and Equipment. Refer to the accounting policy for Property, Plant and Equipment for details of useful lives.

OBP as lessor

Leases for which the entity is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Accounting Policies

1.6 Leases (continued)

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value on the cost which is determined using the weighted average cost method

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost is determined by using the weighted average cost method. Cost comprises direct production on costs and such as raw materials, consumables and labour as well as production overheads such as depreciation and maintanance.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Research and development

All internal research costs are expensed in the Statement of Financial Performance 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 entity'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 Financial Performance 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.

Accounting Policies

1.9 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 noncurrent 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.

1.10 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.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability when they are declared.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Accounting Policies

1.11 Employee benefits (continued)

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

1.12 Provisions and contingencies liabilities

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating .

If an entity has a contract that is onerous and meets the recognition criteria, the present obligation under the contract shall be recognised and measured as a provision.

Contingencies 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 unless they are probable, but disclosed in the notes to the financial statements.

1.13 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attached to them if any; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

1.13.1 Government grant - Recapitalisation

The grant relates to the funding received from the National Treasury for OBP's Recapitalisation programme. The grant is recognised in the Statement of Financial Performance once the related asset is commissioned in line with the amortisation of the asset.

1.13.2 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 Statement of Finacial Position 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.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Accounting Policies

1.13 Government grants (continued)

1.13.3 Government grant – Corporatisation of OBP

The grant arose from the transfer of assets and the passing of the liabilities from the Department of Agriculture, Land Reform and Rural Development to the entity 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 Statement of Financial Position 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.

1.13.4 Government grant - Research and Development

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

1.14 Revenue and Interest income

Revenue

Revenue comprises of sales to customers and service rendered to customers. Revenue is stated at the invoice amount and is exclusive of value added taxation.

Revenue is income arising in the course of OBP ordinary activities. Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for goods and services.

Revenue from contracts with customers is recognised when the following criteria is met;
• Contract with customer identified;
• Identify the performance obligation in the contract;
• Determine the transaction price;
• Allocate the transaction price to the performance and;
• Recognise revenue when the entity satisfies a performance obligation.

Interest income

Interest is recognised as revenue using the effective interest method.

Other operating income

Other operating income comprises of discounts recieved from early settlement, rental arising from rental income property and 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.

1.15 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense. The amount of any write-down of inventories to net realisable value and all of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories, and recognised as an expense in the period in which the reversal occurs.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount to the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Accounting Policies

1.16 Translation of foreign currencies (continued)

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the entity receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the entity initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Comparatives

Comparative amounts have been included in the Annual Financial Statements and have been adjusted where appropriate to promote better disclosure.

1.18 Irregular or fruitless and wasteful expenditure

Irregular expenditure relates to expenditure incurred in contravention of, or not in accordance with Section 55(2)(b)(i) of the PFMA Act 1 of 1999 and publised Treasury Regulations. 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.

1.20 New standards and interpretations

- IAS 1 Presentation of Financial Statements

- Amendments regarding the classification of liabilities (Annual periods beginning on or after 1 January 2023).
- Amendments regarding the disclosure of accounting policies (Annual periods beginning on of after 1 January 2023).

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2022			2021		
	Cost or valuation	**Accumulated depreciation**	**Carrying value**	**Cost or valuation**	**Accumulated depreciation**	**Carrying value**
Land	5 105 340	-	5 105 340	5 105 340	-	5 105 340
Buildings	78 884 339	(63 621 947)	15 262 392	78 884 339	(57 506 915)	21 377 424
Furniture and fixtures	1 879 308	(1 779 387)	99 921	1 883 281	(1 770 029)	113 252
Motor vehicles	704 850	(184 375)	520 475	134 538	(131 850)	2 688
Office equipment	221 620	(196 527)	25 093	221 701	(189 948)	31 753
IT equipment	6 617 208	(4 563 072)	2 054 136	5 058 645	(3 911 278)	1 147 367
Leased assets	450 345	(325 249)	125 096	450 345	(175 134)	275 211
Manufacturing equipment	148 425 277	(95 665 165)	52 760 112	147 416 526	(90 336 574)	57 079 952
Capital work in progress	256 029 594	-	256 029 594	253 029 009	-	253 029 009
Total	**498 317 881**	**(166 335 722)**	**331 982 159**	**492 183 724**	**(154 021 728)**	**338 161 996**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers of take on assets	Depreciation	Disposal Depreciation in period	Total
Land	5 105 340	-	-	-	-	-	5 105 340
Buildings	21 377 424	-	-	-	(6 115 032)	-	15 262 392
Furniture and fixtures	113 252	783	(5 308)	553	(13 960)	4 601	99 921
Motor vehicles	2 688	570 312	-	-	(52 525)	-	520 475
Office equipment	31 753	-	(100)	20	(6 580)	-	25 093
IT equipment	1 147 367	1 569 790	(11 227)	-	(662 618)	10 824	2 054 136
Leased assets	275 211	-	-	-	(150 115)	-	125 096
Manufacturing equipment	57 079 952	1 216 531	(207 780)	-	(5 530 306)	201 715	52 760 112
Capital work in progress	253 029 009	3 000 585	-	-	-	-	256 029 594
	338 161 996	**6 358 001**	**(224 415)**	**573**	**(12 531 136)**	**217 140**	**331 982 159**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers of take on assets	Depreciation	Disposal Depreciation in period	Total
Land	5 105 340	-	-	-	-	-	5 105 340
Buildings	28 161 008	-	-	-	(6 783 584)	-	21 377 424
Furniture and fixtures	126 298	956	(7 993)	471	(13 473)	6 993	113 252
Motor vehicles	4 787	-	(106 662)	-	-	104 563	2 688
Office equipment	34 807	3 213	(200)	-	(6 169)	102	31 753
IT equipment	1 580 528	207 980	(422 334)	114	(613 293)	394 372	1 147 367
Leased assets	425 326	-	-	-	(150 115)	-	275 211
Manufacturing equipment	61 691 355	941 104	(1 447 831)	441	(5 523 860)	1 418 743	57 079 952
Capital work in progress	235 713 094	17 315 915	-	-	-	-	253 029 009
	332 842 543	**18 469 168**	**(1 985 020)**	**1 026**	**(13 090 494)**	**1 924 773**	**338 161 996**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

2. Property, plant and equipment (continued)

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the entity.

Depreciation is provided under the straight-line method over the estimated useful lives of the assets. (see note 1.2)

In line with the requirements of IAS 16, the entity 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.

3. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Patents	566 657	(566 657)	-	566 657	(566 657)	-
Trademark	260 022	(259 501)	521	260 022	(253 379)	6 643
Computer software	6 377 838	(6 254 086)	123 752	6 377 838	(6 141 407)	236 431
Total	**7 204 517**	**(7 080 244)**	**124 273**	**7 204 517**	**(6 961 443)**	**243 074**

Reconciliation of intangible assets - 2022

	Opening balance	**Amortisation**	**Total**
Trademark	6 643	(6 122)	521
Computer software	236 431	(112 679)	123 752
	243 074	**(118 801)**	**124 273**

Reconciliation of intangible assets - 2021

	Opening balance	**Classified as held for sale**	**Amortisation**	**Disposal Depreciation in period**	**Total**
Trademark	20 735	-	(14 092)	-	6 643
Computer software	894 890	(9 997)	(658 259)	9 797	236 431
	915 625	**(9 997)**	**(672 351)**	**9 797**	**243 074**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Deferred tax		
Deferred tax asset		
Deferred tax asset	11 238 017	13 321 483

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the Statement of Financial Position as follows:

Deferred tax asset	11 238 017	13 321 483
Reconciliation of deferred tax asset		
Accelerated depreciation for tax purposes	(15 202 339)	(10 551 500)
Accrual for leave	996 620	1 130 272
Assessed loss	17 520 845	14 894 948
Income received in advance	6 983 670	7 113 001
Prepaid expenses	(149 738)	(182 716)
Provisions	1 088 959	917 478
	11 238 017	**13 321 483**
5. Inventories		
Raw materials, components	4 196 565	12 024 596
Work in progress	746 954	2 892 877
Intermediate Finished goods	25 949 511	22 017 527
Finished goods	7 913 029	11 739 895
Spares	114 809	210 764
Packaging materials	7 479 309	7 158 085
	46 400 177	56 043 744
Less: Provisions for obsolete inventory	(1 900 861)	(2 356 969)
	44 499 316	**53 686 775**

5.1 Provision for obsolete inventory

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	2 356 969	4 137 013
Amounts recognised in profit or loss	(456 106)	(1 780 044)
	1 900 863	**2 356 969**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Trade and other receivables		
Financial instruments:		
Trade receivables	28 638 047	58 794 978
Provision for doubtful debts	(2 845 497)	(3 867 155)
Trade receivables at amortised cost	25 792 550	54 927 823
Accrued interest	1 143 862	1 001 572
Other receivables	125 009	170 367
Non-financial instruments:		
VAT	16 582 699	11 407 082
Prepayments (if immaterial)	554 587	736 117
Total trade and other receivables	**44 198 707**	**68 242 961**
Trade and other receivables past due but not impaired:		
Neither past due nor impaired		
Current	10 603 859	30 357 649
30-60 days	3 476 607	24 564 494
Past due but not impaired		
61-90 days	12 126	11 360
90 days and older	11 699 958	3 861 475
	25 792 550	**58 794 978**

Accrued interest relates to the Standard Bank (SA) and FNB investment, interest is paid at maturity date.

Other receivables mainly consists of deposits paid.

Included in the past due but not impaired age, is an amount of R11 699 958 relating to a foreign customer who subsequently settled the account on 8 April 2022.

The provision of impairment for doubtful debts, including bad debts write-off has been determined by reference to past experience as well as an actual review of all individual debtors' accounts.

Reconciliation of provision for impairment of trade and other receivables:

Opening balance	3 867 155	2 266 612
Provision for impairment	(448 294)	1 733 865
Amounts written off as uncollectable	(575 769)	(133 322)
	2 843 092	**3 867 155**

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	27 061 421	56 099 762
Non-financial instruments	17 137 286	12 143 199
	44 198 707	**68 242 961**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Tax refunded (paid)		
Balance at the beginning of the year	29 260 415	25 394 239
Tax paid during the year	-	3 866 176
Tax movement	(121 564)	-
	29 138 851	**29 260 415**
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	10 000	10 000
Short term cash investments and deposits	246 856 355	210 976 455
Current account bank balance	61 911 302	63 302 655
	308 777 657	**274 289 110**
Reconciliation of bank balances		
Cash on hand	10 000	10 000
Current account: FNB	61 965 052	63 302 655
Investment account: FNB	10 785 762	15 646 039
Investment account: Std Bank	230 761 009	183 845 664
Current account: Std Bank	5 255 834	11 484 752
	308 777 657	**274 289 110**

Exposure to currency risk

The entity is exposed to currency risk related to certain bank accounts which are denominated in a foreign currency.

Rand amount		
Euro accounts- Std Bank and FNB	17 774 269	5 904 629
US Dollar accounts- Std Bank and FNB	43 304 962	51 141 946
	61 079 231	**57 046 575**
Foreign currency amount		
Euro	1 100 656	335 973
US Dollar	2 984 326	3 414 061
Rand per unit of foreign currency:		
Euro	16,149	17,575
US Dollar	14,511	14,980

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
9. 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
10. Lease liabilities		
Minimum lease payments due		
- within one year	143 733	172 480
- in second to fifth year inclusive	-	143 733
	143 733	316 213
less: future finance charges	(5 910)	(26 382)
Present value of minimum lease payments	**137 823**	**289 831**
Present value of minimum lease payments due		
- within one year	131 564	157 876
- in second to fifth year inclusive	6 259	131 955
	137 823	**289 831**
Non-current liabilities	6 259	131 954
Current liabilities	131 564	157 876
	137 823	**289 830**

The entity has leased computer equipment for a duration of three years, which expires end of January 2023.

The average lease term was 3 years and the average effective borrowing rate was 9% in 2022 and 2021.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Deferred Recapitalisation Grant

The grant relates to the funding received from the National Treasury for OBP's Recapitalisation programme. The grant was approved in 2012/13 financial year for R492.4 million of which the entire R492.4 million has been received. During the financial year under review R5.6 million was realised into the income statement as a deferred government grant income.

Non-current liabilities	432 282 063	436 247 920
Current liabilities	5 623 471	7 280 634
	437 905 534	**443 528 554**
Opening carrying amount	443 529 005	450 809 190
Amortised	(5 623 471)	(7 280 634)
Closing net carrying amount	**437 905 534**	**443 528 556**

12. Deferred Government Grant - Small Animal Facility

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

Non-current	-	20 493
Current	20 493	285 532
	20 493	**306 025**
Opening carrying amount	306 025	591 557
Amortised	(285 532)	(285 532)
Closing net carrying amount	**20 493**	**306 025**

13. Deferred Government Grant- Corporatisation of OBP SOC Ltd

The Deferred Government Grant- Corporatisation of OBP is a grant income that is recognised as income on a systematic and rational basis over the useful life of the remaining assets.

Non-current	4 721 159	6 973 034
Current	2 251 875	2 251 875
	6 973 034	**9 224 909**
Opening carrying amount	9 224 909	11 476 784
Amortised	(2 251 875)	(2 251 875)
Closing net carrying amount	**6 973 034**	**9 224 909**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Deferred Research and Development Grant

The grant relates to the funding received from the Tshwane Animal Health innovation Cluster (TAHIC), NRF and other sponsors for OBP's research projects. The total amount expensed in the income statement for the grants is R1 784 985 during the current financial year.

Non-current	19 410 844	25 403 575
Current	1 784 985	917 019
	21 195 829	**26 320 594**
Opening carrying amount	26 320 594	26 002 100
Additions	1 329 834	318 494
Amortised	(6 454 599)	(917 019)
Closing net carrying amount	**21 195 829**	**25 403 575**

15. Trade and other payables

Financial instruments:		
Trade Payables	15 727 833	10 426 090
Accruals	4 809 201	11 543 241
Other payables	3 908 179	1 643 000
	24 445 212	**23 612 331**

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	24 445 212	23 612 331

16. Gross to net revenue reconciliation

Revenue		
Sale of goods	173 854 260	214 771 906

The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:

Sale of goods	170 071 519	209 562 729
Delivery services	3 782 741	5 209 177
	173 854 260	**214 771 906**
Gross revenue	186 699 807	238 668 784
Discount granted	(16 613 831)	(29 106 055)
	170 085 976	**209 562 729**
Net revenue- vaccines	170 071 519	209 562 729
Revenue- dry-ice	289 701	548 463
Revenue- transportation services	3 493 040	4 660 714
	173 854 260	**214 771 906**

Net revenue moved from R209 million in 2020/2021 to R170 million in the 2021/2022 financial year. The decrease is mainly attributable to equipment breakdowns, this had impact on the production capacity of OBP which resulted in a restrained supply of products to the market.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
17. Other income		
Forex gains	11 241 919	12 727 643
Learnerships	156 599	85 083
Other income	1 407 624	-
Rental income	817 167	676 834
	13 623 309	**13 489 560**

Rental income is derived from rental of property to tenants.
Learnerships are funds received from Chemicals Industries Education and Training Authority (CHIETA).

18. Included in operating and administrative expenses

Operating loss for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external		
Audit fees	2 350 298	1 807 254
Operating expenses		
Amortisation of intangible assets	118 801	672 351
Consumables	577 401	4 662 995
Depreciation of property, plant and equipment	12 531 135	13 090 494
Employee costs	92 500 680	92 426 351
Forex losses (realised and unrealised)	14 236 604	19 527 219
Other operating expenses	1 965 879	5 902 706
Repairs and maintainance equipment	8 701 937	7 764 530
Research and development costs	3 851 613	3 853 488
Security expenses	2 866 420	3 096 115
Utilities	3 110 864	14 359 239
	140 461 334	**165 355 488**
Admistrative expenses		
IT expenses	2 595 899	2 180 013
Professional fees and legal expenses	2 825 821	4 985 012
Bank charges	233 853	261 109
Fuel and oil exepenses	1 258 772	846 093
Insurance expense	1 773 669	2 038 769
Other administrative expenses	5 330 333	3 087 449
Protective clothing	2 349 522	2 415 765
Recruitment costs	822 711	249 847
Software Costs	1 085 330	1 262 033
Telephone and fax	1 088 125	725 806
Travel	1 016 072	287 780
	20 380 107	**18 339 676**
Other disclosure- Inventory write-off		
Inventory write-off: Stock being investigated	-	4 947 872
Inventory write-off: Stock count adjustments after year-end	-	4 910 795
Inventory write-off: Obsolete stock (Movements)	456 106	(1 780 044)
	456 106	**8 078 623**
Employee benefits		
Employee benefits – defined contributions plans	10 663 494	11 267 351
Average number of employees	221	227

The entity declared an average annual increase of 3% for 2021/2022.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
19. Investment revenue		
Investments in financial assets:		
Short term investments and deposits- interest	9 759 396	10 028 366

The interest revenue relates to interest earned from short term investments held with FNB and Std Bank (SA).

20. Cash generated from operations		
(Loss) profit before taxation	7 440 948	(2 137 476)
Adjustments for:		
Depreciation and amortisation	12 649 938	13 762 845
Interest received	(9 759 396)	(10 028 366)
Assets written off	7 273	60 445
Finance costs	20 472	33 853
Changes in working capital:		
Inventories	9 186 887	26 702 567
Trade and other receivables	24 044 254	(29 474 285)
Tax prepayment	121 565	-
Trade and other payables	832 882	11 110 745
Deferred Recapitalisation Grant	(5 623 020)	(7 280 636)
Deferred Government Grant - Small Animal Facility	(285 532)	(285 532)
Deferred Government Grant- Corporatisation of OBP SOC Ltd	(2 251 875)	(2 251 875)
Deferred Research and Development Grant	(5 124 765)	318 494
	31 259 631	**530 779**

21. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	76 164 564	97 682 401
• Contracts	25 221 923	1 674 869
Operating leases – as lessor (income)		
Minimum lease payments due		
within one year	146 820	146 820
in second to fifth year inclusive	262 050	408 870
	408 870	**555 690**

The entity had R76 million disclosable capital commitments at 31 March 2022 for the GMP upgrade of the manufacturing facility.

There are also other commitments entered before 31 March 2022 which expire in future financial years. These commitments amount to R23 million.

22. Contingencies

OBP has pending cases with employees at CCMA and labour court. The amounts could not be reliably measured at year end.

OBP is aware of a litigation in relation to an outstanding electricity debt by a related party. OBP is paying the related party for electricity, a percentage of the outstanding debt could be payable by OBP. As at 31 March 2022 the amount of liability could not be reliably measured.

OBP is aware of possible litigation cases involving the following:
- Dispute to honour an agreement by the department.
- Failure to honour an agreement to transfer technology in the form of seed stock

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Taxation		
Major components of the tax (income) expense		
Current		
Income tax expense	-	-
Deferred		
Deferred tax (Income) / expense	2 083 466	(3 590 223)

The tax on the entity'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.

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28,00 %	28,00 %
Other taxable items	2,50 %	16,22 %
Amortisation of government grant - research	(20,19)%	(42,91)%
Amortisation of recapitalisation grant	(11,16)%	(5,41)%
Disallowed deduction on production building	49,85 %	81,12 %
Amortisation of government grant – small-animal facility	(1,13)%	(1,68)%
Amortisation of government grant – corporatisation	(8,87)%	(13,27)%
Other non-taxable items	(11,00)%	(34,07)%
	28,00 %	**28,00 %**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Financial instruments

Categories of financial instruments

Categories of financial assets

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables (excluding provision for doubtful debt)	6	27 061 421	27 061 421	27 061 421
Investments		246 856 355	246 856 355	246 856 355
Bank balances		61 911 302	61 911 302	61 911 302
		335 829 078	**335 829 078**	**335 829 078**

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables (excluding provision for doubtful debt)	6	54 927 823	54 927 823	54 927 823
Prepaid expenses	8	736 117	736 117	736 117
Investments		210 986 455	210 986 455	210 986 455
Bank balances		63 302 655	63 302 655	63 302 655
		329 953 050	**329 953 050**	**329 953 050**

Categories of financial liabilities

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	15	15 727 833	15 727 833	15 727 833
Accruals		4 809 201	4 809 201	4 809 201
Other payables		3 908 179	3 908 179	3 908 179
		24 445 212	**24 445 212**	**24 445 212**

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	15	10 426 089	10 426 089	10 426 089
Accruals		11 543 241	11 543 241	11 543 241
Other payables		1 643 000	1 643 000	1 643 000
		23 612 331	**23 612 331**	**23 612 331**

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

Relationships

The executive and non-excutive directors are listed per disclosure note Treasury Regulation 28.1.1 (note 26) and it details their names, positions and remuneration. There were was no business transactions between OBP and any of the directors.

OBP has an arm's length relationship with Ondersterpoort Veterinary Institute (OVI). OVI is a unit of the Agricultural Research Council (ARC). Both OBP and OVI have the Minister of the Department of Agriculture, Land Reform and Rural Development as their Shareholder. OVI buys amongst other things, small animals, and media products. In turn OBP buys from OVI research related material. The relationship with all other state departments is commercial in nature.

The related parties are entities that have amongst other requirements common shareholding and directorship with OBP.
OBP, as a state-owned entity, had the following transactions with other state departments:

Related party transactions and balances

Sales to related parties (other organs of state)		
•Department of Agriculture, Rural Development, Land and Environmental Affairs- Mpumalanga	(7 092 828)	(10 695 936)
•Department of Agriculture and Rural Development- North West	(67 059)	(431 652)
•Department of Agriculture & Rural Development - KwaZulu Natal	(69 855)	(865 720)
•Agricultural Research Council (ARC)	(121 202)	(35 428)
•Department of Rural Development and Agrarian Reform - Eastern Cape	-	(191 978)
•Department of Agriculture and Rural Development - Limpopo	(6 795 130)	(533 739)
•Department of Agriculture and Rural Development - Free state	(31 015)	-
•Animal Improvement Institute	(408)	(409)
•Department of Agriculture Land Reform & Rural Development - Northern Cape	-	(28 679)
•Department of Agriculture, Land Reform and Rural Development- National	-	(12 299 967)
•Department of Agriculture and Rural Development- Gauteng	(229 568)	(37 878)
•Correctional Services - Aliwal North	(15 652)	-
•Correctional Services - Zonderwater	(8 348)	-
•Correctional Services - Kirkwood	-	(15 913)
•Correctional Services - Leeuwkop	-	(5 374)
•Correctional Services - Baviaanspoort	-	(2 609)
•Department of Agriculture - Western Cape	-	(1 042)
Rent paid to (received from) related parties		
SA Post Office rental received	-	(225 682)
Administration fees paid to (received from) related parties		
City of Tshwane Municipality - Property rates	1 689 681	994 304
Purchases from related parties (other organs of state)		
Agricultural Research Council (ARC)	19 293 439	14 490 599
Related party balances (other organs of state)		
OVI - Accounts receivable (for products or services sold)	(6 903 284)	(14 739 843)

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

26. Disclosure of emoluments of executive and Non-executive Directors as per Treasury Regulation 28.1.1

Executive

2022

Executive	Basic salary	Expense allowances	Other material benefits	Contributions paid under pension scheme	Basic salary	Contributions to officers liability insurance cover	Expense allowances	Total
*Mr C Manickum (COO)	508 022	669	-		508 022	13 889	669	522 580
**Mr L Mabombo	836 590	-	-		836 590	-	-	836 590
*Dr B Ntshabele (Minister's representative)	-	-	329 708		-	-	-	329 708
***Dr BK Dungu (CEO)	2 056 261	-	311 251	197 176	2 056 261	24 479	-	2 589 187
Ms. E Govender (Chief Financial Officer)	1 948 650	-	-		1 948 650	32 813	-	1 981 463
Dr. J Modumo (Business Development Officer)	1 293 637	216 000	-	174 228	1 293 637	32 813	216 000	1 716 678
****Ms. L Janse van Rensburg (Chief Operations Officer)	102 080	-	34 514		102 080	2 604	-	139 198
Dr. MB Nthangeni (Chief Scientific Officer)	1 219 137	-	-	133 037	1 219 137	32 813	-	1 384 987
*****Advocate P van der Sandt (HLCS)	575 118	-	-		575 118	13 889	-	589 007
	8 539 495	**216 669**	**675 473**	**504 441**	**8 539 495**	**153 300**	**216 669**	**10 089 398**

***Dr BK Dungu was appointed on 1 March 2019, and dismissed on 21 December 2021.
****Ms. L Janse van Rensburg was appointed 9 November 2020, and resigned on 30 April 2021.
*Mr Mr C Manickum was appointed on 2 November 2021.
**Mr L Mabombo was appointed as interim CEO on 9 November 2021.
*****Advocate P van der Sandt was was appointed as Head of Legal and Company Secretary on 1 October 2021.

* Dr. B Ntshabele was appointed as acting CEO from 10 May 2021 to 29 October 2021.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

26. Disclosure of emoluments of executive and Non-executive Directors as per Treasury Regulation 28.1.1 (continued)

2021

Executive	Basic salary	Expense allowances	Other material benefits	Contribu-tions paid under pension scheme	Contributions to officers' liability insurance cover	Total
****Mr Z Poni (Acting Chief Financial Officer)	900 200	-	87 978	111 755	9 375	1 109 308
*Mr S Ntombela	190 753	-	510 399	13 406	6 250	720 808
Dr BK Dungu(CEO)	2 764 472	78 242	-	257 848	30 208	3 130 770
**Ms. Govender,E - Chief Financial Officer	751 836	-	-	-	20 833	772 669
Dr. Modumo,J - Business Development Officer	1 255 602	216 000	-	170 166	30 208	1 671 976
***Ms. Janse van Rensburg, L - Chief Operations Officer	714 559	-	-	-	20 833	735 392
Dr. Nthangeni MB (Chief Scientific Officer)	1 182 188	-	-	130 602	30 208	1 342 998
	7 759 610	**294 242**	**598 377**	**683 777**	**147 915**	**9 483 921**

* Resigned on 1st June 2020.
** Appointed on 9th November 2020.
*** Appointed on 1st September 2020.
**** Acting CFO until 8th November 2020.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

26. Disclosure of emoluments of executive and Non-executive Directors as per Treasury Regulation 28.1.1 (continued)

Non-executive

2022

Directors' emoluments	Fees for services as director or executive member	Expense allowances	Contributions to officers' liability insurance cover	Total
Ms R Kenosi (Chairperson of the Board)	473 171	18 000	32 813	523 984
Ms N Sonjani	170 002	-	32 813	202 815
Ms K Naidoo	154 504	-	32 813	187 317
*Mr L Mabombo	114 634	-	32 813	147 447
Mr L Nematswerane	205 497	-	32 813	238 310
Prof. K Nephawe	181 403	-	32 813	214 216
**Dr B Ntshabele (Minister's representative)	-	-	32 813	32 813
	1 299 211	**18 000**	**229 691**	**1 546 902**

**Dr B Ntshabele was appointed as acting CEO from 10 May 2021 to 29 October 2021.
* Mr L Mabombo was appointed as interim CEO from 9 November 2021 to 9 May 2022 with the option of an extension pending appointment of a permanent CEO. The appointment has been extended for 6 months.

2021

Directors' emoluments	Fees for services as director or executive member	Expense allowances	Contributions to officers' liability insurance cover	Total
*#Mr TR Ramabulana - Chairperson	107 663	-	17 188	124 851
*#Dr. P Vervoort	112 336	517	17 188	130 041
*#Mr Y Haffejee	-	1 688	17 188	18 876
*#Dr. CC Nkuna	104 490	1 293	17 188	122 971
*#Ms FV Mphuthi	96 228	-	17 188	113 416
***Dr. M J-Naidu	38 880	-	10 938	49 818
**Ms R Kenosi (Chairperson of the Board)	68 260	6 000	13 021	87 281
**Ms N Sonjani	49 956	-	13 021	62 977
**Ms K Naidoo	38 562	-	13 021	51 583
**Mr L Mabombo	41 548	-	13 021	54 569
**Mr L Nematswerane	43 308	-	13 021	56 329
**Prof. K Nephawe	47 312	-	13 021	60 333
***Dr B Ntshabele (Minister's representative)	38 408	4 500	20 833	63 741
	786 951	**13 998**	**195 837**	**996 786**

26. Disclosure of emoluments of executive and Non-executive Directors as per Treasury Regulation 28.1.1 (continued)

* The Board term ended on 31 October 2020.
** The Board term started on 1 November 2020.
*** Interim Board ended 31 October 2020.
*** Interim Chairperson from 01 August 2020 to 31 October 2020..
# Continued as member on interim Board.

Notes on Treasury Regulation 28.1.1:

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.(No Bonuses for 2022 and 2021)
- **Expense allowances**
  All payments made to individuals are in respect of travel allowances as well as personal expenses incurred for official business. Cellphone allowances, non-taxable daily allowance for overseas travel and travel with own vehicle for business purposes at a rate per kilometre are disclosed separately.
- **Contributions to pension fund**
  Fixed payments made on behalf of individuals (which form part of the executives' total cost to company salary packages).
- **Contributions to directors or officers liability insurance cover**
  These payments are for professional indemnity insurance premiums and the enity makes the payments to the insurer in terms of the entity's Memorandum of Incorporation.
- **Other material benefits received**
  The payments are for acting in a position.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

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 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.

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 entity has offsetting exposures. OBP has a USD and EURO account which exposes it to foreign exchange risk. The exchange risk is monitored through internal polcy that mitigates flactuations.
.
At 31 March 2022, the company had no open forward contracts. The recognition of foreign exchange gains and losses is recorded according to IAS 21.

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 period end were as follows:

Figures in Rand	2022	2021
27. Risk management (continued)		
Trade and other receivables	26 284 765	55 663 940
Short term investments and deposits	246 856 788	210 986 455
	273 141 553	**266 650 395**

Fair value

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

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statement to approximate their fair values on 31 March 2022 as a result of the short-term maturity of these assets and liabilities.

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 the entity.

The following are details of the contractual maturities of financial liabilities:

Trade payables	**Carrying amount**	**Contractual cashflow**	**12 months or less**	**More than 12 months**
As at March 2022	24 445 212	24 445 212	24 445 212	-

Trade payables	**Carrying amount**	**Contractual cashflow**	**12 months or less**	**More than 12 months**
As at March 2021	23 612 331	23 612 331	23 612 331	-

Financial instruments	**Less than 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**
As at March 2022: Short term investments and deposits	246 856 788	-	-

Financial instruments	**Less than 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**
As at March 2021: Short term investments and deposits	210 986 455	-	-

28. Events after the reporting period

The effects of COVID-19 did not materially affect the operations of the entity. The country remains on a high alert for the possibility of the spread of the disease and the possibility of another variant causing a new wave. The current global turmoil has impacted on imported materials.

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
29. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	13 225 646	8 277 804
Incurred in the current year	-	4 947 842
Amount written off	(852 887)	-
Fruitless and wasteful expenditure awaiting write-off	**12 372 759**	**13 225 646**

Fruitless and wasteful expenditure closing balance of R 12 372 759 relates to inventory items purchased but not delivered. The matter has been referred to the SAPS for further action. The request to write off will be submitted to the Accounting Authority once the matter is finalised and recovery is initiated.

30. Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	9 054 554	44 281 770
Irregular expenditure incurred and identified in the current year	423 884	9 400 349
Condoned by National Treasury	(9 054 554)	(44 627 565)
Irregular expenditure awaiting condonement	**423 884**	**9 054 554**

Irregular expenditure relates to procurement processes not followed for the services of pest control for R28 463, inspection of an electrical panel for R8 666, repairs of equipment for R11 908, machine repairs of R56 193 and repairs of the refrigeration system for R318 654. Condonement applications will be submitted to National Treasury, once investigations and consequence management are finalised.

31. Prior period changes in disclosure items

The following sections and notes have been amended in terms of disclosure to allow users of Annual Financial Statements more details:

There has been no change in figures and hence no impact on the figures disclosed in the prior period in the statement of financial position, statement of financial position, cashflows statement and statement of changes in net assets.

1) Cash and cash equivalents (Note 8)

Additional information:

Reconciliation of bank balances
Exposure to currency risk
Exchange rates

2) Operating and Admistrative expenses (Note 18)

Additional information:

Reconciliation in detail of Admistrative expenses to match the statement of financial performance
Reconciliation in detail of Operating expenses to match the statement of financial performance

3) Statement of changes in net assets (Prior year adjustments- 01 April 2020)

Prior year adjustments ended 2020/21 of R 2 995 466, for the financial year 2020 were disclosed and explained in the Annual Financial Statements for the year 2021 and are not material to restate as a note in the current financial statements.

4) Other income additional disclosure (Note 17)

The following additional line was added on other income to improve disclosure:

Other income

Onderstepoort Biological Products SOC Ltd
Annual Financial Statements for the year ended **31 March 2022**

Detailed Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Operating and administrative expenses			
Advertising		(2 467 480)	(317 509)
Assets Written-Off		(7 273)	(60 447)
Auditors remuneration	18	(2 350 298)	(1 807 254)
Bank charges		(233 853)	(261 109)
Cleaning		(232 059)	(592 646)
Conference Seminar		-	(124 427)
Consulting and professional fees - legal fees		(2 052 637)	(215 102)
Consumables		(577 401)	(4 662 995)
Depreciation, amortisation and impairments		(12 649 938)	(13 762 845)
Employee costs		(92 500 680)	(92 426 351)
Entertainment		(154 153)	(245 462)
Hire		(122 794)	(97 127)
IT expenses		(2 595 899)	(2 180 013)
Insurance		(1 773 669)	(2 038 769)
Medical expenses		(716 838)	(415 653)
Motor vehicle expenses		-	(1 166)
Other expenses		(45 373)	(450)
Fuel and oil expenses		(1 258 772)	(846 093)
Postage		(2 061)	(33)
Printing and stationery		(93 641)	(211 184)
Production and cost adjustments		-	(3 664 706)
Professional fees		(773 184)	(4 769 910)
Promotions		(39 652)	(33 450)
Protective clothing		(2 349 522)	(2 415 765)
Realised foreign exchanges losses		(14 236 604)	(19 527 219)
Recruitment Costs		(822 711)	(249 847)
Repairs and maintenance		(8 701 937)	(7 764 530)
Research and development costs		(3 851 613)	(3 853 488)
Security		(2 866 420)	(3 096 115)
Software expenses		(1 085 331)	(1 262 033)
Telephone and fax		(1 088 125)	(725 806)
Terrain Maintenance		(812 479)	(612 257)
Training		(229 333)	(779 000)
Transport and freight		(22 776)	(27 384)
Travel		(1 016 072)	(287 780)
Utilities expenses		(3 110 863)	(14 359 239)
		(160 841 441)	(183 695 164)

ONDERSTEPOORT
BIOLOGICAL PRODUCTS

B-Phemeral

Acronyms

ONDERSTEPOORT BIOLOGICAL PRODUCTS SOC LTD

ARC	Agricultural Research Council
AR&IT	Audit, Risk & IT Committee
B-BBEE	Broad-Based Black Economic Empowerment
BDO	Business Development Officer
BVSc	Bachelor of Veterinary Science
CAPA	Corrective and Preventative Action
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
COS	Cost of Sales
COVID-19	Corona Virus Disease 2019
CRM	Customer Relationship Management
CSE	Corporate Services Executive
CSIR	Council for Scientific and Industrial Research
CSO	Chief Scientific Officer
DALRRD	Department of Agriculture, Land Reform and Rural Development
DoA	Delegation of Authority
DME	Department of Monitoring and Evaluation
DTIC	Department of Trade Industry and Competition
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EE	Employment Equity
EMU	Engineering, Maintenance, and Utilities
ExCo	Executive Committee
FCCA	Fellow Members of Association of Chartered Certified Accountants
FYE	Financial Year End
GMP	Good Manufacturing Practice
ICT	Information Communications Technology
IFRS	International Financial Reporting Standards
IT	Information Technology
4IR	Fourth Industrial Revolution
LSD	Lumpy Skin Disease
Ltd	Limited
MOI	Memorandum Of Incorporation
MTEF	Medium-Term Expenditure Framework
MBA	Master in Business Administration
MBL	Master of Business Leadership
MOI	Memorandum of Incorporation
N/A	Not Applicable
NKP	National Key-Point
NRF	National Research Foundation
OBP	Onderstepoort Biological Products (SOC) Ltd
OHS	Occupational Health and Safety
PESTEL	Political, Economic, Social, Technological, Environmental and Legal
PFMA	Public Finance Management Act
PPECB	Perishable Products Export Control Board
P.R.I.D.E	People-First, Respect, Integrity, Dedication, Excellence
QA	Quality Assurance
QC	Quality Control
QMS	Quality Management System
R	Rand
R&D	Research and Development
RM	Risk Manager
RVF	Rift Valley Fever
SA	South Africa
SAAHA	South African Animal Health Association
SCM	Supply Chain Management
SHE	Safety, Health, and Environment
S&OP	Strategic and Operations Planning
SWOT	Strength, Weaknesses, Opportunities, Threats

ACTS

ONDERSTEPOORT BIOLOGICAL PRODUCTS SOC LTD

Public Finance Management Act 1 of 1999

Income Tax Act 58 of 1962

Value Added Tax Act 89 of 1991

Companies Act 56 of 2008

Broad-Based Black Economic Empowerment Amendment Act 46 of 2013

Promotion of Access to Information Act 2 of 2000

Fertilizers farm feeds agricultural remedies and stock remedies act 36 of 1947

Animal diseases Act 35 of 1984

Genetically Modified Organisms Act 15 of 199

Onderstepoort Biological Products Incorporation Act 19 of 1999

Prevention and Combating of Corrupt Activities Act 12 of 2004

Notes

Notes

ONDERSTEPOORT
BIOLOGICAL PRODUCTS

Company Information

Onderstepoort Biological Products (SOC) Ltd

Telephone Number:
+27 12 522 1500

Facsimile:
+27 12 522 1591

Email:
info@obpvaccines.co.za
stakeholder@obpvaccines.co.za

Website:
www.obpvaccines.co.za

Registration Number:
2000/022686/06

Tax number:
4240191587

Bankers Information:
First National Bank
Standard Bank

Postal Address:
Private Bag X07, Onderstepoort, 0110

Phisical Address:
100 Soutpan Road, Onderstepoort, 0110

Company Secretary:
Adv Pieter van der Sandt
pieters@obpvaccines.co.za

External Auditors:
Auditor-General

Internal Auditors:
Nextia-SAB&T

Onderstepoort Biological Products (SOC) Ltd

INNOVATIVE BIO-SCIENCE