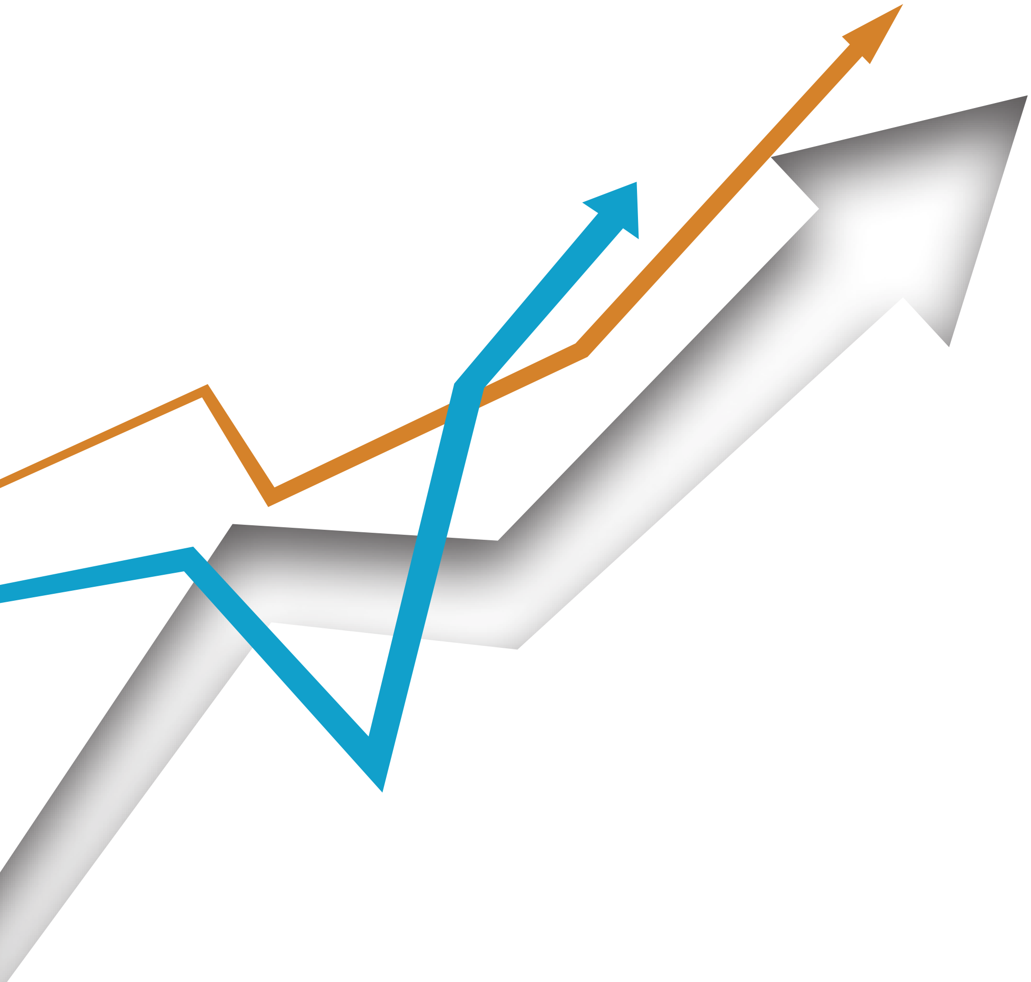
ANNUAL REPORT | 2015

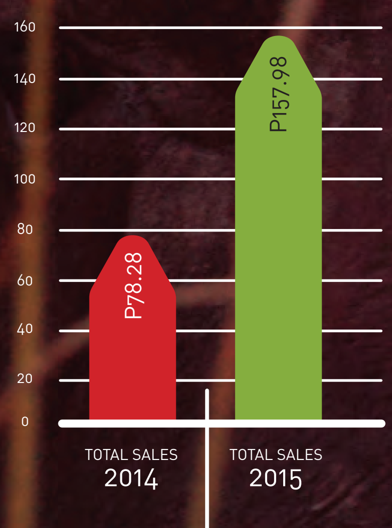


SUSTAINABLE GROWTH through focus

Providing Sustainable Animal Health Solutions

BVI
BOTSWANA VACCINE INSTITUTE

TOTAL VACCINE SALES
IN BWP MILLION 2014 vs 2015



P63.32mil

NET CASH
generated from operating activities

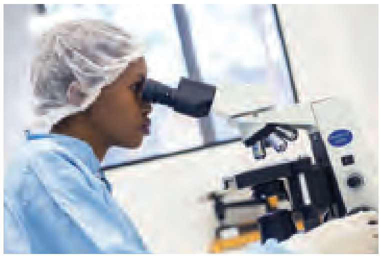
101.8%

TOTAL REVENUE
increase

BOTSWANA VACCINE INSTITUTE

VISION

BVI is committed to be the leader in the production of quality livestock vaccines



MISSION

TO SUPPORT THE LIVESTOCK INDUSTRY BY MANUFACTURING RELEVANT VACCINES AND PROVIDING SERVICES OF THE HIGHEST QUALITY THROUGH UTILIZATION OF THE BEST TECHNOLOGY, SKILLED AND DEDICATED EMPLOYEES TO COMBAT ECONOMICALLY DEVASTATING LIVESTOCK DISEASES.

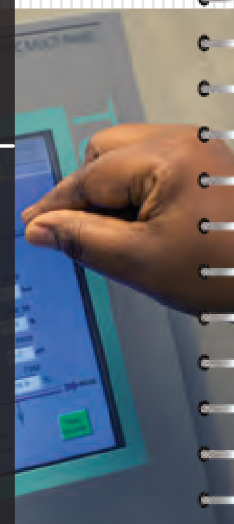
Through a network of partnerships, enhance adherence to sound manufacturing and environmentally friendly processes and remain sustainable.

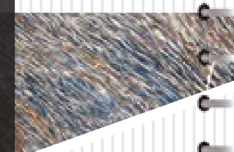
Leadership Principles

- COMMUNICATE EFFECTIVELY
- SET DIRECTION AND ALIGN TEAMS
- FOSTER AN ENVIRONMENT OF EMPOWERMENT AND EXCELLENCE
- MAKE DECISIONS AND ENABLE OTHERS TO MAKE DECISIONS

CORE VALUES

- Teamwork
- Performance Focus
- Total Customer Satisfaction
- Botho [respect courtesy/humility]
- Employee First
- Social Responsibility
- Uphold HSE Standards





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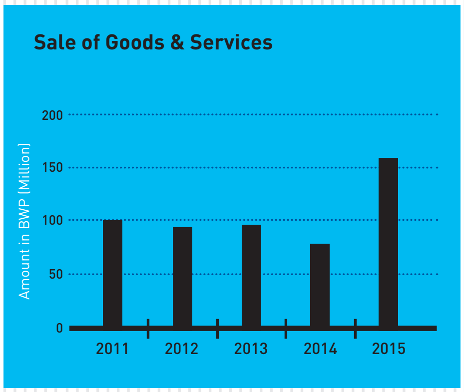
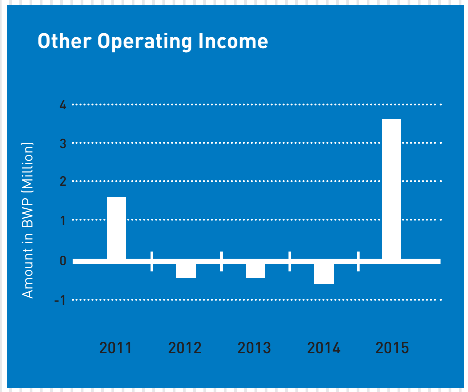
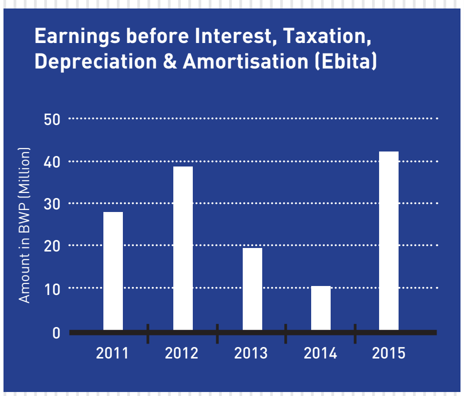
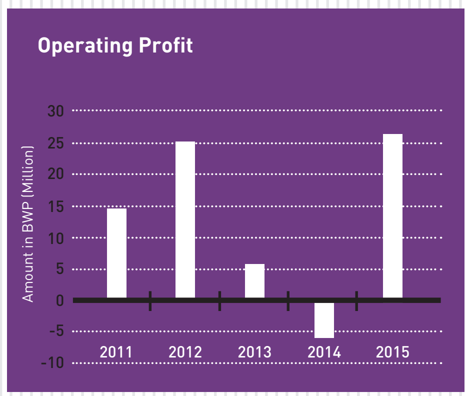
Five Year Annual Review

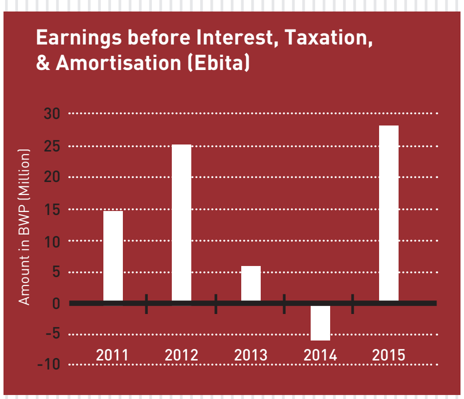
AS AT 31 DECEMBER 2015

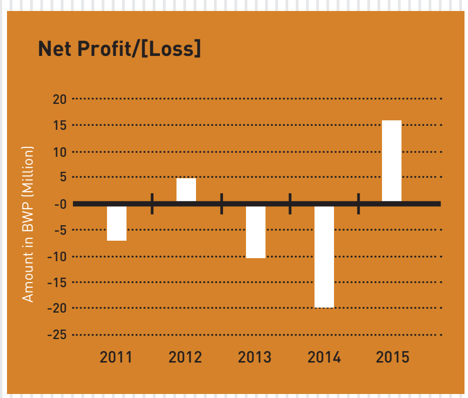












BVI MILESTONES

1994
Rinderpest Vaccine (thermostable) discontinued in 2005 due to GREP recommendations

1993
CBPP (Contagious Bovine Pleuro Pneumonia) Vaccine

1992
Anthrax Vaccine and Black Vaccine

1985
Rinderpest Vaccine

1981
Grand opening of the permanent manufacturing site with a capacity of 12 million monodoses of FMD vaccines annually

1980
7 million monovalent doses of vaccine in the module extended for more products

1979
4.5 million monovalent doses of FMD Vaccine produced in the module

1978
20,000 monovalent doses of FMD (Foot & Mouth Disease) Vaccine produced in the emergency laboratory

1998
Pest des Petits Ruminants Vaccine

2007
Launch of an expansion project to increase the production capacity of the FMD antigens

2010
Launch of new GMP Compliant Laboratory to produce purified FMD vaccine Aftovaxpur, which has capacity for emergency antigen banks

2011
Launch of new purified FMD vaccine "Aftovaxpur"

2013
Award of the OIE PPR vaccine bank for Africa

2014
Renewal of the Technical Cooperation Agreement with MERIAL

2015
Sequestration and Return of Rinderpest Material to the AU PANVAC.

Board of Directors

1] Mr E. J. Kemsley | BOARD CHAIRMAN

Appointed on 1st July 2009, reappointed on 1st July 2012; 1st July 2015 and for a further for three years expiring on the 30th June 2018

2] Dr P. Dubourget | MEMBER

Member since 28th October 2004

3] Stephane Jeane - Pierre Perrin | MEMBER

Member since 1st March 2015

4] Dr Kekgonne E. Baipoledi | MEMBER

First appointed on 1st January 2015

5] Mrs P. Makepe | MEMBER

Appointed on 1st April 2005, reappointed on 1st April 2011 for three years, reappointed on the 1st April .2014 for a further three years expiring on the 31st March 2017.

6] Dr A. Blackbeard | MEMBER

Appointed on 1st April 2006, reappointed on 1st April 2009; 1st April 2012; 1st April 2015 and for a further three years expiring on the 31st March 2018.

7] Mr L. Monare | MEMBER

Appointed on 1st June 2005, reappointed on 1st June 2011 for three years, reappointed on 1st June 2014 for a further three years expiring on the 31st May 2017.

Chairman's Statement

HONOURABLE
PATRICK PULE RALOTSIA
Minister of Agriculture

Honourable Minister,

It is once again my honour and privilege to submit, on behalf of the Board of Directors, the annual report and audited financial statements for Botswana Vaccine Institute Ltd (BVI) for the financial year ended 31st December 2015.

Market sentiment was shaped by several factors in 2014, including geopolitical concerns which resulted in a reduction in donor funding, a sharp decline in energy prices and doubts about the global economic recovery. After another tough and challenging year of 2014, I can say that we have started to show some positive results from our efforts. Although 2015 results were not as good as we would have wanted, we achieved targets that we expected, and this was largely attributable to the continuous improvement measures that were put in place during the year.

The end of 2015 financial year marked the return of BVI to profitability after reporting losses for the past three years. We remained on course to deliver the financial targets we have set for 2015.

Honorable Minister, the good performance achieved in 2015 would not have been possible if it was not for the support that we continuously receive from the Shareholder. It is worth reporting that the Shareholder's capital injection received during the year would go a long way in addressing some of the challenges that were experienced in the previous years.

OPERATIONAL PERFORMANCE

On our financial performance, total revenue was P157.98 million compared to P78.28 million reported for 2014 financial year, a 101.8% year on year increase. BVI reported an operating profit of P26.17 million in 2015 compared to an operating loss of P5.98 million that was reported in 2014. The improved performance is largely attributable to the high incidence of FMD outbreaks that were reported in the region coupled with the stringent cost control measures implemented during the year. Notwithstanding the positive results posted in terms of revenues and operating profits, BVI continues to experience cash flow challenges emanating from delayed settlement of outstanding invoices by most of our traditional customers as evidenced by the high debtors balance as at year end. We will continue working towards improving our balance sheet and liquidity while strengthening our working capital management and reducing controllable costs to acceptable levels.

CHALLENGES

BVI operates in an environment that is largely unpredictable as evidenced by the latest developments within the region where countries are also considering constructing their own vaccine manufacturing plants. While our business model is still relevant, we will take the necessary steps to prepare the Company for any possible operational challenges by continuously improving our operational performance and ensuring that customer demands are fulfilled timeously. We will continuously assess how the efficiency of processes can be improved so as to ensure that customers can be assured that they are getting value for their money.

CORPORATE SOCIAL RESPONSIBILITY

As a company, we remain committed to sustainable development, which for BVI means a balanced act between economic, social and environmental responsibility. These principles are applied throughout our product's value chain, from raw materials to production and all the way to the end of the entire product life cycle.

Chairman's Statement [continued]

Even though the Company has not yet defined a social responsibility policy, we have made a commitment to sponsor the annual essay competition for rabies disease for schools and students. This disease is prevalent on domestic pets and you will agree with me that our children are mostly at risk because of their relationship with pets.

It is through such initiatives that BVI is contributing to youth empowerment and development. BVI contributed prizes for a school essay competition that was held during the World Rabies day commemorations that was held in Kasane

STRATEGY AND BOARD FOCUS

The main focus for the Board in 2015 has been the restructuring of the BVI balance sheet with a view of reducing the Company's level of debt. We believe that such an initiative coupled with a focus towards the definition and implementation of turnaround strategies would go a long way in improving the Company's financial performance. Implementation of stringent cost control measures as well as ensuring that the Company is properly resourced so as to deliver according to its mandate still remains a priority for BVI.

OUTLOOK

The 2015 overall performance clearly underscored the relevance of BVI in the region. Although increased turnover reported for 2015 was a clear confirmation that our products are still relevant for the market, the need to continuously explore ways of diversifying both the product portfolio and the market remains a priority going forward. While it is acknowledged that we still have to improve our performance, I believe that the foundations have now been laid and we are well positioned to respond to the evolving customer demands in a very positive and strategic way. I am confident that 2016 would be another positive year for the Company.

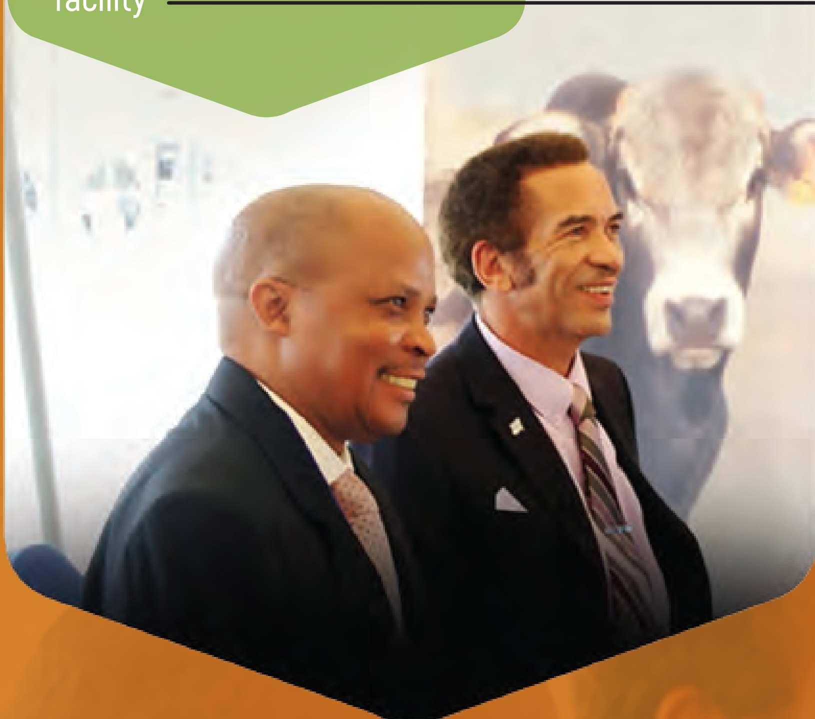
ACKNOWLEDGMENTS

Allow me, on behalf of the Board, to take this opportunity, to express our sincere gratitude to our parent Ministry of Agriculture, who continue to provide resolute support to BVI. I wish to record our appreciation for the support we have been receiving from our technical partners, MERIAL for more than 36 years! This is a clear testament of an enriched relationship that we have fostered over the years which is illustrated by the stability and achievements that we are now enjoying. I would like to extend my appreciation to the Management Team who worked so hard, with dedication and professional attitude to turnaround the financial performance of the Company. My profound gratitude also goes to the Staff, for a job well done in the course of the year. Without your commitment and positive attitude towards what you are doing, these results would not have been achieved. To our customers, it is my submission that you have continued to show commendable loyalty to our products and this is highly appreciated.

Thank you!!

Edward J. Kemsley
Chairman

December 2010 Botswana Vaccine Institute launches new FMD vaccine production facility



The President of Botswana, Lt. Gen. Ian Khama (left) and the Managing Director of BVI and OIE designated expert for FMD, Dr George O. Matlho (right).

Picture (c) Monkgogi Samson (oie / demographix) 2010.

The Botswana Vaccine Institute (BVI) launched its new EUR 20 million production plant for FMD vaccines. Through a public – private partnership with French pharmaceutical group MERIAL, the Botswana-based company has produced animal disease vaccines since 1978 and has become a market leader in FMD vaccines for Africa.

Corporate Governance

STATEMENT OF COMPLIANCE

The Board is committed to operating effectively. Three important elements which support Board effectiveness are its composition; how it keeps abreast of developments affecting the business; and how it monitors the performance of the Company to ensure that the objectives are aligned with the mandate as defined by the Shareholder. Details of Board and Committee membership in 2015 are set out below.

The Board is committed to the highest standards of business integrity, ethical values, transparency and accountability in all activities. The Board of Directors recognize that the role the Board plays in reviewing strategy, monitoring performance, understanding risk and reviewing controls is of paramount importance for the success and long term sustainability of the Company. Corporate Governance is core to ensuring the creation, protection and enhancement of shareholder value.

The Board of Directors has a duty to promote the success of the Company for the Shareholder. The Board understands that adhering to good corporate governance is critical for maintaining trust of key stakeholders and is accountable to the Shareholder. This also allows them to ultimately achieve the Company's goals. The Directors are satisfied that the Company has adopted the best corporate practices in the conduct of business.

MEMBERSHIP OF THE BOARD

As at the 31st December 2015, the Board comprised seven independent Directors who have an appropriate balance of skills, experience and expertise. BVI was established as a company limited by shares and the objectives, mandate and the power of the Board of Directors as well as the relationship with the Shareholder are set out in the Memorandum and Articles of Association.

The role of the Chairman (as fulfilled by Mr. E. J. Kemsley) and General Manager (Dr. O. G. Matlho) are separated and clearly defined. The Chairman's main responsibility is to lead and manage the Board, encourage critical discussions, challenge mindsets and additionally promote effective communication within the Board. In addition he is responsible for promoting best practice corporate governance and effective communication with the Shareholder.

The BVI Board for the year was constituted by the following members:

MEMBER	POSITION	DATE AND PERIOD OF APPOINTMENT
Mr Edward J. Kemsley	Chairman	Appointed on 1st July 2009, reappointed on 1st July 2012; 1st July 2015 and for a further for three years expiring on the 30th June 2018.
Dr Philippe Dubourget	Member	Member since 28th October 2004.
Dr Anne Blackbeard	Member	Appointed on 1st April 2006, reappointed on 1st April 2009; 1st April 2012; 1st April 2015 and for a further three years expiring on the 31st March 2018.
Dr Kekgonne E. Baipoledi	Member	Member since 1st January 2015.
Mr Stephane Jeane - Pierre Perrin	Member	Member since 1st March 2015.
Ms Pinkie Mothopeng - Makepe	Member	Appointed on 1st April 2005, reappointed on 1st April 2011 for three years, reappointed on the 1st April .2014 for a further three years expiring on the 31st March 2017.
Mr. Lentswe Monare	Member	Appointed on 1st June 2005, reappointed on 1st June 2011 for three years, reappointed on 1st June 2014 for a further three years expiring on the 31st May 2017.

RESPONSIBILITIES OF THE BOARD

The Board continuously assesses the activities and processes of the Company to ensure that there is transparency, accountability and responsibility in the manner in which the mandate is being executed. The Board is responsible for setting and reviewing the strategic direction of BVI and monitoring the implementation of that strategy by Executive Management, including but not limited to:-

- Monitoring the performance of the Company against set objectives;
- Promoting ethical and responsible decision making;
- Monitoring compliance with laws, tax obligations, regulations, applicable standards and corporate policies;
- Approving annual operating, budget and monitoring operating and financial performance of the Company;
- Approving annual capital expenditure budget;
- Ensuring that risk management processes, internal controls and business management support systems are appropriate for the achievement of the Company's objectives.

CONFLICTS OF INTEREST

Appropriate conflict management procedures are in place. At every Board meeting, the Directors are requested to submit an updated declaration of interest form. Directors have a continuing duty to update any changes in these interests. No conflicts of interest were recorded during the year.

BOARD MEETINGS

The Board meets at least four times a year and two of these meetings have to be attended by the Directors representing MERIAL. One of these meetings serves to review and approve the business plan and budgets for the next financial year. In addition, the local Directors may meet to discuss urgent issues that require immediate action and the Board documents for such meetings are circulated to allow the other Directors to share their views on matters being discussed. All Directors are kept informed between meetings of major developments affecting the Company. During the year, no meeting was cancelled due to the Directors not forming a quorum.

Corporate Governance [continued]

BOARD COMMITTEES

In accordance with the provisions of the 2004 Company's Act, the Board has established two Committees operating under their own specific terms of reference. The minutes of all meetings of Board Committees are circulated to all Directors for information with their board papers and are formally noted by the Board. Details of these Committees are provided below:-

Finance and Audit Committee – comprises of three Non Executive Directors, all of whom are independent. As at 31st December 2015, the Audit Committee members were Ms. Pinkie Mothopeng - Makepe (Committee Chairperson), Dr. Anne Blackbeard and Dr. Kekgonnne E. Baipoledi. The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information in advance of publication, reviewing on a continuing basis the systems of internal controls regarding finance and accounting that Management and the Board have established and reviewing in general the auditing, accounting and financial reporting processes. The ultimate responsibility for reviewing and approving the annual accounts remains with the Board.

The terms of reference of the Committee are documented and agreed by the Board. The key terms set out that the Committee will:-

- Monitor the integrity of the financial statements, including compliance with applicable legislative, regulatory and accounting standards;
- Review the appropriateness and completeness of the system of internal financial control;
- Review and appraise the audit efforts of external auditors;
- Review and monitor the effectiveness of the risk management processes of the Company.

Human Resources Committee – the Committee is comprised of three Directors. During the year, the Human Resources Committee members were Dr. Anne Blackbeard (Committee Chairperson), Mr. Lentswe Monare and Dr Kekgonne E. Baipoledi. The terms of reference for the Committee are documented and agreed by the Board. The purpose of the Committee is to assist the Board in fulfilling its obligations relating to human resources management and compensation matters including but not limited to:-

- Reviewing, monitoring and making recommendations to the Board and ensuring that the necessary policies and procedures are in place to drive performance against the Company's strategy;
- Ensuring that the Company has an effective organizational structure and competitive human resources and compensation policies and practices;
- Review, monitor and make recommendations to the board on the Company's human resources strategy and policies that pertain to staffing, compensation, benefits and related issues of strategic importance that directly affect the Company's ability to recruit, develop and retain the staff with skills and competences needed for the achievement of the mandate.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Within the remit of the Finance and Audit Committee, the financial statements for the year ended 31st December 2015 were reviewed by the Committee, and made recommendations to the Board concerning their approval and content. Based on the recommendations of the Committee, the accounts were approved by the Board and accordingly signed on behalf of the Company by the Board Chairman and the Finance and Audit Committee Chairperson.

GOING CONCERN

The Directors confirm that they are satisfied that the Company has adequate resources to continue to operate for a foreseeable future and is financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

CHANGES TO THE BOARD

Dr Moetapele Letshwenyo and Mr. Philippe Martin – Jarrand retired from the Board during 2015 financial year.

Rinderpest material off to Ethiopia

Minister of Agriculture, Honourable Patrick Pule Ralotsia and Assistant Minister of Agriculture, Honourable Kgotla Autwetse carrying the rinderpest material.

Minister of Agriculture, Honourable Patrick Pule Ralotsia and Assistant Minister of Agriculture, Honourable Kgotla Autwetse carrying the rinderpest material. Botswana Vaccine Institute (BVI) has contributed positively to the global eradication of rinderpest disease, Minister of Agriculture, Mr Patrick Ralotsia, has said.

Speaking at a ceremony to mark the sending of rinderpest infected material from Botswana to Ethiopia on the 12th November 2015, Mr Ralotsia said BVI started production of normal rinderpest vaccine in 1985 followed by themostable vaccines from 1994.

He said the transfer of rinderpest virus infected materials called for a high level biosecurity protocol between all stakeholders and this particular case Food and Agricultural Organisation (FAO) international guidelines.

BVI Management

A.] DR O. G. MATLHO
GENERAL MANAGER

B.] MR D. GERVAIS
TECHNICAL MANAGER

C.] MS K. M. TIBE
FINANCE MANAGER

D.] DR M. MOKOPASETSO
CHIEF VETERINARY OFFICER

E.] MS J. BANNYADITSE
HUMAN RESOURCES AND ADMINISTRATION MANAGER

F.] MR B. OBUSITSE
QUALITY ASSURANCE & SHEB MANAGER

G.] **DR J. HYERA**
OIE LABORATORY MANAGER

H.] **DR M. MAZWIDUMA**
SALES & MARKETING MANAGER

I.] **MR J. VIDAL**
TECHNICAL SUPPORT AND CONTINUOUS IMPROVEMENT MANAGER

J.] **MS B. SALANI**
FMD PRODUCTION MANAGER

K] **MR M. GAONAKGANG**
PROCUREMENT & SUPPLIES MANAGER

L] **MS L. MOZOLA**
OTHER VACCINES PRODUCTION MANAGER

General Manager's Statement

I am pleased to report that 2015 was a very good year for Botswana Vaccine Institute (BVI) compared to the previous years. Reported sales exceeded both our annual target and the sales for the previous year by 46 and 101.8% respectively.

IMPROVED BUSINESS PERFORMANCE

This improved performance was achieved as a result of timely deliveries of vaccines following the epidemic of foot and mouth disease (FMD) that was reported in the region. The initiatives geared towards cost control for our operations also assisted us to meet the financial targets for 2015 and hence laid a firm foundation for achieving the targets of 2016.

Botswana	15.88
South Africa	14.06
Mozambique	9.31
Rest of the world	9.85
Namibia	56.79
Zimbabwe	25.50
Zambia,	23.97

Though the BVI business cannot be predicted with high level of certainty, we had forecasted the epidemics of FMD in the Southern African Development Community (SADC) region in our outlook for 2015. This was premised on low vaccine sales achieved in 2014 which was a clear indication of the fact that there were reduced numbers of animals vaccinated which resulted in significant lowering of herd protection levels below the recommended threshold.

CONTINUAL BUSINESS DEVELOPMENT

We continued to make further inroads in the implementation of marketing strategy through the registration of sales in some new markets such as Angola, Togo, Liberia and Benin. This resulted in an increase in the total number of countries supplied with vaccines from 19 in the previous year to 24 during 2015. The favourable results were mainly attributable to the successful conclusion of a three (3) years cycle of market development particularly in West Africa for PPR vaccine market plus the retention of the traditional and mature markets in Southern Africa. The award by the World Organization for Animal Health (OIE) of the Peste des Petits Ruminants (PPR) Vaccine Bank for Africa to BVI significantly bolstered the market growth in Africa.

The high demands for both FMD and PPR vaccines resulted in a near optimal capacity utilization and improved production efficiencies. However, the peak in vaccine production activities during the year resulted in production processes experiencing an unprecedented high level of product contaminations compared to the previous year. These were resolved through our continuation to build our growth and performance oriented culture that embraces team work, strong employee engagement and the drive for excellence. We held many professional and technical conversations and consultations with our customers experiencing disease outbreaks in order to resolve immediate and future vaccine requirements. This commitment to customer focus helped us to sustain increased sales during the challenging times without losing our traditional markets.

INNOVATIVE TECHNICAL SUPPORT

The services of the OIE FMD Regional Reference Laboratory for Sub Saharan Africa housed at BVI proved to be critical in the successful control and management of disease outbreaks through the provision of emergency technical support in the field and immediate laboratory confirmatory diagnosis for the samples submitted from the epidemics during the period. The viruses isolated from the samples and the respective molecular characterization and sequencing of these isolates together with virus strain differentiation through vaccine matching provided supporting scientific evidence for the confirmation of appropriate blends of vaccines suitable for each customer.

General Managers Statement [continued]

The scientific information generated was considered as a value propositions as part of BVI products and services offerings to customers in the value chain.

This was with particular reference to samples received from Zambia where a Southern African Territories (SAT) type 3 FMD virus was isolated for the first time in Zambia. The discovery caused an immediate change in the vaccine requirements from the historical FMD bivalent-vaccines (SAT 1 & SAT 2) previously supplied over the years to a new combination of SAT 1/ SAT2/ SAT3 trivalent vaccine which is a universal blend for the region. It is worth noting that the OIE laboratory is operated as a joint collaboration between BVI and the Botswana Government. BVI provides all the necessary funding to support the activities of the reference laboratory while the Botswana Government second Officers from the National Veterinary Laboratory to the Laboratory.

INSPIRE OUR TEAM

Only a strong and inspired team can drive excellent performance especially in a challenging business environment. Great emphasis was put on the continual improvements and fostering a unique industrial culture at BVI as well as strengthening of the leadership qualities. We are proud of the diverse backgrounds possessed by our workforce in terms of the educational background, skills and experiences which blends well as one of the key success factors for the Institute. Notwithstanding the above factors, the Institute lost a number of employees either due to retirement or resignations for varying reasons. Going forward, the staff welfare issues and policies are to be reviewed to address the issues raised during exit interviews for those who resigned. I would like to thank all BVI employees for their dedication, commitment and contribution to our business performance during the challenging period.

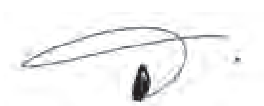
OUTLOOK FOR 2016

Yet again in 2016 we are optimistic of good results and expect to maintain an improved business performance. This is premised on the firm vaccines requirements received from customers which have largely remained unchanged. A lot of focus was also placed on addressing the key challenges which contributed to product contaminations during 2015 and delayed deliveries for confirmed vaccine orders. The implementation of the Global PPR control and Eradication Programme targeted for 2030 with the support of multiple donors funding is expected to enhance PPR vaccines sales. It is anticipated that the results of field trials conducted during the OIE Pilot PPR Vaccines Banks using BVI vaccines will result in significant quantities of vaccines procured under the new PPR Vaccine Bank which will be concluded during 2016.

Finally the Institute will initiate a project to enhance the upstream processes for the FMD vaccine production. The finalization of the project detail designs and the implantation of the construction of the new Hold and Blending Laboratory which is fully compliant to European Union Good Manufacturing Practices (EU-GMP) is expected to commence during 2016. BVI is nearing its fourth decade (40 years) of existence and therefore takes pride in this great achievement. At the same time we are compelled to ensure the Institute's operations are sustainable and continue to prosper. We are positioning ourselves as a leading pharmaceutical company which remains a significant contributor to the livestock industry in the African continent and the rest of the world.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank you all as our Stakeholders: a special thank you to our Shareholder for your continued trust, support and confidence in BVI as a strategic Institution as we navigate through the changing requirements of the International Standards for pharmaceutical industry; we thank our loyal Customers for the continued confidence in our Company as well as the feedback that motivates us to continually improve on our product and service offerings, and finally to the BVI Staff, as internal customers for their dedication and hard work. To our Technical Partners, MERIAL, this is a journey well-travelled though our destination is still far.



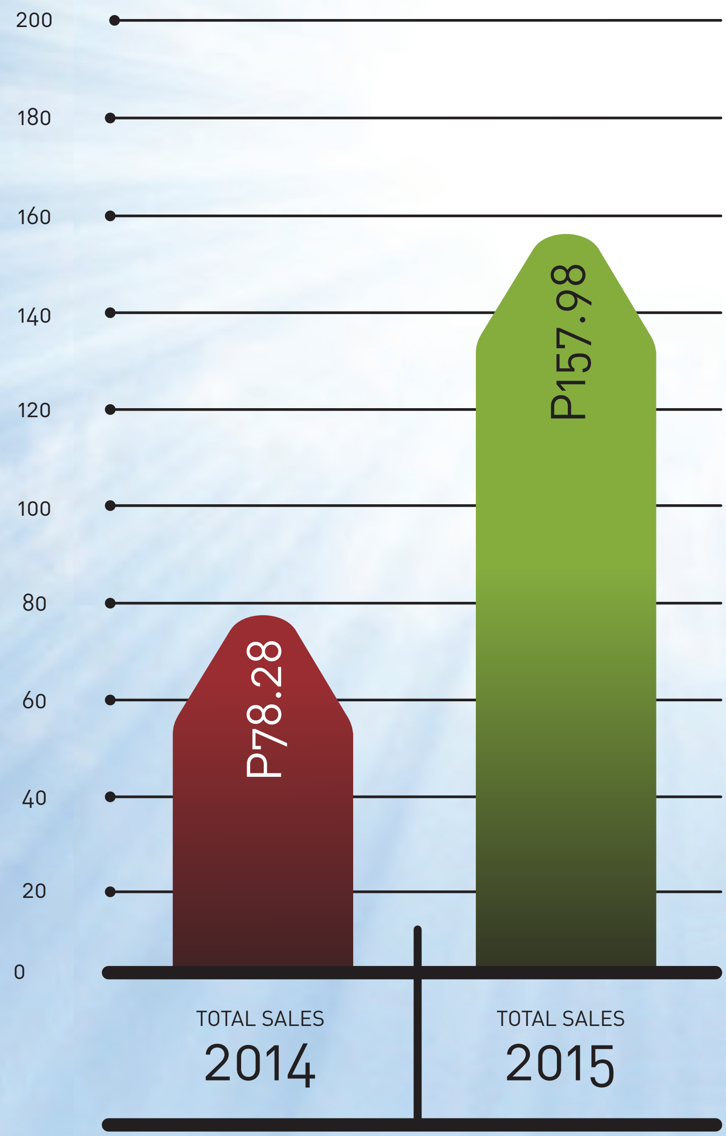
DR O. G. MATLHO
General Manager

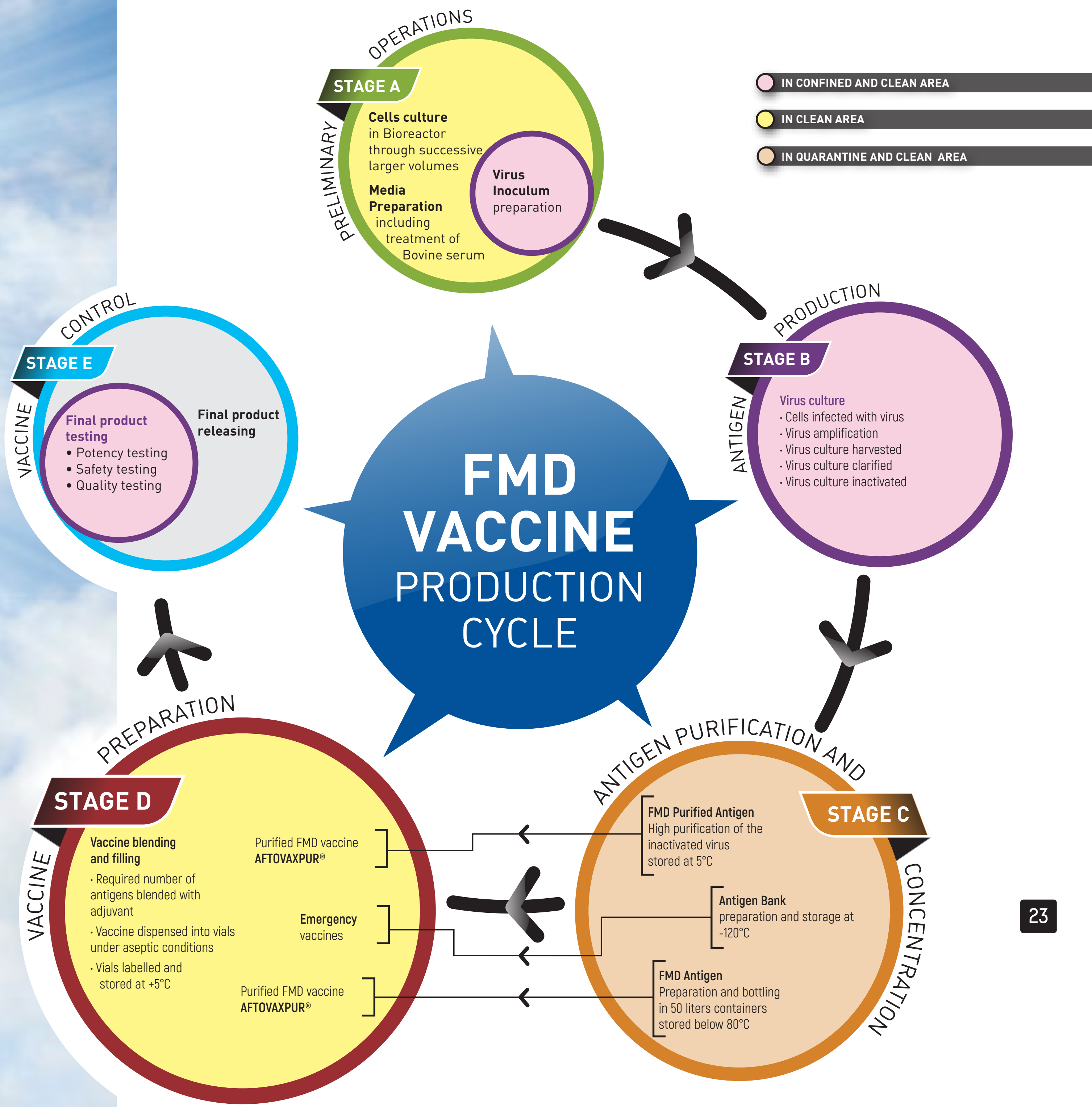
BOTSWANA VACCINE INSTITUTE

Aftovaxpur

2011 marked the launch of the FMD purified vaccine Aftovaxpur

TOTAL VACCINE SALES
IN BWP MILLION 2014 vs 2015




FMD VACCINE PRODUCTION CYCLE
IN CONFINED AND CLEAN AREA
IN CLEAN AREA
IN QUARANTINE AND CLEAN AREA
PRELIMINARY OPERATIONS
STAGE A
Cells culture in Bioreactor through successive larger volumes
Media Preparation including treatment of Bovine serum
Virus Inoculum preparation
ANTIGEN PRODUCTION
STAGE B
Virus culture
· Cells infected with virus
· Virus amplification
· Virus culture harvested
· Virus culture clarified
· Virus culture inactivated
ANTIGEN PURIFICATION AND CONCENTRATION
STAGE C
FMD Purified Antigen
High purification of the inactivated virus stored at 5°C
Antigen Bank
preparation and storage at -120°C
FMD Antigen
Preparation and bottling in 50 liters containers stored below 80°C
VACCINE PREPARATION
STAGE D
Vaccine blending and filling
· Required number of antigens blended with adjuvant
· Vaccine dispensed into vials under aseptic conditions
· Vials labelled and stored at +5°C
Purified FMD vaccine AFTOVAXPUR®
Emergency vaccines
Purified FMD vaccine AFTOVAXPUR®
VACCINE CONTROL
STAGE E
Final product testing
• Potency testing
• Safety testing
• Quality testing
Final product releasing

Technical Manager's Report

In line with the BVI's Vision, the Mission of the Technical Department is to supply products of premier quality "On Time and In Full" to our Customers, while controlling production costs within acceptable levels that do not compromise quality.

We cannot underestimate the importance of carrying out the production activities in a secure environment as well as within the Quality Assurance procedures and the techniques or standard operating instructions in force.

The Foot and Mouth Disease (FMD) vaccine process flow:

The FMD vaccine is the main product of the Institute both in terms of quantities produced a year and also contribution to total turnover. A simplified production process flow is depicted in the diagram on page 23.

In 2015, BVI produced 11,1 million monovalent doses of FMD antigens. During the year, BVI formulated and released 7,48 million doses of FMD vaccine (corresponding to 19,96 million monovalent doses), and thus responding "in Full" to the different orders received in 2015. The quantities produced in 2015 were increased by 89% compared to those achieved in 2014 mainly to cover the FMD outbreak situations which occurred in the Southern African Development Community (SADC) region (Namibia, Zambia, Mozambique, Zimbabwe and Angola)

FMD Antigen production in monodoses

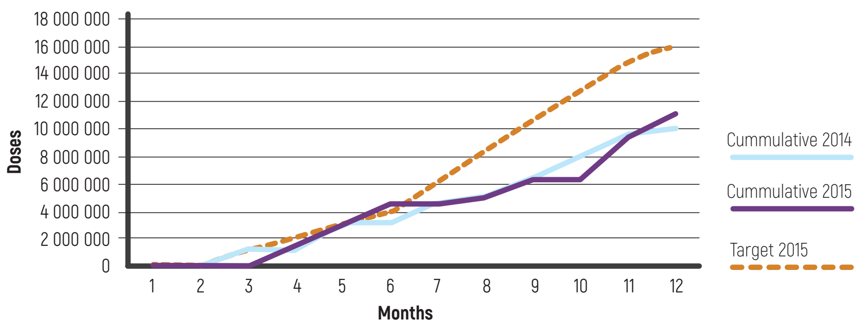
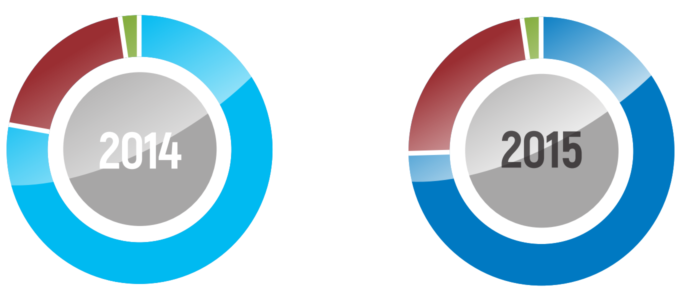


Figure No1: Comparison of the cumulative FMD AI production in 2014 and 2015 (expressed in monovalent doses)



2014	
Aftovax vaccines	5 922 450D
Aftovaxpur vaccines	1 509 500D
Aftovax SAT2-O-A	192 500D

2015	
Aftovax vaccines	14 952 240D
Aftovaxpur vaccines	4 641 300D
Aftovax SAT2-O-A	369 600D

Figure No 2: aftovax and aftovaxpur product mix ratio in 2014 and 2015 (quantities expressed in monovalent doses)

Our main goals are:

- To produce **good quality** products and service
- To reduce the **variability** of our process
- To be efficient by **reducing waste** (all types)
- To be **flexible and align our operations to changing customer needs**
- To work **safely**
- **To work together as a Team**

Technical Manager's Report [continued]

The ratio of the different kinds of FMD vaccines is 75% for aftovax (semi purified) and 23 % for aftovaxpur (highly purified) vaccines containing Southern African Territories (SAT) types (SAT1, SAT2 and SAT3) strains. The balance was for the combination of SAT2- type O- and type A vaccine, produced for West Africa, representing 2 % which has the potential for our future business development.

This ratio changed in favour of aftovaxpur vaccine due to the significant increase of the need to vaccinate in Namibia to fight the major outbreak declared in May 2015.

Other products:

Globally, in 2015, the product mix for the other vaccines changed in favour of the Carbovax vaccine due to the reduced orders as it was the case in 2014 with the World Organisation for Animal Health (OIE) Peste des Petits Ruminants (PPR) vaccine bank.

Table No2: Comparison of the production volume for BVI other products between 2014 and 2015

Products	ASYMPTOL(1)	CARBOVAX(2)	PERIBOV(3)	PPR(4)
2014	1 048 100D	1 147 002D	2 000 000D	4 607 900D
2015	2 040 700D	2 613 200D	/	2 061 800D

(1) Inactivated vaccine against toxi-infections due to Clostridium chauvoei (Blackleg)

(2) Live vaccine against Anthrax, prepared from attenuated spores.

(3) Freeze-dried vaccine against Contagious Bovine Pleuro Pneumonia (CBPP)

(4) Freeze-dried modified virus vaccine against Peste des Petits Ruminants (PPR)

Industrial Performance:

The destruction rate of products for technical reason was 8.1% in 2015 which is a major non-performance when compared to the results obtained during the last 5 years. Different actions were initiated in 2015 and will be pursued in 2016 to tackle the root causes of these destructions and to prevent new ones. The implementation of Preventative and Predictive Maintenance Plans on the Production Equipment and utilities and a training program on the Mastery of the Sterility are the major actions that would be implemented.

Main projects:

In 2015, different assessments were done and User Requirement Specifications were written to define the refurbishments needs of the production laboratories areas of some buildings in 2016. These projects would allow BVI to improve the quality of its laboratories environment and to increase the production capacity of PPR vaccines to support the Worldwide PPR Control and Eradication Program.

CONCLUSION

In 2015, the Technical Department was facing a significant diversity of challenges both in its ability to respond to its clients and in its adaptation to solve internal problems (people, reliability of the installations). The high involvement of its staff, the flexibility of its organization and its reactivity to propose solutions have allowed BVI to exceed its sales target.

OUTLOOK

In 2016, the Technical Department will focus on the sustainability and reliability of its operations and equipment through the completion of the implementation of preventive maintenance plan in all the production laboratories and major equipment monitored by the Engineering Department. A specific attention will be placed on the development of people through internal and external training programs of the BVI's staff to improve both the pharmaceutical culture and their skills.

Thank you

Mr D. Gervais
Technical Manager

BOTSWANA VACCINE INSTITUTE

PPR

1998 marked the introduction of the Pest des Petitis Ruminants (PPR) Vaccines to the BVI product portfolio. In 2013; Award of the OIE PPR vaccine bank for Africa.

Market Review

DRIVING GROWTH THROUGH FOCUSED MARKET DEVELOPMENT

BVI operates in a very volatile market both in terms of the customer demands and the diversity of product requirements. In 2015, the Southern African Territory (SAT) 3 virus was isolated in areas that had not been vaccinating against this strain. This resulted in an immediate change of the vaccine supplied to this market.

Looking ahead, our Company can expect continued growth in both our traditional and new markets and therefore achieve sustainable growth through market development. In 2015, most of our sales were made to our traditional customers although we are continuously exploring new markets. It is reassuring to note that vaccines were supplied to new markets as evidenced by the increase in the number of countries supplied from 19 in 2014 to 24 in the current financial year.

Although we are currently the only industrial supplier of FMD vaccines in the SADC region, some of our traditional customers are considering establishing their own vaccine manufacturing facilities. While we cannot prevent new entrants of vaccine manufacturers to the market, we believe that we are better placed to respond to the ever changing market conditions. We remain focused towards ensuring that the customer demands are fulfilled without compromising on the quality of the products that we offer. This approach is expected to yield positive results and in 2016 we will continue rolling out our market development strategy to ensure a consistent approach across our markets and for all products.

BVI Product Market Distribution

WEST AFRICA
- GHANA
- BURKINA FASO
- NIGERIA
- SENEGAL
- MALI

EAST AFRICA
- SOUTH SUDAN
- TANZANIA
- UGANDA
- ERITREA
- KENYA

NORTH AFRICA
- EGYPT
- LIBYA
- MOROCCO

CENTRAL AFRICA
- CHAD
- DRC
- CAR

MIDDLE EAST
- ISRAEL
- UNITED ARAB EMIRATES

SOUTHERN AFRICA
- ANGOLA
- BOTSWANA
- MALAWI
- MOZAMBIQUE
- NAMIBIA
- SOUTH AFRICA
- ZAMBIA
- ZIMBABWE

Finance Manager’s Report

> “The business remained strongly cash generative over the past year while achieving record levels of sales and maintaining a healthy cash flow position.”

SUSTAINABLE FINANCIAL PERFORMANCE

Botswana Vaccine Institute Ltd (BVI) continued to pursue its organic growth strategy supported by sound capital management which delivered highly commendable results for 2015 financial year. The business remained strongly cash generative over the past year while achieving the highest turnover that has never been recorded before.

The Company also performed well relative to its medium-term financial targets, achieving against most of the indicators, and only being outside of the targeted range on debtors' management as customers continue to pay outside the agreed credit period.

FINANCIAL OVERVIEW

Against the background of low economic growth and constrained customer spending that has prevailed in recent years, the Company has produced good financial results, highlighting the defensive nature of the business and the resilience of the markets in which we trade. It is pleasing to report that the Company performed well in the 2015 financial year thereby surpassing the poor results that were reported over the past two financial years.

I am pleased to be reporting on a resilient set of results for 2015 despite challenging economic environment. Whilst total revenues recorded in 2015 were at P157.98 million, an increase of more than 100 % when compared to 2014, operating profit on a reported basis increased by more than three folds to P26.17 million (2014: operating loss of P5.98 million) and a net profit of P15.81 million was recorded compared to a net loss of P 19.96 million recorded in 2014. Net cash generated from operating activities was P63.32 million (2014: - net cash used in operating activities wasP8.69 million).

The need for the Company to define a more stringent credit control policy cannot be over-emphasized. This is necessitated by the high debtor balances that negatively affect the cash flow position of the Company as well as increases exposure to foreign exchange losses.

REVIEW OF THE STATEMENT OF COMPREHENSIVE INCOME

Total revenues generated

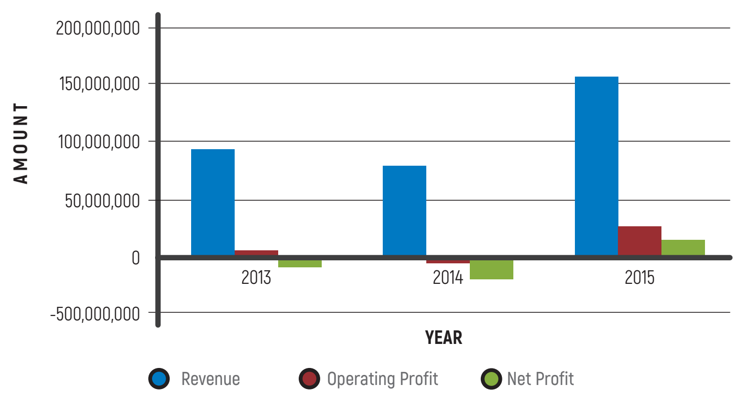
- Total revenue increased by P79.70 million (101.8%) to P157.98 million (2014: P78.28 million). The revenue increase is largely attributable to the high incidence of FMD outbreaks in the region. FMD outbreaks were reported in non – vaccinating areas and this positively affected the sales recorded for the year.
- Increased sales were driven primarily by volume growth through effective value proposition to our customers and price competitiveness.
- The demand for our vaccines increased during the year after experiencing low demand for the past two years.

Finance Manager's Report [continued]

Profitability

- Notwithstanding the difficult trading environment, BVI continued to demonstrate its ability to improve operational efficiencies, resulting in gross margins increasing from to 24.2% in 2014 to 37.9% in 2015. This was largely attributable to the efficiencies that were realized through, among other things, the implementation of lean manufacturing structure. That is, increased sales were achieved without necessarily increasing the head count
- Gross profit increased by more than three (3) times from P18.94. million in 2014 to P59.84 million in 2015
- Operating profit increased from a loss of P5.98 million in 2014 to P26.17 million in 2015, on account of successful implementation of continuous improvement and cost cutting measures. Initiatives such as quality management systems significantly improved our cost efficiencies as we managed to reduce the destruction of inventories on account of expiry dates.
- Net profit of P15.81 million was achieved compared to net loss of P 19.96 million recorded in 2014.
- Finance costs for the year were P12.45 million, compared to P14.05 million on a comparable annual basis. In an effort to reduce the finance costs, the Board resolved to redeem the term loan as well as the bank overdrafts that were arranged to augment the negative cash flows in the past two years.
- Total salary costs increased from P19.75 million in 2014 to P20.31 million in 2015 as a result of a 3% inflationary adjustment coupled with the implementation of double shift production.

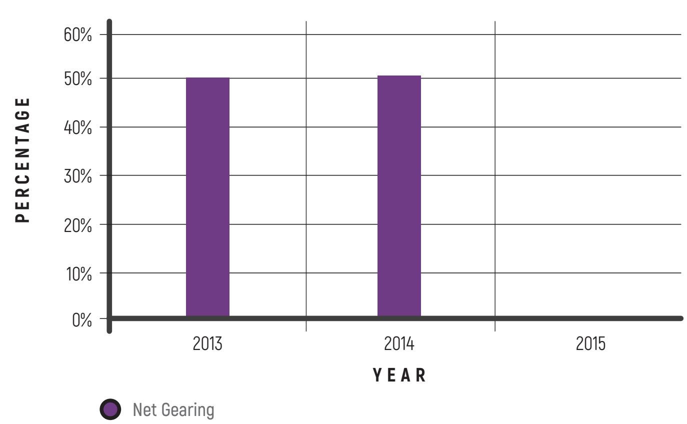
Graph 1. Profitability



STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 the capital employed (calculated as total assets minus current liabilities) had increased to P505.59 million compared to P253.11 million in 2014. This was primarily due to the increase in current assets coupled with a decrease in current liabilities reported during the period. The increase in cash and cash equivalents significantly contributed to the increase in capital employed. Short term borrowings also decreased following the redemption of the BVI 002 bond and settlement of term loan and the bank overdrafts during 2015. Net gearing decreased from 51% in 2014 to Nil in 2015 on account of capital injection received from the Shareholder.

Graph 2. Net Gearing



CASH FLOW, NET DEBT AND CAPITAL STRUCTURE

The debt facility comprises a P70 million 10 year medium term note programme with a fixed interest rate of 11.23%, falling due in May 2018. The Company continues to explore ways of reducing the finance costs to minimal levels. This is necessitated by the current downward movement in interest rates which the Company cannot benefit from because of the long term debts with a fixed interest rate. It is important to note that the net gearing ratio was reduced to nil in 2015 on account of the positive cash flows that were held as at the year end. Part of these cash flows is for funding the new Hold and Blend Laboratory project that would be implemented during 2016 financial year.

FINANCIAL OUTLOOK

After two consecutive years of an uphill struggle in terms of financial performance, the 2015 financial year has been a year of good progress.

Looking further ahead, the improvements made to the business in recent years give us the confidence that BVI will continue to deliver good results and returns to the Shareholder through the normal business cycle.

Although creating a competitive cost base for BVI remains critical for the long term financial sustainability of the Company, improved cash flow generation / management continues being a priority in 2016. BVI will continue to focus on delivering good value for money to our customers.

Ms K. M. Tibe
Finance Manager

BOTSWANA VACCINE INSTITUTE

2015 - mission accomplished for the BVI staff after sending off the remains of the Rinderpest material

17% (234,432)

amortized asso

* li

BVI Audited Annual Financial Statements

BOTSWANA VACCINE INSTITUTE

INDEX TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

COMPANY INFORMATION

Business operations:
The Company manufactures and distributes veterinary vaccines

Company registration no:
CO 2738

Registered address:
Plot 6385/90
Lejara Road, Broadhurst Industrial Estate
Gaborone

Auditors:
PricewaterhouseCoopers

Secretary:
M. Tibe

Bankers:
Barclays Bank of Botswana Limited
Standard Chartered Bank Botswana Limited
BancABC Limited
First National Bank of Botswana Limited

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 31 December 2015

The Directors of Botswana Vaccine Institute Limited are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The Company maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of Company assets. The Directors are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The Directors have no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts, available cash resources and the continued financial support pledged by the shareholders.

Our external auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board of Directors.

The financial statements set out on pages 41 to 77 were authorised for issue by the Board of Directors on 16 June 2016 and are signed on its behalf by:

Director

Director

pwc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOTSWANA VACCINE INSTITUTE LIMITED

Report on the Financial Statements

We have audited the accompanying annual financial statements of Botswana Vaccine Institute Limited, which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 77.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of Botswana Vaccine Institute Limited as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

2016 -06- 21

Practising member: Sheyan Edirisinghe
Membership number: 20030048

Gaborone

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie
Partners: R Binedell, R P De Silva, A S Edirisinghe, S K K Wijesena

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	2015 P	2014 P
Revenue	5	157,982,626	78,277,303
Cost of sales		(98,141,976)	(59,339,927)
Gross profit		59,840,650	18,937,376
Other operational income / (expenses)	5	3,611,545	(622,985)
Distribution costs		(21,028,439)	(9,624,991)
Administrative expenses		(16,250,262)	(14,668,596)
Operating profit / (loss)	5	26,173,494	(5,979,196)
Finance income	7	2,086,716	74,932
Finance costs	7	(12,449,506)	(14,052,969)
Profit / (loss) before income tax		15,810,704	(19,957,233)
Income tax expense	8	-	-
Profit / (loss) for the year		15,810,704	(19,957,233)
Total comprehensive income / (loss) for the year	15	15,810,704	(19,957,233)

STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2015

	Notes	2015 P	2014 P
ASSETS			
Non-current assets			
Property, plant and equipment	10	269,151,980	282,106,935
Current assets			
Inventories	11	44,665,053	64,745,153
Trade and other receivables	12	54,969,587	11,448,596
Financial assets at fair value through profit or loss	13	67,853	63,615
Cash and cash equivalents	14	219,243,942	1,527,140
		318,946,435	77,784,504
Total assets		588,098,415	359,891,439
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	15	278,347,000	28,347,000
Other reserves	16	89,191,910	89,191,910
Retained earnings	17	68,597,302	52,786,598
		436,136,212	170,325,508
Non-current liabilities			
Interest bearing borrowings	18	69,454,376	82,782,398
Current liabilities			
Interest bearing borrowings	18	608,822	82,199,621
Trade and other accounts payable	19	79,462,522	22,121,768
Provisions	20	2,436,483	2,462,144
		82,507,827	106,783,533
Total liabilities		151,962,203	189,565,931
Total equity and liabilities		588,098,415	359,891,439

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Stated capital P	Other reserves P	Retained earnings P	Total Equity P
ASSETS				
For the year ended 31 December 2014				
Balance at 1 January 2014	8,347,000	89,191,910	72,743,831	170,282,741
Transactions with owners				
Issue of shares	20,000,000	-	-	20,000,000
Comprehensive income				
Net loss for the year	-	-	(19,957,233)	(19,957,233)
Balance at 31 December 2014	28,347,000	89,191,910	52,786,598	170,325,508
For the year ended 31 December 2015				
Balance at 1 January 2015	28,347,000	89,191,910	52,786,598	170,325,508
Transactions with owners				
Issue of shares	250,000,000	-	-	250,000,000
Comprehensive income				
Net profit for the year	-	-	15,810,704	15,810,704
Balance at 31 December 2015	**278,347,000**	**89,191,910**	**68,597,302**	**436,136,212**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Notes	2015 P	2014 P
Cash flows from operating activities			
Operating profit / (loss)		26,173,494	(5,979,196)
Adjustment for non cash items:			
Depreciation	10	15,796,432	16,041,780
Profit on disposal of property, plant and equipment		(74,423)	(28,000)
Changes in working capital			
Inventories		20,080,100	313,447
Trade and other receivables		(43,520,991)	8,302,753
Provisions		(25,661)	449,750
Trade and other accounts payable		57,340,754	(13,741,082)
Cash generated from operations		75,769,705	5,359,452
Interest paid	7	(12,449,506)	(14,052,969)
Net cash generated from / (used in) operating activities		63,320,199	(8,693,517)
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(2,841,477)	(859,797)
Interest received	7	2,086,716	74,932
Proceeds from disposal of property, plant & equipment		74,423	28,000
Fair value through profit or loss		(4,238)	(3,091)
Net cash used in investing activities		(684,576)	(759,956)
Cash flows from financing activities			
Repayment of borrowings		(75,715,562)	(10,065,307)
Proceeds from issue of shares		250,000,000	20,000,000
Net cash generated from financing activities		174,284,438	9,934,693
Net increase in cash and cash equivalents		236,920,061	481,220
Cash and cash equivalents at beginning of year		(18,035,057)	(18,516,277)
Cash and cash equivalents at end of year	14	218,885,004	(18,035,057)

General information

Botswana Vaccine Institute Limited ('the Company') manufactures and sells veterinary vaccines to customers in Botswana and other countries in the African and Middle East regions. The Company is a limited liability company incorporated and domiciled in Botswana. The address of the Company's registered office is Plot 6385/90, Lejara Road, Broadhurst Industrial Estate, Gaborone.

The financial statements set out on pages 41 to 77 have been approved by the Board of Directors on 16 June 2016.

1 Summary of significant accounting policies

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

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and plant and machinery, and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on Management's best knowledge of the current events and actions, actual results may ultimately differ from those estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

1.1.1 Adoption of standards in the current financial year

(a) New and amended standards adopted by the Company

The following new standards, amendments and interpretations to existing standards have been adopted for the Company's accounting periods beginning on or after 1 January 2014.

- IFRS 13, 'Fair value measurement'- The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9) (effective from 1 July 2014).
- IAS 24, 'Related party disclosures'- The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity') (effective from 1 July 2014).
- Amendment to IFRS 13, 'Fair value measurement'- When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases (effective from 1 July 2014).

(b) New and amended standards applicable to the current period but not relevant to the Company

Management assessed the relevance of the following amendments and interpretations with respect to the Company's operations and concluded that they are not relevant to the Company.

SIGNIFICANT ACCOUNTING POLICIES [contined]

for the year ended 31 December 2015

(b) New and amended standards applicable to the current period but not relevant to the Company *[continued]*

- Amendment to IAS 19 regarding defined benefit plan - These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary (effective from 1 July 2014).

- IAS 40, 'Investment property'- The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination (effective from 1 July 2014).

- Amendment to IFRS 2, 'Share based payment'- The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition' (effective from 1 July 2014).

- IFRS 1, 'First-time adoption of International Financial Reporting Standards'- The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented (effective from 1 July 2014).

- IFRS 3, 'Business combinations'- The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself (effective from 1 July 2014).

- IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets'- Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways: either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or the accumulated depreciation is eliminated against the gross (effective from 1 July 2014).

- Amendment to IFRS 8, 'Operating segments'-The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported (effective from 1 July 2014).

- Amendment to IFRS 3, 'Business combinations' - The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39 (effective from 1 July 2014).

1.1.2 Adoption of standards in future financial periods

(a) New standards, amendments and interpretations which are relevant to the Company's operations

The following new standards, amendments and interpretations to existing standards are relevant for the Company's accounting periods beginning after 1 January 2014. These have not been early adopted by the Company.

- IFRS 9 – Financial Instruments (2009) - This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value (effective from 1 January 2018).

- IFRS 9 – Financial Instruments (2010) - The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss (effective from 1 January 2018).

- Amendments to IFRS 9 – Financial Instruments (2011) - The IASB has published an amendment to IFRS 9, 'Financial instruments' that delays the effective date to annual periods beginning on or after 1 January 2018. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified (effective from 1 January 2018).

- Amendment to IAS 16,'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortization - In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset (effective from 1 January 2016).

- IFRS 15 – Revenue from contracts with customers - The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer (effective from 1 January 2017).

- Amendments to IAS 1,'Presentation of financial statements' disclosure initiative In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. (effective from 1 January 2016)

- IFRS 9 – Financial Instruments (2009 &2010)
  - Financial liabilities
  - Derecognition of financial instruments
  - Financial assets
  - General hedge accounting

Management is currently assessing the impact of the application of these new standards, amendments and interpretations on the Company's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the Company's financial statements.

SIGNIFICANT ACCOUNTING POLICIES [contined]

for the year ended 31 December 2015

(b) New standards, amendments and interpretations which are not relevant to the Company's operations

Management assessed the relevance of the following new amendments and improvements with respect to the Company's operations and concluded that they are not relevant to the Company:

- IAS 34 – Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete (effective from 1 January 2016).

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets. The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary (effective from 1 January 2016).

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' This is an amendment to the changes in methods of disposal – Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. (effective from 1 January 2016)

- IFRS 14- The IASB has issued IFRS 14, 'Regulatory deferral accounts' ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body (effective from 1 January 2016).

- Amendment to IAS 19 regarding defined benefit plan - These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary (effective from 1 July 2014).

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions (effective from 1 January 2016.

- IFRS 7 – Financial Instruments; Disclosures- Applicability of the offsetting disclosures to condensed interim financial statements. The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report (effective from 1 January 2016).

- IAS 19 – Employee Benefits Discount rate: regional market issue - The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used (effective from 1 January 2016).

- IFRS 7 – Financial Instruments; Disclosures Servicing contracts - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required (effective from 1 January 2016).

1.2 Property, plant and equipment

All property, plant and equipment except for residential properties, land and buildings and plant and machinery are included at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings comprise mainly factory and office premises. Residential properties, land and buildings and plant and machinery are shown at fair value, based on periodic valuations by external independent valuators.

Residential properties, land and buildings and plant and machinery are valued at least triennially. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the re-valued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation.

Increase in the carrying amount arising on revaluation of residential properties land and buildings and plant and machinery is credited to other comprehensive income and shown as revaluation reserve in statement of changes in equity. Decreases that off-set previous increases of the same assets are charged against revaluation reserve; all other decreases are charged to profit or loss. The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost/valuation of each asset to their residual values over their estimated useful lives as follows:

Buildings	10 - 40 years
Residential properties	25 years
Plant and machinery	10 - 30 years
Motor vehicles	4 years
Furniture, fittings and office equipment	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.3).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES [contined]

for the year ended 31 December 2015

1.3 Impairment of non-financial assets

Non-financial assets are reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period date.

As a minimum, Management considers the existence of the following external and internal indicators at the end of each reporting period date which individually or collectively may indicate impairment on non-financial assets.

External sources of information

- An unexpected significant decline in market value of an asset.
- A significant change in the technological, market, economic or legal environment within which the Company operates or in the market to which an asset has been dedicated, that adversely affects the Company.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- The carrying amount of the net assets of the Company is more than its market capitalisation.

Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Company have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

1.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costing method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cattle purchased for testing purposes are expensed in the year of purchase.

1.5 Financial assets

1.5.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available- for- sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade receivables' and cash and cash equivalents in the statement of financial position (Notes 1.6 and 1.7).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the end of reporting period.

1.5.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit and loss within 'other income' in the period in which they arise. Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

1.5.3 Off-setting financial instruments

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

1.5.4 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 1.6.

1.6 Trade receivables

Trade receivables are amounts due from customers for vaccines sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss.

When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.8 Provisions

Provisions claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

SIGNIFICANT ACCOUNTING POLICIES [contined]

for the year ended 31 December 2015

1.8 Provisions *[continued]*

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are reviewed at the end of each reporting period date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

1.9 Trade accounts payable

Trade accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Stated capital

Stated capital consists solely of ordinary share capital. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

1.11 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Botswana Pula, which is the Company's functional and the presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Such monetary assets and liabilities are translated at the exchange rates prevailing at the year end.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in profit or loss within cost of sales.

1.12 Revenue recognition – Sale of vaccines

Revenue is recognised using fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue from the sale of goods when the amount of revenue can be reliably measured, it is probable that the economic benefits will flow to the Company and when the significant risks and rewards of ownership of goods have been transferred to the buyer.

The Company manufactures and sells Foot and Mouth Disease (FMD) vaccines and sells cattle that have been purchased for testing purposes. The risks and rewards of ownership of goods is transferred to the buyer at the point at which the goods have been delivered and accepted by the buyer and when the Company has no further obligation in respect of the sale transaction that could affect the acceptance of the goods, at which point the sale is recognised. In respect of export sales, in terms of the standard sales conditions, the sale is recognised when the goods have been accepted by the shipper.

1.13 Recognition of other income

The policies for recognising other income are as follows.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

1.14 Recognition of donations

Donations are assistance in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities.

Donations relating to the acquisition of property, plant and equipment are credited to the income statement on a straight line basis over the expected useful lives of the related assets. The related assets are shown at cost less accumulated depreciation. When an asset financed through donation is disposed of, the total unamortised portion of the capital grant relating to the asset is credited to the income statement in the year of disposal.

Donations are recognised in the income statement in the period in which the related expenditure is incurred. Donations received for which the related project has not commenced are included in current liabilities as deferred income.

1.15 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are credited to profit or loss on a straight-line basis over the period of the lease.

1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.17 Operating profit

Operating profit is stated after non trading charge or credit items, but before investment income and finance costs.

1.18 Employee benefits

The Company contributes to a defined contribution pension plan for its permanent citizen employees. The Company's contributions are charged to income statement in the year in which they accrue and the Company has no further liability.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

1.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

SIGNIFICANT ACCOUNTING POLICIES [contined]

for the year ended 31 December 2015

1.19 Borrowings *[continued]*

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as interest expense.

Bonds, which are non-convertible and redeemable on a specific date, are classified as liabilities.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period date.

1.20 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset.

1.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2 Financial risk management

2.1 Financial risk factors

The Company's activities may expose it to a variety of financial risks such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Foreign currency risk

Foreign currency risk is managed by the finance function. Its objective is to minimise losses arising from the Company's exposure to various currencies by attempting to match foreign currency denominated current liabilities against current assets of similar currencies to the extent possible.

In the ordinary course of business, the Company enters into transactions denominated in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

a) At 31 December 2015, if the currency had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit for the year would have been P 1,165,072 (2014: P 187,641) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US Dollar denominated bank balances, trade receivables and trade accounts payable.

b) At 31 December 2015, if the currency had weakened / strengthened by 5% against the Euro with all other variables held constant, post-tax profit for the year would have been P 666,262 (2014: P 34,085) higher / lower, mainly as a result of foreign exchange gains / losses on translation of Euro denominated bank balances, trade receivables and trade accounts payable.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is managed by the finance function. Its objective is to minimise the cost of financing through the placement of temporary excess funds in high yielding money market investments and cash deposits and to the extent possible by re-scheduling more expensive borrowings with cheaper finance.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially off-set by cash held at variable rates. The borrowings do not expose the Company to fair value interest rate risk as they are carried at amortised cost.

At 31 December 2015, if the prime rate had increased / decreased by 1% with all other variables held constant, post-tax profit for the year would have been P 12,094 (2014: P 57,157) higher / lower, mainly as a result of interest expense on Banc ABC term loan and bonds issued on variable interest rate.

(iii) Price risk

The Company is not exposed to other price risks such as commodity price risk, equity price risk, prepayments risk, and residual value risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. If there is no independent rating, Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The credit quality of financial assets is disclosed in Note 9.2.

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

(c) Liquidity risk

Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance.

Surplus cash is invested in interest bearing call accounts, time deposits, and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Company held money market funds of P 67,853 (2014: P 63,615) and other liquid assets of P 219,243,942 (2014: P 1,527,140) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Company's financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2015	Less than 6 months P	Between 6 and 12 months P	Between 1 and 2 years P	Between 2and 5 years P	Over 5 years P	Total P
Financial assets						
Trade and other receivables	54,969,587	-	-	-	-	54,969,587
Financial assets at fair value through profit or loss	67,853	-	-	-	-	67,853
Cash and cash equivalents	219,243,942	-	-	-	-	219,243,942
Total	274,281,382	-	-	-	-	274,281,382
Financial liabilities						
Borrowings	4,448,807	4,089,868	8,003,570	73,329,160	-	89,871,405
Trade and other accounts payable	79,462,522	-				79,462,522
Financial guarantees	2,500,000	-	-	-	-	2,500,000
Total	86,411,329	4,089,868	8,003,570	73,329,160	-	171,833,927

(c) Liquidity risk *[continued]*

As at 31 December 2014	Less than 6 months P	Between 6 and 12 months P	Between 1 and 2 years P	Between 2and 5 years P	Over 5 years P	Total P
Financial assets						
Trade and other receivables	11,448,596	-	-	-	-	11,448,596
Financial assets at fair value through profit or loss	63,615	-	-	-	-	63,615
Cash and cash equivalents	1,527,140	-	-	-	-	1,527,140
Total	13,039,351	-	-	-	-	13,039,351
Financial liabilities						
Borrowings	29,492,087	61,436,871	20,659,781	85,885,286	-	197,474,025
Trade and other accounts payable	22,121,768	-				22,121,768
Financial guarantees	2,774,380	-	-	-	-	2,774,380
Total	54,388,235	61,436,871	20,659,781	85,885,286	-	222,370,173

2.2 Capital risk management

The Company manages its capital informally in order to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios at 31 December 2015 and 2014 were as follows:

Notes to the Financial Statements [contined]

FOR THE YEAR ENDED 31 DECEMBER 2015

2.2 Capital risk management *[continued]*

	2015 P	2014 P
Cash flows from operating activities		
Total borrowings	70,063,198	164,982,019
Less – Cash and cash equivalents	(219,243,942)	(1,527,140)
Net borrowings	(149,180,744)	163,454,879
Total equity	436,136,212	170,325,508
Total capital	286,955,468	333,780,387
Gearing ratio	Nil	51%

2.3 Fair value estimation of financial instruments

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 P	Level 2 P	Level 3 P	Total P
Financial assets at fair value through profit or loss	-	67,583	-	67,583

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within financial year are discussed below.

(a) Impairment loss on debtors

The Company reviews its debtors to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is any observable data indicating that there is measurable decrease in estimated cash flows from debtors. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Residual value and useful lives of property, plant and equipment

The Company determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projections about the continued existence of a market for its products and the ability of the Company to penetrate a sufficient portion of that market in order to operate profitably. The Company increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair, technically obsolete or non-strategic assets that have been abandoned or identified for sale.

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

(c) Fair value of plant and machinery and residential property

Residential properties and plant and machinery are valued triennially as the assets do not experience significant and volatile changes in fair value, thus necessitating annual revaluation.

The fair value of the Company's plant and machinery and residential property were determined by independent valuers based on following methods.

i. Plant and machinery

Plant and machinery were revalued on 31 December 2013 by an independent valuer based on Depreciated Replacement Cost of the assets. Depreciated Replacement Cost is the cost of acquiring and installing a new or a modern substitute asset having the same productive capacity as that existing, depreciated according to age, obsolescence, use and condition.

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

3.1 Critical accounting estimates and assumptions *[continued]*

ii. Residential property and Land and buildings

Residential land and buildings were revalued on 31 December 2013 by an independent valuer based on Open Market Value. The Open Market Value is the best price at which an interest in the property might reasonably be expected to be sold at the date of the valuation assuming:

a) a willing seller;
b) a reasonable period in which to negotiate the sale taking into account the nature of the property and the state of the market;
c) that values will remain static during that period;
d) that the property will be freely exposed to the open market; and
e) that no account will be taken of any additional bid by a purchaser with special interest.

4 Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. For the purpose of making strategic decisions, financial information is provided to the Board as a single segment as the Company operates through a single operational unit in Gaborone, Botswana and approximately 80% of its product-line comprise of a single product, the FMD vaccination and therefore the Company's operations exhibit similar long-term financial performance and similar economic characteristics. Accordingly these financial statements reflect the manner in which the Board manages and operates the Company's affairs.

4.1 Geographical information

The Company's revenue from external customers is attributable to the following countries.

Country	2015 P	2014 P
Cash flows from operating activities		
Botswana	16,846,813	8,446,923
Zimbabwe	23,890,954	9,025,638
South Africa	14,112,865	3,428,269
Namibia	56,792,174	5,085,379
Others	20,812,607	18,112,332
Total	157,982,626	78,277,303

Revenues are attributed to countries on the basis of the customer's location.

Revenues from a single customer, which are significant, and where these revenues exceed 10% of the total revenues, arise from the following geographical locations.

- Botswana
- Zambia
- Zimbabwe
- Namibia

5 Operating (loss) / profit

	2015 P	2014 P
The following items have been (credited) / charged in arriving at the operating profit / (loss):		
(i) Revenue - sale of goods		
Sale of vaccines	(157,982,626)	(78,277,303)
(ii) Other operational (income) / expenses		
Foreign exchange (gain) / loss	(2,588,418)	1,066,641
Cattle sales	(156,208)	(121,996)
Rental income	(91,554)	(96,020)
Fair value adjustment on financial assets at fair value through profit or loss	(4,238)	(3,091)
Profit on disposal of property, plant and equipment	(74,423)	(28,000)
Other income	(696,704)	(194,549)
	(3,611,545)	622,985
The Company's rental income is generated through leasing of its residential properties to its employees and is generally for a period of three years.		
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	103,700	146,076
Between two and five years	552,000	730,380
	655,700	876,456
(iii) Expenses by nature		
Auditors' remuneration	138,225	126,175
Depreciation on property, plant and equipment (Note 10)	15,796,432	16,041,780
Directors' remuneration	64,470	99,540
Donations	50,565	9,204
Drugs and supplies	18,374,603	7,352,484
Export commission	19,707,129	8,077,055
Packing materials and consumables	7,052,647	4,853,691
Professional fees	547,917	513,617
Repairs and maintenance - motor vehicles	113,933	75,282
Repairs and maintenance - other	5,853,541	3,926,534
Provision for bad debts	883,124	-
Royalties	5,724,746	2,475,552
Salaries and wages (Note 6.1)	20,314,374	19,747,378
Technical staff costs	5,712,826	6,558,608
Other expenses	35,086,145	13,776,614
Total cost of sales, distribution and administrative expenses	135,420,677	83,633,514

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

5 Operating (loss) / profit *[continued]*

Other expenses consist of number of administration overheads, which are individually, relatively small in value. The expenses that are more significant in nature, which are included therein, are as follows:

- Utilities
- Insurance
- Security
- Travelling expenses

		2015 P	2014 P
6	**Staff costs**		
	Salaries and wages	17,930,498	17,365,276
	Pension costs	2,034,722	2,060,973
	Gratuity	349,154	321,129
		20,314,374	19,747,378
	Average number of employees	102	94
6.1	**The salaries and wages have been expensed as follows:**		
	Cost of sales	14,220,062	13,823,165
	Administrative expenses	6,094,312	5,924,213
		20,314,374	19,747,378
7	**Finance income and costs**		
	Finance income		
	Interest received on investments	2,086,716	45,863
	Reversal of amortised cost on trade receivables	-	29,069
		2,086,716	74,932
	Finance costs		
	Interest expenses - interest bearing borrowings	(12,449,506)	(14,052,969)
		(12,449,506)	(14,052,969)
	Net finance cost	(10,362,790)	(13,978,037)

The interest income relates to interest earned on short-term deposits maintained with the banks.

8 Income tax expense

Botswana Vaccine Institute Limited being a company wholly owned by the Government of Botswana, is exempt from income tax under the provision of paragraph (ii) of part I of the second schedule of the Income Tax Act, 1995.

9 Analysis of financial instruments

9.1 Financial instruments by category

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

At 31 December 2015

	Assets at fairvalue through profit or loss P	Loans and receivables P	Total
Assets as per the statement of financial position			
Trade and other receivables	-	54,969,587	54,969,587
Financial assets at fair value through profit or loss	67,853	-	67,853
Cash and cash equivalents	-	219,243,942	219,243,942
	67,853	274,213,529	274,281,382

	Other financial liabilities at amortised cost P
Liabilities as per the statement of financial position	
Borrowings	70,063,198
Trade and other accounts payable	79,462,522
	149,525,720

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

9.1 Financial instruments by category *[continued]*

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

At 31 December 2014

	Assets at fairvalue through profit or loss P	Loans and receivables P	Total
Assets as per the statement of financial position			
Trade and other receivables	-	11,448,596	11,448,596
Financial assets at fair value through profit or loss	63,615	-	63,615
Cash and cash equivalents	-	1,527,140	1,527,140
	63,615	12,975,736	13,039,351

	Other financial liabilities at amortised cost P
Liabilities as per the statement of financial position	
Borrowings	164,982,019
Trade and other accounts payable	22,121,768
	187,103,787

9.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Rating	2015 P	2014 P
Externally rated			
Trade receivables			
	A2	7,499,632	41,825
	B1	-	495,025
	Not rated	12,419,830	3,853,108
Total performing trade receivables		19,919,462	4,389,958
Other receivables	Not rated	2,740,310	1,135,706

Trade receivables are unsecured.

	Rating	2015 P	2014 P
Other financial assets at fair value through profit or loss			
Stanbic Money Market Fund	Not rated	64,337	60,400
Stanbic Management Prudential Fund	Not rated	3,516	3,215
		67,853	63,615
Cash at bank			
Barclays Bank of Botswana Limited	Not rated	130,981,324	313,908
Standard Chartered Bank Botswana Limited	Not rated	15,091,072	132,966
BancABC Limited	Not rated	73,154,199	1,060,823
First National Bank of Botswana Limited	Not rated	17,310	19,078
		219,243,905	1,526,775

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

9 Analysis of financial instruments *[continued]*

Key:

Independent external ratings

The credit ratings have been assessed by Moody's an independent credit rating organisation. The definitions of the ratings are given below:

- An Aa1 rating relates to a " Very high quality" credit standing, subject to "very low credit risk".
- An Aa2 rating relates to a "High quality" credit standing, subject to "very low credit risk".
- An A2 rating relates to an "Upper medium grade" credit standing, subject to "low credit risk".
- A Baa3 rating relates to a "Moderate" credit standing. They are considered medium grade and as such may possess certain speculative characteristics.
- B1 rating relates to speculative elements and a significant credit risk.

There are no credit ratings available in Botswana for financial institutions. The above banks are listed companies and have reported sound financial results and continued compliance with minimum capital adequacy requirements. None of the financial assets that are fully performing have been re-negotiated during the year.

9.3 The company's exposure to foreign currency risk is analysed below:

All amounts in Botswana Pula

At 31 December 2015 Financial instruments	BWP	NAD	NAD	EURO	ZAR	Total
Trade and other receivables	6,861,302	-	22,556,856	25,551,429	-	54,969,587
Cash and cash equivalents	203,930,764	-	15,079,751	231,629	1,798	219,243,942
Financial assets at fair value through profit or loss	67,853	-	-	-	-	67,853
	210,859,919	-	37,636,607	25,783,058	1,798	274,281,382
Borrowings	70,063,198	-	-	-	-	70,063,198
Trade and other accounts payable	55,735,141		11,399,035	11,799,547	528,799	79,462,522
	125,798,339	-	11,399,035	11,799,547	528,799	149,525,720

At 31 December 2014 Financial instruments	BWP	NAD	NAD	EURO	ZAR	Total
Trade and other receivables	761,439	521,527	6,541,727	3,623,903	-	11,448,596
Cash and cash equivalents	327,585	-	117,648	1,052,083	29,824	1,527,140
Financial assets at fair value through profit or loss	63,615	-	-	-	-	63,615
	1,152,639	521,527	6,659,375	4,675,986	29,824	13,039,351
Borrowings	164,982,019	-	-	-	-	164,982,019
Trade and other accounts payable	12,929,022		2,727,745	5,391,766	1,073,235	22,121,768
	177,911,041	-	2,727,745	5,391,766	1,073,235	187,103,787

10 Property, plant and equipment

At 31 December 2015	Capital work-in-progress (cost)	Land and buildings (valuation)	Residential property (valuation)	Plant and machinery (valuation)	Motor vehicles (cost)	Furniture, fittings and office equipment (cost)	Total (cost / valuation
Year ended 31 December 2015							
Net book amount at beginning of year	250,208	54,642,631	18,675,269	207,627,427	237,500	673,900	282,106,935
Additions	-	1,739,590	14,028	634,464	-	453,395	2,841,477
Disposals	-	-	-	-	-	-	-
Depreciation	-	(1,888,508)	(779,706)	(12,716,872)	(118,750)	(292,596)	(15,796,432)
Transfers	(250,208)	250,208	-	-	-	-	-
Net book amount at end of year	-	54,743,921	17,909,591	195,545,019	118,750	834,699	269,151,980
At 31 December 2015							
Cost / valuation	-	58,571,606	19,471,629	221,112,493	1,359,124	4,733,695	305,248,547
Accumulated depreciation	-	(3,827,685)	(1,562,038)	(25,567,474)	(1,240,374)	(3,898,996)	(36,096,567)
Net book amount	-	54,743,921	17,909,591	195,545,019	118,750	834,699	269,151,980
Year ended 31 December 2014							
Net book amount at beginning of year	-	56,435,000	19,405,001	220,367,400	356,250	725,267	297,288,918
Additions	250,208	146,808	52,600	110,629	-	299,552	859,797
Disposals	-	-	-	-	-	-	-
Depreciation	-	(1,939,177)	(782,332)	(12,850,602)	(118,750)	(350,919)	(16,041,780)
Net book amount at end of year	250,208	54,642,631	18,675,269	207,627,427	237,500	673,900	282,106,935
At 31 December 2014							
Cost / valuation	250,208	56,581,808	19,457,601	220,478,029	1,359,124	4,280,300	302,407,070
Accumulated depreciation	-	(1,939,177)	(782,332)	(12,850,602)	(1,121,624)	(3,606,400)	(20,300,135)
Net book amount	250,208	54,642,631	18,675,269	207,627,427	237,500	673,900	282,106,935
At 31 December 2013							
Cost / valuation	-	56,435,000	19,405,001	220,367,400	1,359,124	3,980,748	301,547,273
Accumulated depreciation	-	-	-	-	(1,002,874)	(3,255,481)	(4,258,355)
Net book amount	-	56,435,000	19,405,001	220,367,400	356,250	725,267	297,288,918

Residential land and buildings were revalued on 31 December 2013 by Kwena Properties, an independent valuator. Residential land and buildings were revalued at P 19,405,001 based on the open market value.

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

10 Property, plant and equipment *[continued]*

Land and buildings and Plant and equipment were revalued by RealReach as at 31 December 2013 based on the open market value basis, based on observable market information. In arriving at the open market valuation as at 31 December 2013, following relevant sources of information were considered:

- The valuation carried out by independent valuators, RealReach on 31 December 2013 was considered and was assessed to be the best estimate of the open market value of the plant and machinery as of 31 December 2013. The independent valuators adopted a DRC valuation model, (which is described in more detail in Note 3.1) to determine the valuation of plant and machinery as at 31 December 2013.
- Plant and machinery not scoped within the DRC valuation carried out by RealReach relate to additions to plant and machinery during the year, where the best estimate of the open market value was assessed to be the invoice value submitted by independent suppliers.

  Land and buildings were revalued at P56,435,000 based on an open market value basis and the plant and machinery at P220,367,400 on the depreciated replacement cost basis.

The revaluation performed by the valuer resulted in a revaluation gain of P53,394,154 primarily resulting from an increase in market value of plant and equipment and residential properties and a decrease in market value of land and buildings of the company, and has been credited to the Revaluation Reserve (Note 16).

If the plant and machinery and residential property were carried at cost before the above revaluation adjustment, the respective carrying amount would be as follows;

	Cost	Accumulated depreciation	Net book amount
At 31 December 2015			
Land and buildings	58,321,204	(10,459,233)	**47,861,971**
Residential property	3,204,573	(2,134,674)	**1,069,899**
Plant and machinery	205,459,926	(52,117,860)	**153,342,066**
At 31 December 2014			
Land and buildings	56,581,614	(9,891,319)	46,690,295
Residential property	3,190,545	(2,134,286)	1,056,259
Plant and machinery	204,825,462	(52,093,360)	152,732,102

Depreciation for the year has been charged to income statement as follows:

	2015 P	2014 P
Included under cost of sales	12,716,873	12,850,602
Included under administrative expenses	3,079,565	3,191,178
	15,796,438	16,041,780

10 Property, plant and equipment *[continued]*

Fair value of property, plant and equipment

The following table analyses property, plant and equipment carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the assets or liability either directly or indirectly (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

	Fair value measurements at 31 December 2015 arising		
	Level 1 Pula	Level 2 Pula	Level 3 Pula
Recurring fair value measurements			
Land and buildings	-	54,743,921	-
Residential property	-	17,909,591	-
Plant and machinery	-	195,545,019	-
	-	268,198,531	-

There were no transfers between levels during the year.

	Fair value measurements at 31 December 2014 arising		
	Level 1 Pula	Level 2 Pula	Level 3 Pula
Recurring fair value measurements			
Land and buildings	-	54,642,631	-
Residential property	-	18,675,269	-
Plant and machinery	-	207,627,427	-
	-	280,945,327	-

There were no transfers between levels during the year.

Fair value measurements using significant un - observable inputs (Level 3)

	2015 P	2014 P
Opening balance at 1 January	280,945,327	296,207,401
Additions	2,388,082	310,037
Depreciation on revaluation	(15,385,086)	(15,572,111)
Closing balance at 31 December	267,948,323	280,945,327

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

11 Inventories

	2015 P	2014 P
Finished goods (at cost)	34,525,719	47,278,325
Finished goods (at net realisable value)	1,858,546	8,652,162
Raw materials (at cost)	8,280,788	8,814,666
	44,665,053	64,745,153

12 Trade and other receivables

	2015 P	2014 P
Trade receivables	53,456,185	10,687,157
Less - adjustment to amortised cost	(337,856)	(119,249)
Less - provision for impairment	(889,052)	(255,018)
Total trade receivables	52,229,277	10,312,890
Other receivables from related parties (Note 23)	-	207,201
Other receivables	2,740,310	928,505
	54,969,587	11,448,596
The fair values of trade and other receivables are as follows:		
Trade accounts receivable	52,229,277	10,312,890
Other receivables	2,740,310	1,135,706
	54,969,587	11,448,596

As of 31 December 2015, trade receivables of P 19,919,462 were fully performing (2014 :P 4,389,958).

Trade receivables less than six months past due are not considered as impaired. As of 31 December 2015, trade receivables of P 33,536,723 (2014: P 6,297,199) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The aging analysis of these trade receivables are as follows:

	2015 P	2014 P
Between 31 to 60 days	8,833,080	2,930,927
Between 61 and 120 days	7,718,038	860,932
Over 120 days	16,985,605	2,505,340
	33,536,723	6,297,199

12 Trade and other receivables *[continued]*

As of 31 December 2015, trade and other receivables amounting to P 889,052 were impaired (2014: P 255,018).

Movement of the provision for impairment of trade receivables are as follows:

	2015 P	2014 P
Balance at beginning of year	255,018	255,018
Provision during the year	883,124	-
Write-off during the year	(249,090)	-
Balance at end of year	889,052	255,018

The creation and release of provision for impairment of trade and other receivables have been included in administrative expenses in profit or loss. Unwind of discount, when applicable, is included in "finance costs" in profit or loss (Note 7). Amounts charged to the allowance account are generally written-off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

13 Financial assets at fair value through profit or loss

Stanlib Botswana Money Market Fund	64,337	60,400
Stanlib Botswana Management Prudential Fund	3,516	3,215
	67,853	63,615

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows. Changes in fair values of financial assets at fair value through profit or loss are recorded in other income.

The value of investments in funds are based on the valuation of units provided by the fund managers.

14 Cash and cash equivalents

Bank balances	219,243,905	1,526,775
Cash on hand	37	365
	219,243,942	1,527,140

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

Bank balances	219,243,905	1,526,775
Bank overdrafts (Note 18)	(358,938)	(19,562,197)
Cash on hand	37	365
	218,885,004	(18,035,057)

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

15 Stated capital

	2015 P	2014 P
Ordinary shares issued and fully paid		
At beginning of year	28,347,000	8,347,000
Issued during the year	250,000,000	20,000,000
At end of year	278,347,000	28,347,000

The 275,000,002 (2014:25,000,002) ordinary shares in issue have no par value.

16 Other reserves

		Revaluation reserve P
Balance at 1 January 2015	89,191,910	89,191,910
Revaluation gain for the year	-	-
Balance at 31 December 2015	89,191,910	89,191,910
Balance at 1 January 2014	89,191,910	89,191,910
Revaluation gain for the year	-	-
Balance at 31 December 2014	89,191,910	89,191,910

The revaluation reserve arises as a result of revaluation of residential properties and plant and machinery to reflect the current market value. There are no restrictions on the distribution of the revaluation reserve to the equity holders.

17 Retained earnings

	P
At 1 January 2014	72,743,831
Net loss for the year	(19,957,233)
At 31 December 2014	52,786,598
At 1 January 2015	52,786,598
Net profit for the year	15,810,704
At 31 December 2015	68,597,302

18 Interest bearing borrowings

As of 31 December 2015, trade and other receivables amounting to P 889,052 were impaired (2014: P 255,018).

Movement of the provision for impairment of trade receivables are as follows:

	Notes	2015 %	2014 %	2015 P	2014 P
Debt Participating Capital Funding Limited:				34,525,719	47,278,325
Loan 2	I	9.50	9.50	119,652	228,699
Loan 5	II	12.00	12.00	166,064	235,661
Loan 6	III	14.60	14.60	304,422	349,615
Bond - BVI001	IV	11.23	11.23	69,114,122	68,736,823
Term loan - Prime rate less 2.5%	V	6.50	6.50	-	25,935,481
Bond - BVI002	VI	4.70	4.70	-	49,933,543
				69,704,260	145,419,822
Amount falling due within one year				(249,884)	(62,637,424)
				69,454,376	82,782,398

Interest bearing borrowings - current portion	2015 P	2014 P
Interest bearing borrowings - amount falling due within one year	249,884	62,637,424
Bank overdrafts (Note 14 and vii below)	358,938	19,562,197
	608,822	82,199,621

The prime rate as at year end was 7.5% per annum (2014: 9% per annum).

i) Loan 2 is repayable in semi-annual instalments of P 64,122 (including interest). The final instalment is due in 2016. This loan is unsecured and is negotiated at a fixed rate of interest. The fair value of the loan as at 31 December 2015 amounted to P 73,845.

ii) Loan 5 is repayable in semi-annual instalments of P 47,924 (including interest). The final instalment is due in 2017. This loan is unsecured and is negotiated at a fixed rate of interest. The fair value of the loan as at 31 December 2015 amounted to P 107,158.

iii) Loan 6 is repayable in semi-annual instalments of P 47,323 (including interest). The final instalment is due in 2020. This loan is unsecured and is negotiated at a fixed rate of interest. The fair value of the loan as at 31 December 2015 amounted to P 208,595.

iv) On 7 May 2008, the company issued non convertible and redeemable bonds with a face value of P 70,000,000 at a fixed rate of 11.23% per annum to finance its expansion programme. The bonds are repayable on 7 May 2018. The bond is unsecured and interest is payable semi-annually. The bonds are initially recognised at fair value which equals to the par value less issue cost of P3,236,508. The bonds are subsequently measured at amortised cost using effective interest method. The effective interest rate of the bond is 12.05%. The fair value of bonds as at 31 December 2015 amounted to P 81,461,982.

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

18 Interest bearing borrowings *[continued]*

v) The company has the following overdraft facilities.

Standard Chartered Bank Botswana Limited overdraft facility of P 3 million is unsecured and attracts interest at the rate of 5.75% per annum.

vi) Fair value disclosures

BVI - 001 is listed on the Botswana Stock Exchange and the fair value disclosure has been determined with reference to published market value information as of 31 December 2015.

- In all other instances where the fair value disclosed differs from the carrying amount, the fair value disclosure has been determined on a discounted cash flow basis. The significant assumptions used in applying the discounted cash flow method, are as follows:

i) The loan will be settled in accordance with the original contract terms.
ii) The company has the intent and the ability to meet payment obligations as they fall due.
iii) The rate of interest used for the purpose of discounting future cash flows, assumes the market yield applicable to listed debt instruments with comparable credit risk to that of the company with similar maturity periods.

These assumptions have been consistently applied.

19 Trade and other accounts payable

	2015 P	2014 P
Trade accounts payable	8,484,972	1,592,235
Accrued interest	1,180,252	2,267,129
Other accruals	53,364,805	9,466,080
Amounts due to related parties (Note 19.1)	16,432,493	8,796,324
	79,462,522	22,121,768

19.1 Amount due to related parties (Note 23)

	2015 P	2014 P
Merial	16,432,493	8,796,324

	Leave pay P	Gratuity P	Total P
Balance at beginning of the year	1,709,288	752,856	2,462,144
Provisions for the year	40,372	492,082	532,454
Payments during the year	-	(558,115)	(558,115)
Balance at end of the year	1,749,660	686,823	2,436,483

Gratuity

Certain employees receive terminal gratuities in accordance with their contracts of employment. An accrual is made for the estimated liability towards such employees up to the end of reporting period date.

Leave pay

Paid absences are accounted for on an accrual basis over the period in which employees have provided services.

21 Commitments

Paid absences are accounted for on an accrual basis over the period in which employees have provided services.

22 Events after reporting period

There were no material events that occurred after the end of reporting period date that require disclosure or adjustment to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS [contined]

for the year ended 31 December 2015

23 Related party transactions

(i) Merial S.A.S., a company incorporated in France, provides technical and operational assistance to the company. Merial is a major supplier of the company's raw materials. Two directors of Merial also hold directorships in the company. By virtue of these relationships Merial is able to exercise significant influence over the operational decisions of the company.

Transactions carried out with Merial during the year were as follows :

	2015 P	2014 P
Purchase of goods	14,010,067	3,551,664
Technical fees paid	5,712,826	6,558,608
Export commission paid	19,707,129	8,077,055
Royalties paid	5,724,746	2,475,552
Other expenses	18,914	818,206
Balances with Merial at year-end is as follows.		
Other receivables (Note 12)	-	207,201
Trade accounts payable at year end (Note 19.1)	16,432,493	8,796,324

Trade accounts payable to related parties arise mainly from purchase transactions in the normal course of business. These amounts are unsecured, are payable based on negotiated credit terms and bear no interest.

Royalties and commissions

(a) Royalties

Royalties are charged on sale of FMD monovalent vaccine by Merial on the following basis;

- sales within Botswana - USD 0.02 per dose
- all export sales - USD 0.03 per dose

(b) Commission

Commission is charged on export sales of the monovalent vaccine by Merial based on the value of doses sold. Commission varies from 5% - 20% based on the agreement effective from 01 January 2015

23 Related party transactions *[continued]*

(ii) Following are the transactions with the senior management

	2015 P	2014 P
Salaries paid		
Salaries paid to key personnel	1,533,900	1,489,047
Salary advances		
Salary advances outstanding at the year end	3,667	-

Salary advances granted to staff are recoverable over a maximum period of six months, secured on the terminal benefits, and bears no interest.

(ii) Following are the transactions with Directors

	2015 P	2014 P
Directors' fees paid		
Mrs P Makepe	11,760	21,000
Dr A Blackbeard	14,280	21,840
Government of Botswana	8,400	9,240
Mr L Monare	18,480	24,360
Mr E Kemsley	11,550	23,100
	64,470	99,540
Board members expenses	240,682	641,412

24 Contingencies

All permanent employees of the Company are entitled to a loan to purchase motor vehicles and acquire a residential property under an agreed scheme with Botswana Savings Bank. The Company has provided a guarantee of P 2.5 million to operate the above scheme. The total advances due by eligible employees to the scheme as at 31 December 2015 amounted to P 2,851,509. (2014: P 2,774,380).

Annexture 1

DETAILED INCOME STATEMENT

for the year ended 31 December 2015

	2015 P	2014 P
Revenue		
Domestic	11,383,210	8,446,923
Export	142,170,376	66,661,478
Agency	4,429,040	3,168,902
	157,982,626	78,277,303
Cost of sales	(98,141,976)	(59,339,927)
Gross profit	59,840,650	18,937,376
Other operational income / (expenses)	3,611,545	(622,985)
Distribution costs		
Advertising and travel	(131,268)	(103,278)
Custom freight and insurance	(1,190,042)	(1,444,658)
Export commission	(19,707,129)	(8,077,055)
	(21,028,439)	(9,624,991)
Administrative expenses	(16,250,262)	(14,668,596)
Operating profit / (loss)	26,173,494	(5,979,196)

"This detailed income statement does not form part of the audited financial statements covered by the audit opinion on page 40".

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BOTSWANA VACCINE INSTITUTE