BVI ANNUAL REPORT

BOTSWANA VACCINE INSTITUTE

2017

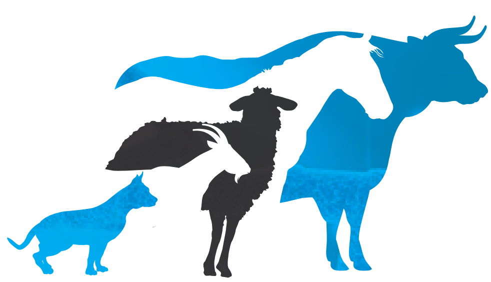

aftovax
BVI
SAT 1 SAT 2 SAT 3
APR.17
FOR VETERINARY USE ONLY
A USAGE VETERINAIRE
BOTSWANA VACCINE INSTITUTE
GABORONE, BOTSWANA
PERIBOV 100
aftovax
CARBOVAX-C
FOR VETERINARY USE ONLY
BOTSWANA VACCINE INSTITUTE
ASYMPTOL
5ATR3G3
DEC. 15

BOTSWANA VACCINE INSTITUTE

2017 THEME

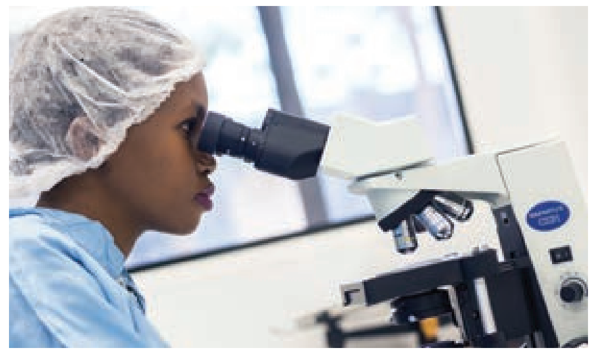
Retaining our position in the market during a very difficult and challenging year.

BVI is operating in a very unpredictable and challenging environment. while this is the case, after more than 38 years supporting the livestock industry through the provision of relevant vaccines to combat economically devastating animal diseases, bvi to this day, still prides itself in that all these challenges have not resulted in a loss of focus, but the company has developed resilience to overcome these challenges.



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.

CORE VALUES

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

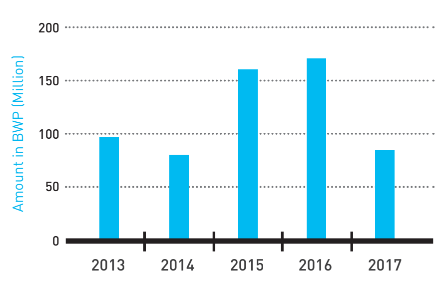
LEADERSHIP PRINCIPLES

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

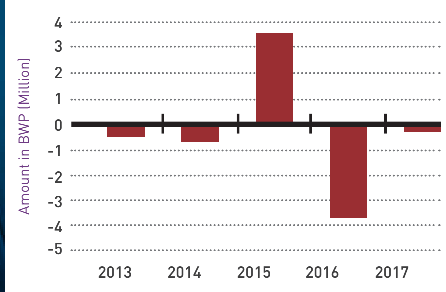
FIVE YEAR REVIEW

AS AT 31 DECEMBER 2017

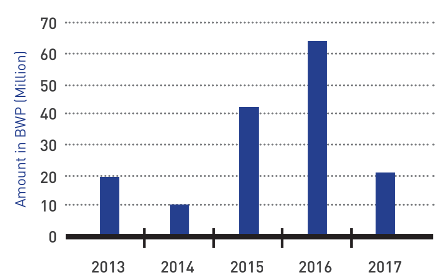
Sale of Goods & Services



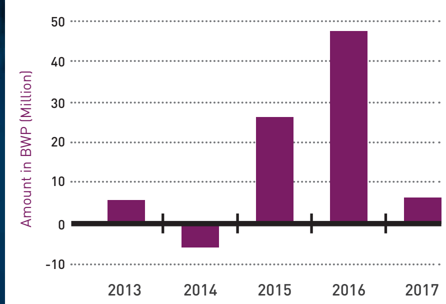
Other Operating Income



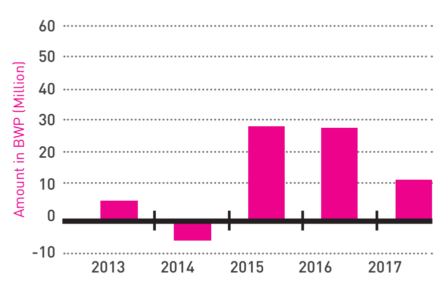
Earnings before Interest, Taxation, Depreciation & Amortisation (EBITDA)



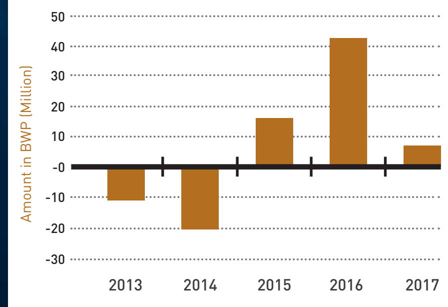
Operating Profit



Earnings before Interest, Taxation, & Amortisation (EBITA)



Net Profit/[Loss]



BVI MILESTONES

1992
Anthrax Vaccine and Black Leg Vaccine

1993
CBPP (Contagious Bovine Pleuro Pneumonia) Vaccine

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

1985
Rinderpest Vaccine

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

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

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

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

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.

2016
Launch of a GMP Compliant Blending and Filling Laboratory Project


BV

BVI BOARD

Standing from left to right:

DR. NOEL JOSEPH-FRANCOIS DETRAZ
Member

MR LENTSWE MONARE
Member

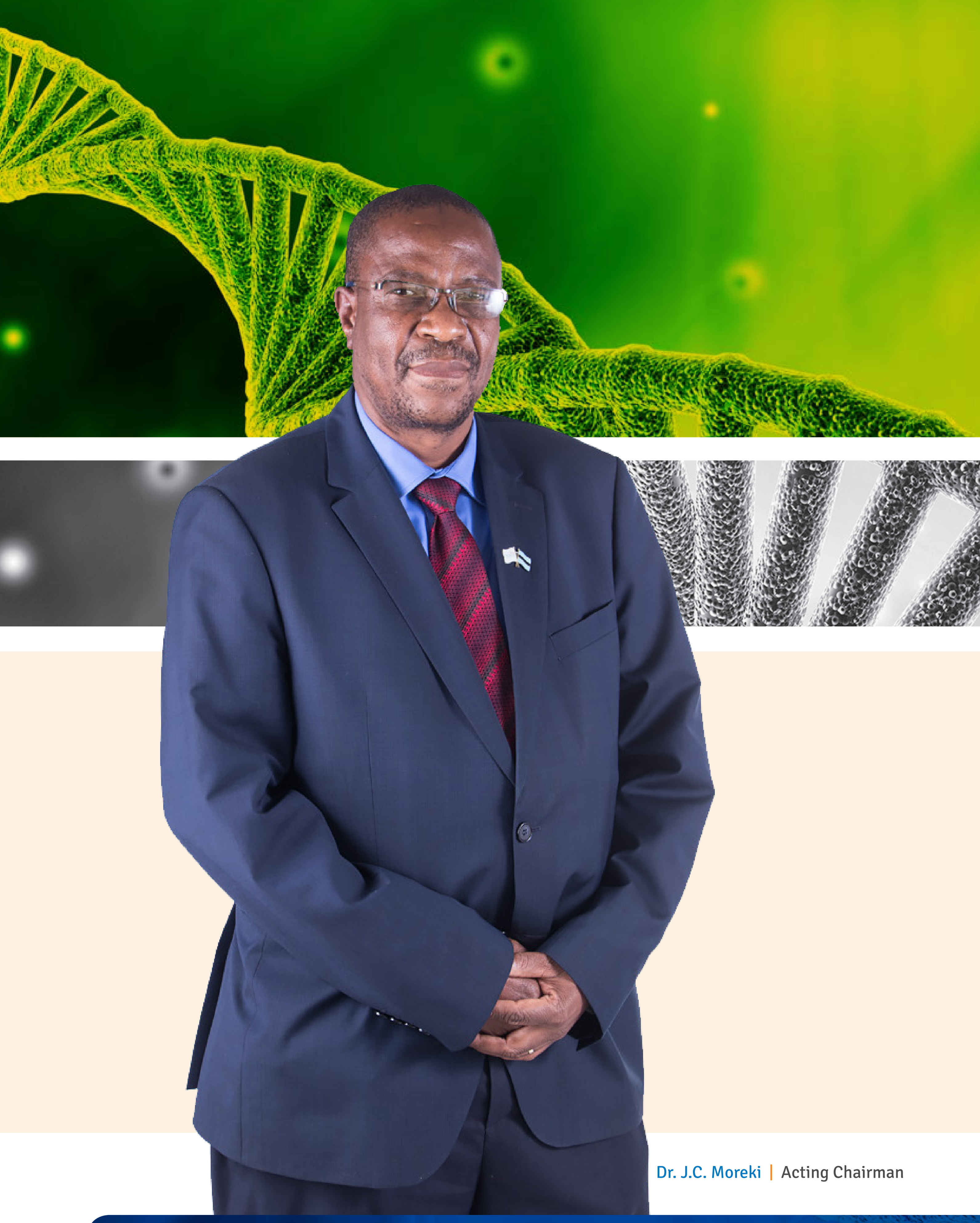
MS PINKIE MOTHOPENG - MAKEPE
Chairperson of the Finance and Audit Committee

DR ANNE BLACKBEARD
Chairperson of the Human Resources Committee

MR EDWARD J. KEMSLEY
Board Chairman

DR. JOHN C. MOREKI
Member

MR STEPHANE JEANE - PIERRE PERRIN
Member



Dr. J.C. Moreki | Acting Chairman

CHAIRMAN'S STATEMENT

Honourable Patrick Pule Ralotsia
Minister of Agricultural Development and Food Security

HONOURABLE MINISTER,

As the Acting Chairman of the Botswana Vaccine Institute Limited (BVI) Board, it is my privilege to present, on behalf of the Board of Directors, the annual report and the Audited Financial Statements for the financial year ended 31st December 2017. I am humbled and honored to submit the Annual Report for 2017 financial year, though it delayed due to changes in the Board composition which in turn resulted in protracted approval of Audited Financial Statements

No year is without challenges, and 2017 certainly had its own. Our operating environment continue to be impacted by the inability of most of the customers to settle outstanding debts within the agreed credit period which in turn exposes the Company to foreign exchange risk. Nonetheless, we have been through difficult seasons and as long -term players in the market, have learned the importance of remaining disciplined and focused in supporting our customers in the implementation of sustainable disease control strategies.

The 2017 performance fell short of the target, as evidenced by the decreased revenues recorded for the year. It is however important to note that despite the lower revenues achieved, BVI maintained profitability on account of improved efficiencies coupled with successful containment of controllable costs. Honorable Minister, these results would not have been possible if it was not for the resolute support that we continuously receive from the Shareholder through your Ministry. It is through this support that we are able to deliver against our mandate.

OPERATIONAL PERFORMANCE

Total revenue recorded was P83.0 million compared to P170.57 million reported for 2016 financial year, a 51.3 % (P87.56 million) year on year decrease. While we acknowledge that our performance in terms of revenues was lower than the target, it is evident that our cost control measures yielded positive results as evidenced by our ability to record a net profit of P 7.02 million. Most of our main customers are still paying outside the agreed credit terms and as such the Company continuously experience cash flow challenges.

CHALLENGES

BVI operates in a very volatile environment and thus making it difficult to use trend analysis to predict the future. Our key customers are Governments who normally procure vaccines on extended credit period and this has a negative impact on the cash flow position of the Company. Lack of long-term supply agreements with customers makes it difficult for the Company to plan production activities so as to fully realize the benefits of economies of scale plant utilization capacity.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an integral part of our business processes. BVI has made a commitment to sponsor the annual essay competition for rabies disease for schools and students through contribution of prizes. In 2017 the commemoration of the World Rabies Day was held in Ghanzi District, where the winners of the competition were awarded prizes. This disease is mostly prevalent on domestic pets and hence children are mostly at risk because of their close relationship with pets. The same initiative of contributing prize money for schools and students was also extended to the competitions that were held as part of the activities to commemorate the World Food Day in Kalakamati (North East District). It is through these initiatives that BVI is contributing to youth empowerment and development and giving back to the communities jointly with the parent Ministry.

LOOKING AHEAD – 2018 AND BEYOND

While it is acknowledged that it is not possible to predict how the disease situation would evolve within the region and beyond, there are indications that the demand for the BVI products would be significantly increased in 2018 financial year. The 2017 overall performance clearly underscored the importance of improved cash flow management for BVI. Our focus on cost containment will continue so that operating leverage is delivered as the business grows. Implementation of stringent credit control measures will be a priority for BVI going forward. Through the implementation of such credit control measures, we shall have embarked on a journey leading to self-reliance and utilization of internally generated funds that has no cost and hence reduce finance costs. We expect to continue improving our balance sheet metrics in 2018.

ACKNOWLEDGMENTS

On behalf of the Board, I wish to express our sincere gratitude to our parent Ministry of Agricultural Development and Food Security leadership for their diligence and insight as BVI continues to grow and adapt in a changing environment. I wish to record our appreciation for the support we have been receiving from our technical partners (MERIAL) for over 39 years! We have maintained such an enriched relationship which can be exemplified by the stability and achievements that we are currently enjoying. I would like to extend my appreciation to the Management Team who worked so hard, with dedication and professional attitude during a year characterized by challenges. My profound gratitude also goes to the Staff, who remained committed to ensuring that BVI remained relevant in the market. Apart from the reduced sales, the results of 2017 have clearly indicated that the long-term financial sustainability of BVI was realizable.

To our valued customers, it is my submission that you have shown commendable loyalty to our products and I commend you for that.

Thank you!!

Dr. J.C. Moreki
Acting Chairman

REPORT OF THE FINANCE AND AUDIT COMMITTEE

As the Chairperson of the Finance and Audit Committee, I am pleased to present the report of the Committee for the year ended 31st December 2017.

While the Board has the ultimate authority for the effective corporate governance, including the role of oversight of the management of the Company, the Committee's purpose is to assist the Board in fulfilling the oversight responsibility with respect to the Company's Financial Statements, review of the internal control environment as well as other matters as defined in the Committee Charter. The Committee relies on the expertise and knowledge of Management and the independent auditors in carrying out its responsibilities. Management is responsible for preparation, presentation and integrity of the Financial Statements, accounting and financial reporting principles, internal controls over financial reporting and disclosures controls as well as procedures designed to ensure compliance with accounting standards, applicable laws and regulations. In addition, Management is responsible for objectively reviewing and evaluating the adequacy, effectiveness and quality of the Company's system of internal controls. The independent auditor, PricewaterhouseCoopers, is responsible for performing an independent audit of the financial statements and expressing an opinion on the conformity of those financial statements with the International Financial Reporting Standards. The Auditors are also responsible for expressing an opinion on the effectiveness of the Company's internal control over financial reporting.

As part of the fulfillment of its oversight responsibilities, the Committee reviewed and discussed the audited Financial Statements and the related schedules in the Annual Report with both the Management and the Auditors, including a discussion of the quality, not just the acceptability of the accounting principles; but also the reasonableness of significant judgements as well as the clarity of disclosures in the Financial Statements. The Committee also discussed with Management and the Auditors, the audit scope and plans for the current year, the reasonableness of significant estimates and judgements and the disclosures in the Financial Statements including disclosures relating to critical accounting policies.

COMMITTEE'S GOVERNANCE STRUCTURE

The Committee is made up of three (3) members who are appointed by the Board. The Committee is governed by a Charter which was also approved by the Board. During the 2017 financial year, the Committee held 3 meetings.

As of the 31st December 2017, the membership of the Committee, together with appointment dates and attendance at meetings is set forth below:

Committee Member	Committe Member since	Attendance of Committee meetings during 2017
Ms. Pinkie Mothopeng - Makepe	2010	3 meetings out of 3 held (3/3)
Dr. Anne Blackbeard	2010	3 meetings out of 3 held (3/3)
Dr. John C. Moreki	2017	1 meeting out of 3 held (1/3)

The meetings of the Committee are designed to facilitate and encourage communication among the Members, the Board, Management and the External Auditors.

INDEPENDENCE OF THE AUDITOR

The Finance and Audit Committee continuously evaluates the External Auditors' independence as well as assess the Firm's quality of service, sufficiency of resources, the quality of communication, objectivity and professional skeptism. The independent Auditor was appointed for a five-year term which is due to expire in 2019. Based on this evaluation, the Committee retained PricewaterhouseCoopers as the independent Auditor for BVI for the 2017 financial year.

CONSIDERATION OF THE RESULTS FINANCIAL FOR 2017

In accordance with its Charter, the Committee reviewed and approved the independent Auditor's plan for the 2017 statutory audit of BVI's Financial Statements, including major issues related to the audit as presented by the Engagement Partner. The Committee reviewed and discussed with the independent Auditor, the conformity of the Audited Financial Statements with the International Financial Reporting Standards, its judgements as to the quality, not just the acceptability of the Company's accounting principles and such other matters as are required to be discussed with the Committee by the International Auditing Standards. This included but is not limited to setting of materiality limits, assessment of the internal control environment and where necessary recommending ways of improving the internal control systems of the Company. The Committee discussed with the Management and the Auditors, the Management Letter providing details of material weaknesses and significant deficiencies identified during the course of the audit and the Management's plan on how they will correct those identified control deficiencies in order to enhance the controls and processes.

After an extensive review of the Company's control environment and discussion of the same with the relevant stakeholders, the Committee;

- Confirms that the internal controls / risk management systems of the Company remain adequate though there are areas of improvement;
- Affirms that the Audited Financial Statements are true and fairly represent the performance of the Company; and
- Recommends the retention of PricewaterhouseCoopers as the Company's statutory auditors for the next reporting period.

On the basis of the reviews and discussions referred to earlier in the report, the Committee concurred and accepted the Independent Auditor's report on the Financial Statements, and are of the opinion that the Audited Financial Statements reflect a true and fair view of the financial position of BVI as at the 31st December 2017. The Committee therefore recommended to the Board of Directors, and the Board has approved the Audited Financial Statements for the year ended 31st December 2017.

On behalf of the Committee

Mothopeng

Ms. Pinkie Mothopeng – Makepe
Chairperson

BVI MANAGEMENT

A. DR O. G. MATLHO
General Manager

B. MS K. M. TIBE
Finance Manager

C. DR M. MOKOPASETSO
Chief Veterinary Officer

D. MR. EDWIN MLAZIE
Engineering Manager

E. MS L. MOZOLA
Other Vaccines Production Manager

F. MR B. OBUSITSE
Quality Assurance & Sheb Manager

G. MR J. VIDAL
Technical Support and Continuous Improvement Manager

H. DR J. HYERA
OIE Laboratory Manager

I. MS. STEPHANIE PERCET
Technical Manager

J. DR. KEABETSWE MOAGABO
Quality Control Manager

K. MR M. GAONAKGANG
procurement & Supplies Manager

L. MS B. SALANI
FMD Production Manager

M. DR M. MAZWIDUMA
Sales & Marketing Manager

DR O. G. MATLHO | General Manager

GENERAL MANAGER'S REPORT

SUB - OPTIMAL PERFORMANCE

The Institute was faced with several challenges during 2017 compared to the previous years. Total sales revenues significantly reduced to P83.00 million against a set target of P165.4 million for the year and again in contrast to huge revenues of P170.56 million realised in 2016. This translated to an unfavorable decline of fifty-one (51%) in sales revenue against the budget despite the confirmed high demands for vaccines by customers at the beginning of the year.

The poor results were mainly attributed to very low supplies of vaccines to major customers as a result of unpaid invoices for vaccines supplied during 2015 and 2016 fiscal, following outbreaks of foot and mouth disease (FMD) in the Southern African Development Community (SADC) region.

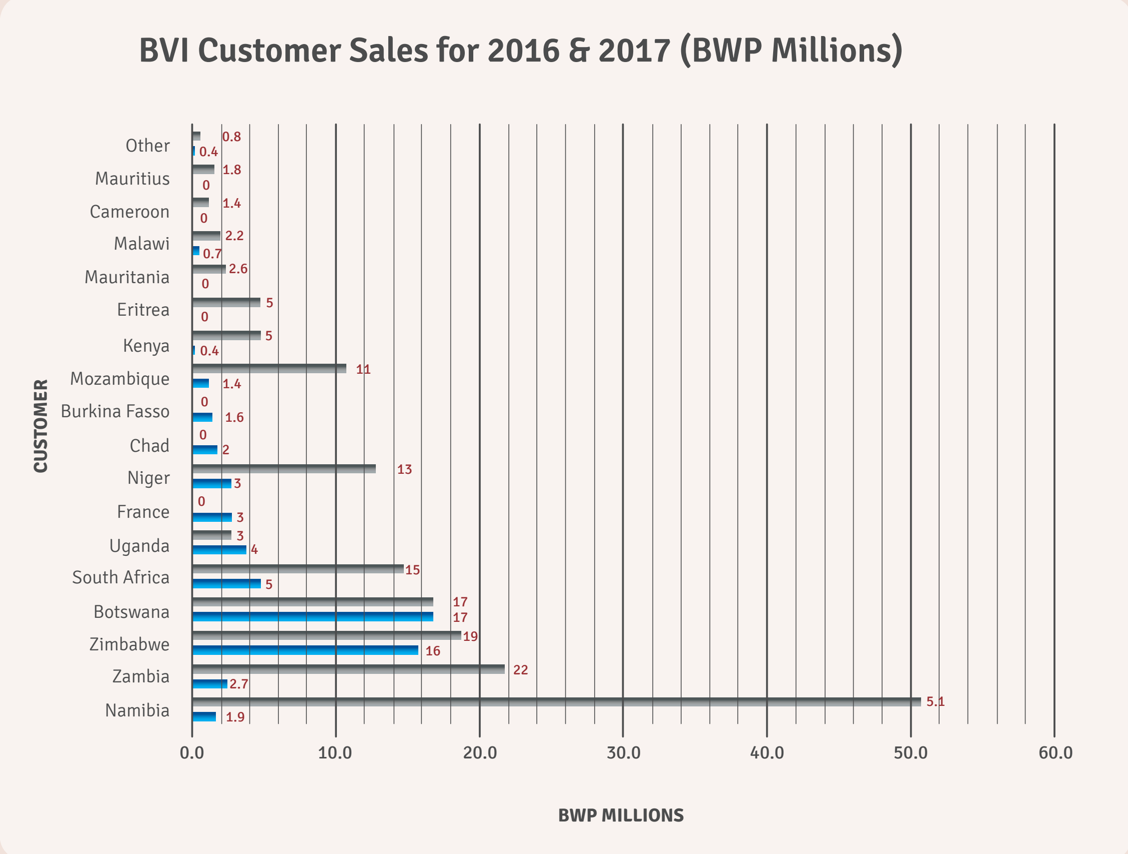
The situation resulted in an accumulation of inventories for raw material, the intermediate (antigens) and finished products (vaccines) in storages posing a business risk of product expiry before delivery to customers. It also resulted in a significant underutilization of the high capacity of the new FMD antigen production facility. This further created an inherent risk for business continuity because of insufficient cash flows which constrained funding of operations.

General Manager 's Report [CONTINUED]

Management however implemented marketing strategies and direct customer engagements to negotiate and agree their revised payments plans for the year, to be supplied with the some quantities of the vaccines requirements for the year. This had a mutual benefit to prevent expiry and wastage, and to assist the customers perform strategic annual vaccinations for the animals with resultant minimal sales revenues generated. The approach succeeded largely of the basis of the existing good relationships between the BVI and its customers established over many years.

MARKET ANALYSIS

The Chart reflects revenues contributed by individual customers supplied with BVI vaccines during the year compared to 2016. In 2017, we continued to retain our existing customers and expanded relationships with them.



Namibia obtained significant quantities of vaccines during 2016 for use in 2016 and 2017 with a resultant small purchase for top up during 2017. Comparable number of customers were supplied with vaccines during the two (2) years though the quantities of doses supplied varied significantly partly due to budgetary constraints.

CONTINUOUS BUSINESS DEVELOPMENT

Despite a challenging and volatile economic climate together with reductions in customer expenditures, it is anticipated that sales will not remain forever low. This assumption is on the basis that the implementation of animal health controls is a continuous programme which requires annual reviews year on year, to achieve optimal and effective disease controls to allow free movement of animals for trade, particularly for the beef exporting countries and others which wish to benefit from beef exports in the future to exploit the abundant livestock resources in the African continent for economic diversification, employment creation and the advancement of the rural economies.

While we are not very satisfied with our results for 2017, we will continue to develop and drive our growth strategy which is particularly important, given the uncertain global economic outlook which impacts our customers differently. The global demand for agricultural production continues to rise as the main source of food (protein), revenues for livelihoods of the rural communities in Africa and South East Asia. The BVI products and services offered to our customers are targeted for the African countries as public goods. Our top priority therefore remains our customers and helping them achieve high performance through efficient and effective animal health control programmes, to spur sustainable animal production and trade. The potential growing markets for the BVI products are FMD purified vaccines (both domestic and export) for large ruminants and PPR vaccines (all export) for small ruminants. Both diseases have a negative economic impact on trade because of their high level of infectivity and are transboundary in nature.

We will therefore continue to look for, and attract new customers in the future to diversify our markets. This cycle on average takes four or five (4-5) years to net a sale. The activities of the World Organization for Animal Health (OIE) Reference Laboratory for FMD hosted by the Institute, spurred the sales of the FMD vaccines outside the common market area. In 2017 sales were registered for the first time to Mauritius, and a subsequent increase in sales to Uganda was observed, following disease confirmation (FMD) in these countries by our FMD reference laboratory. The services offered from the same laboratory also provide an opportunity for customer technical support for our vaccinating customers, through shared sample laboratory analysis for post vaccination monitoring, reagents supply and capacity building for the laboratory personnel in the member countries.

Product portfolio diversification will also be perused going forward through technology transfers and research and development by collaborating with other scientific Institutions and partners on the basis of needs or demands by customers. This will be explored further as more investments are put in place to address the exiting gaps.

General Manager ’s Report [CONTINUED]

INVESTING IN OUR PEOPLE

Despite the below par performance during the year, the Institute still retained its full staff compliment of an average of 105 employees, all citizens and two (2) expatriate from MERIAL. The Company adopted cost saving measures including expenditure in accordance with budgets, releasing staff for leaves, delayed recruitments for existing vacancies for retirees, and prioritization of creditor payments amongst others. All the efforts were aimed at avoiding the possibility of separations and not to lose any of the BVI staff who are highly competent and possess high levels of experience, have specialized knowledge for the different operations and processes acquired over the years.

Due to the cash flow constraints, trainings were prioritized for the key technical and some support functions areas through visits to our Technical Partners MERIAL in Lyon, to enhance skill competencies on the industrial culture as well as clinical trials and live animal challenges studies respectively required for market authorization. Experts were also invited to BVI for the training of the Other Vaccines Production and Engineering teams on the operations for freeze drier (lyophilizer) and its preventative maintenance operations.

The capacity building to develop a culture of scientific research and publications in the peer reviewed journals to enhance the Institute’s image as a Centre of Excellence in foot and mouth disease control for the OIE Reference Laboratory Team hosted by BVI was rolled out during the year. The Senior Scientist who successfully completed her dissertation thesis on “Genetic and Antigenic Characterization of Foot and Mouth Virus Stains in 2011 and 2015 in Ngamiland, Botswana” and awarded the Degree of Master of Science (MSc) in One Health Molecular Biology (Honors) in 2016, from Southern African Centre for Infectious Disease Surveillance (SACIDS), hosted by Sokoine University of Agriculture (SUA) Tanzania enrolled for a Doctor of Philosophy (PhD) , administered by SACIDS funded by the World Bank turntable at SUA. The Supervisor in the same Laboratory also enrolled for a part time PhD programme at the University of Botswana (UB) during the same year to carry out research on the development of FMD vaccines based on alternative methods (tobacco-mosaic plants) which is still ongoing. The success and the outputs from the research will remain the property of the Institute and opportunities to patent it will be explored.

OUTLOOK INTO 2018

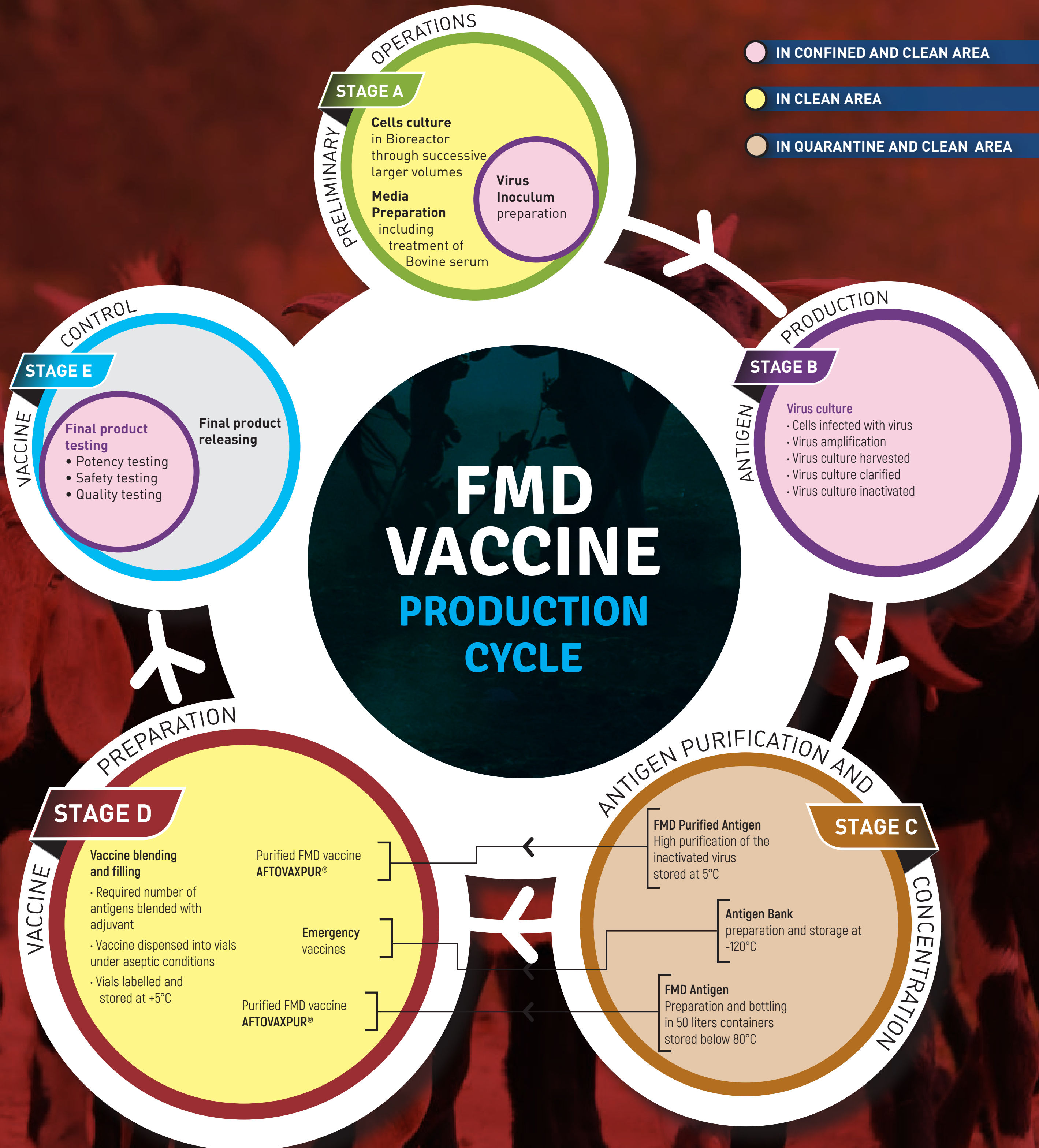
From the results of 2017, we are cautious about 2018 yet optimistic. We anticipate the 2018 results to be positively impacted by high levels of activity driven by high demands of vaccines as results of disease outbreaks in the region following poor vaccinations in 2017. It is therefore expected that high levels of operations with optimal plant capacity utilization will be achieved. While there is still concerns and uncertainties about the economic environment, our customers are anticipated to improve the budgets for funding agricultural sector to implement better animal and pests’ control programmes to increase agricultural production. At the same time BVI will still remain committed to improve its operational performance to deliver on the customer service towards superior financial performance.


OLYMPUS
CX31
PlanC N
40X/0.65
FN22

TOTAL VACCINE SALES

IN BWP MILLION 2017

1.	BOTSWANA	16,789,122
2.	FRANCE	3,145,062
3.	RSA	4,821,516.99
4.	ZIMBABWE	15,540,475
5.	ZAMBIA	26,999,940
6.	MOZAMBIQUE	1,377,459
7.	MALAWI	675,944
8.	UGANDA	4,260,758
9.	NAMIBIA	1,820,248
10.	KENYA	405,919
11.	BURKINA FASO	1,616,890
12.	NIGER	2,167,852
13.	CHAD	1,783,105
14.	SOUTH SUDAN	384,769
		81,789,058.05


IN CONFINED AND CLEAN AREA
IN CLEAN AREA
IN QUARANTINE AND CLEAN AREA
FMD VACCINE PRODUCTION CYCLE
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

Given the challenges we had to face, reaching our priorities for 2017 was a solid performance and we could not have made it a success without the positive participation of all staff members.

products “On Time and In Full” to our Customers, while controlling production costs within acceptable levels while not compromising the quality of the final product. We cannot underrate 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 biosecurity and biosafety requirements are adhered to throughout the production cycle.

Our main goals are:

- To produce **good quality** products and service
- To reduce the **variabilit**y 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**

The Foot and Mouth Disease (FMD) vaccine process:

The FMD vaccine is still the main product of the Institute both in terms of the quantities produced a year and contribution to total turnover reported for the year.

In 2017, BVI produced 9.1 million monovalent doses of FMD antigens.
BVI formulated and released 2.7 million doses of FMD vaccine (corresponding to 7.4 million monovalent doses), and thus responding “in Full” to the different orders received in 2017.

The volumes produced in 2017 were lower than those achieved in 2016 (a 67.7% decrease on a year to year basis). Indeed, 2017 showed a sharp decline of demand compare to the previous year and the total stock level of FMD doses remained at a high level during the major part of the year.

Annual FMD vaccines production (monodoses)

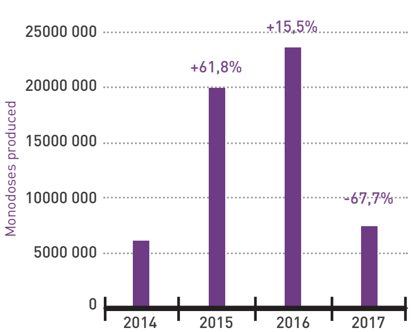
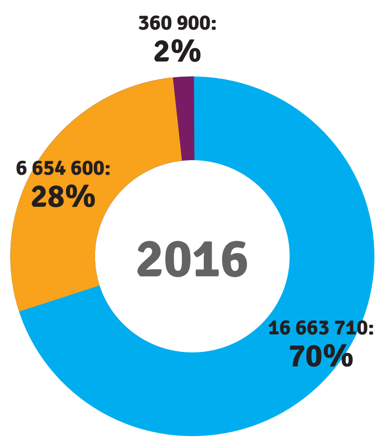


Figure no.1: Comparison of the cumulative FMD Vaccine production in 2014, 2015, 2016 and 2017 (expressed in monovalent doses)

The ratio of the different kinds of FMD vaccines is 63% for aftovax (semi purified) and 14% 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 23%. The West African market has the potential for our future business development when countries in this area start implementing FMD control strategies through regular vaccinations.



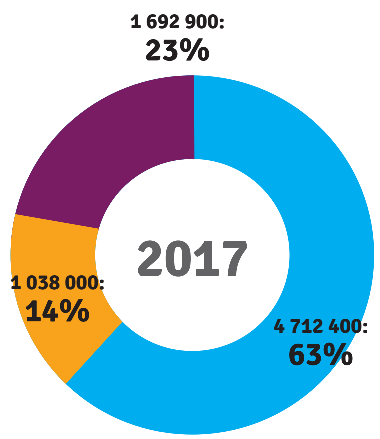


Figure no.2: aftovax and aftovaxpur product mix ratio in 2016 and 2017 (quantities expressed in monovalent doses)

- afftovax vaccines
- aftovaxpur vaccines
- aftovax SAT1-SAT 2-0

Other products:

Globally in 2017, the product mix for the other vaccines is close to the previous years. The main difference compare to 2016 is PPR (a 550% decrease) as the forecasted orders did not materialize, generating a high level of stock.

Nevertheless, two (2) new batches were produced to fit the customer demand of vaccine with 20 (twenty) months remaining shelf life at reception.

Technical Manager's Report [CONTINUED]

Table no.2: Comparison of the production volume for BVI other products between 2015 and 2017

Products	ASYMPTOL(1)	CARBOVAX(2)	PERIBOV(3)	PPR(4)
2015	2 040 700D	2 613 200D	0	2 061 800D
2016	1 005 300D	3 565 900D	3 808 900D	27 969 000D
2017	1 149 300D	1 136 000D	4 177 900D	5 125 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 Pleuropneumonia (CBPP)

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

Industrial Performance:

In 2017, the destruction rate was 3% (P1.8 million) against a target of 4% which was a very good performance for the second consecutive year. It's linked to the combined effect of the preventative maintenance in place, the continuous training of the team, and a close follow-up of the production events through the DMAIC (Define-Measure-Analyse-Implement-Check) process.

While this was a commendable achievement, the Technical Department would continuously work towards reducing the level of destruction so as to improve the gross margins.

Main projects:

In 2017, a major project on Peste des Petits Ruminants (PPR) vaccine was conducted in partnership between Boehringer Ingelheim Animal Health (BIAH) and BVI. A high quality vaccine tolerating time out of refrigeration has been developed in order to prepare BVI to become the first choice partner for the PPR Global Control and Eradication Programme of the FAO (Food and Agriculture Organization of the United Nations) and OIE (World Organization for Animal Health).

CONCLUSION

As the opposite of last year, 2017 showed a sharp decline of demand and the forecasted orders started to materialize by the fourth quarter.

Even if we had to face two important equipment breakdowns this year, it is important to highlight this has had no impact on our ability to supply BVI's customer. During the activity slowdown, the Technical Department has managed to balance capacity with the resource through the work organization.

To fulfil the demand that materialized by the end of the year, the FMD stream quickly managed to implement a double shift organization thus demonstrating the agility and the dedication of the BVI staff.

For the second consecutive year, the level of destruction was very low. This was a huge achievement given the challenges we had with some critical equipment and was delivered because we worked collaboratively across functions.

OUTLOOK

In 2018 the Technical Department will continue to build the foundation of continuous improvement processes to ensure the sustainability and reliability of its operations. This will be achieved through specialized staff trainings and implementation of fully efficient mode of working. The rolling out of these action plans will contribute to operational and productivity objectives and they will be facilitated by the close collaboration between the teams.

I'm convinced we can achieve incredible results when we work together, as a Team.

MS K. M. TIBE | Finance Manager

FINANCE MANAGER'S REPORT

2017 was a year characterized by a challenging operational environment!!!

We delivered results that were not impressive, actual results were not aligned with our expectations and targets. The poor performance is largely attributable to the cyclical nature of the diseases for which our vaccines are used to control.

While it is acknowledged that our performance was negatively affected by the reduced demand for our products by most of our traditional customers, we remain comforted by the fact that that as customers reduced their vaccination coverage for the control of Foot and Mouth Disease (FMD), we expect the re – emergence of the disease in the region on account of low levels of protection against possible viral infection. This would in turn result in an increased demand for the vaccines in the coming years.

Finance Manager 's Report [CONTINUED]

FINANCIAL OVERVIEW

The results for 2017 were negatively affected by the challenging economic environment that we operate in and the uncertainties in customer demands. The lower than planned sales are largely attributable to the low incidence of FMD outbreaks in the region on account of successful implementation of disease control strategies in the prior year. Also contributing to the lower than planned sales was the fact that most of the traditional customers had outstanding debts carried over from 2016 and as such additional supply of vaccines was halted until a payment plan was negotiated and agreed on. The performance of BVI in terms of sales achieved in 2017 was comparable to the results that were reported in 2014 **(P78.4 million)** while this was a decline of more than **100%** when compared to the 2016 results where total sales achieved were **P170.7 Million.**

Although the implementation of stringent credit control policy coupled with continuous follow up on debtors had not yet yielded positive results as evidenced by a significant balance of outstanding trade debtor balances of **P 52.4 million** as at the end of 2017 relative to the total sales achieved for the year. The high debtor's balances negatively affected the cash flow position of the Company. The Company closed the year with negative cash flows resulting in operations being funded out of bank overdrafts.

BVI recorded total sales of **P 81.9 million** compared to a budget of **P 165.4 million** representing an unfavorable variance of 50% below the target.

Also contributing to the decreased sales reported in 2017 was the reduced demand for FMD vaccines on account of budgetary constraints that negatively affected the customer's ability to vaccinate even where there were vaccines but no funding for logistics to support the vaccination campaigns.

Review of the Statement of Comprehensive Income

Total revenues generated

- Total revenue decreased by P88.8million (>105%) to **P81.9million** (2016: **P170.7million**). The revenue decrease is largely attributable to the deferral of delivery of some confirmed orders due to logistical challenges beyond our control. Also contributing to this significant decline in total revenues was the decision by some of our traditional customers to reduce the vaccination coverage on account of successful implementation of their disease control strategies in their respective countries.
- Although the demand for our vaccines remained low during the year under review, we expect this trend to reverse in the foreseeable future.

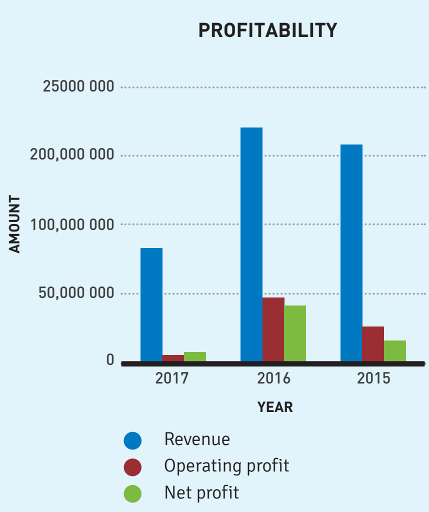
Profitability

- While BVI was operating in a difficult trading environment, it must be noted that the cost containment initiatives implemented during the year were successful as evidenced by the successful reduction of operating costs to align them with the low level of activity. This was achieved despite the fact that most of the BVI costs are fixed and therefore remained the same and had to be funded from a very low revenue base, resulting in Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) margins decreasing from 37 % in 2016 to 25% in 2017. This was largely attributable to the reduction in total revenues without a corresponding reduction in operational costs.
- Gross profit decreased by 69% from P93.5 million in 2016 to P29.0 million in 2017
- BVI reported an operating profit of P 6.17 million as compared to P47.6 million achieved in 2016. All the efforts in 2018 will be directed towards reversing this performance.
- Net profit of P7.0million was achieved compared to a net profit of P 41.9 million recorded in 2016.

- Finance costs for the year were P4.97million, compared to P10.11 million on a comparable annual basis.
- Total salary costs increased from P24.7 million in 2016 to P26.0 million in 2017 as a result of a 3% cost of living adjustment implemented during the year.

The results have demonstrated the need for BVI to develop and successfully implement initiatives streamlining the business operations; with an ongoing focus on cost management. The need for the development of a turnaround strategy geared towards the diversification of both the markets and products so as to reduce overreliance on our traditional markets.

Graph 1



Statement of Financial Position

As at 31 December 2017 the capital employed (calculated as total assets minus current liabilities) had decreased to P567.581 million compared to P590.60 million in 2016. This was primarily due to the increase in current liabilities reported during the period resulting from the increase in short term borrowings as the BVI 001 bond become due and payable on the 8th May 2018. It is however important to note that the net gearing ratio remained at Zero even though interest bearing borrowings decreased from P 174.28 in 2016 million to 164.98 million in 2017.

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, which as at the reporting date had a balance of P39.9 million. The Company continues to explore ways of reducing the finance costs related with the use of overdraft facilities to finance operational activities.

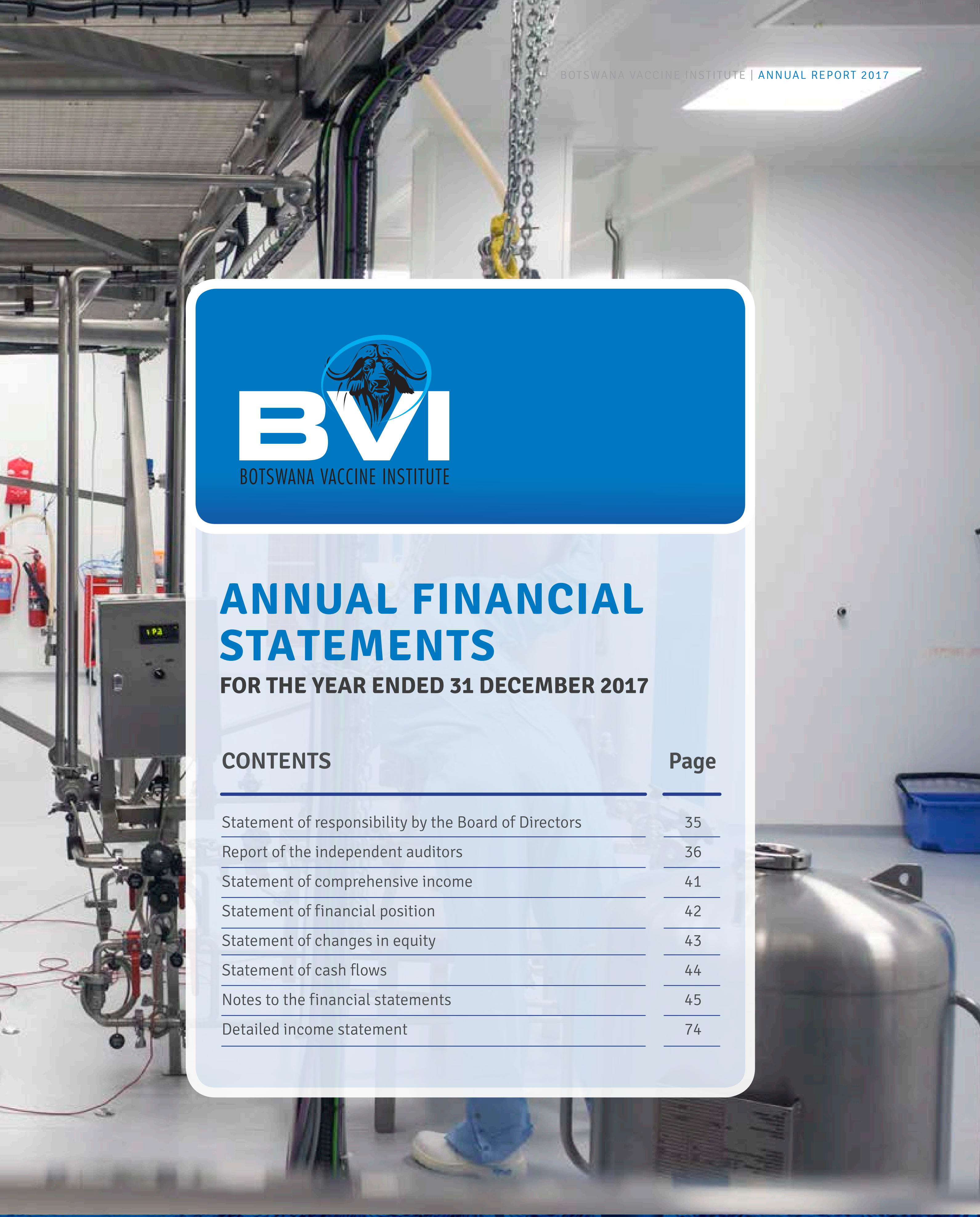
Despite the cash flow challenges experienced during 2017, BVI managed to comply with the financial covenants of its borrowing facilities and is committed to ensuring that this does not compromise the Company's ability to fulfill its debt obligations in future.

Looking ahead – our journey to recovery in 2018 and beyond

Long term financial sustainability of the Company still remains a priority going forward. This could be achieved through a number of factors including improved productivity and efficiencies throughout the Company. Creating a competitive cost base for BVI remains critical for the long-term financial sustainability of the Company, improved cash flow generation and management also continues to be a priority in 2018.

Although there are a number of uncertainties that we have to cope with, we are confident that a cost driven recovery will lead to long term profitable growth. We are therefore self-assured for an improved performance in 2018.

Ms K. M. Tibe
Finance Manager



BVI
BOTSWANA VACCINE INSTITUTE

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

Company Information

for the year ended 31 December 2017

Business operations:	Botswanace Vaccine Institute (the "Company") is limited liability Company registered in Botswana. 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:	Ms. Pearl Mahlala
Bankers:	Barclays Bank of Botswana Limited Standard Chartered Bank Botswana Limited BancABC Limited

Statement of Responsibility by the Board of Directors

for the year ended 31 December 2017

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 46 to 74 were authorised for issue by the Board of Directors on 17 October 2018 and are signed on its behalf by:

Director

Mothopeng

Director

Independent Auditor's Report

To the members of Botswana Vaccine Institute Limited

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Vaccine Institute Limited (the Company) as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Botswana Vaccine Institute Limited's financial statements set out on pages 8 to 52 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the Botswana Institute of Chartered Accountants Code of Ethics (the "BICA Code") and the ethical requirements that are relevant to our audit of financial statements in Botswana.We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview

Overall materiality

- P 351,240 which represents 5% of profit before tax.

Key Audit Matters

- Transfer of risk and rewards; and
- Impairment assessment of trade receivables.

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

Independent Auditor’s Report [CONTINUED]

To the members of Botswana Vaccine Institute Limited

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	P 351,240
How we determined it	5% of the profit before tax
Rationale for the materiality	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies.

Key audit matter	How our audit addressed the key audit matter
Transfer of risk and rewards The Company’s revenue is generated through the supply of veterinary vaccine consignments to customers. A significant portion of the revenue is from exports to governments in the African continent. Due to the dynamic nature of each customer, terms and conditions are individually negotiated to take into account many considerations and unique circumstances.	We obtained an understanding of the revenue and receivables process and tested the relevant controls relating to invoices approval and that shipping documents are reviewed and approved by quality assurance manager and technical manager. For a sample of transactions, we tested whether the specific terms and conditions of each sales transaction met the criteria set out by IAS 18 for revenue recognition by inspecting customer contracts and other official customer correspondence.

Independent Auditor's Report [CONTINUED]

To the members of Botswana Vaccine Institute Limited

Key audit matter	How our audit addressed the key audit matter
The dynamics of each contract does not lend itself for automation, requiring significant manual intervention in determining when the risks and rewards are transferred for each transaction to recognise the related revenue in terms International Accounting Standards 18, Revenue ("IAS 18"). Consequently, determining the transfer of risks and rewards and the recognition of revenue was considered a matter of significance to our audit as any errors that may occur could significantly impact the results of the Company. The disclosures associated with revenue recognition are set out in the financial statements in the following notes: • Note 2 – Revenue (page 13) • Note 17.3 – Revenue recognition (page 46)	On a sample basis, we directly contacted the customer to confirm the terms and conditions of sale and the point at which the risks and rewards transferred to the customer. The sample tested revealed that the risks and rewards had been transferred to the customer and that the related revenue had been recorded accurately. To test that transactions were recognised in the correct period, we selected a sample of transactions and inspected the supporting documentation for when risk and rewards transferred. We focussed our attention on those transactions that occurred immediately before and after 31 December 2017 and tested that the transactions selected had been appropriately recognised in the correct period.
Impairment assessment of trade receivables The nature of the Company's business is such that its customers mainly consist of state owned and government enterprises. Consequently, these customers are subject to economic and political risk that may bear significantly upon counterparty credit risk. The assessment of the recoverability of receivables therefore, requires significant judgement by the Company and may have a significant impact on the financial statements. For these reasons, the determination of the provision for impairment is considered to be a matter of most significance to our current year audit. The principal assumption used by management in determining if there is objective evidence of impairment is the period of recovery, which is assessed individually and is dependent on the political and economic stability and sources of funding of each customer.	Our audit procedures to assess counterparty credit risk related to outstanding receivable balances included the following: • We understood, assessed and where appropriate, tested the Company's controls that identify impairment indicators. • We tested the reliability of the debtors ageing report which is utilised by management to identify receivables at risk; • We compared the principal assumptions made by management in respect of each individual customer to historical customer experiences that consider matters such as history of payment patterns, outcomes of prior correspondences, source of customer financing for orders placed and market indicators. Based on the evidence gathered we found management's assumptions to be reasonable;

Independent Auditor's Report [CONTINUED]

To the members of Botswana Vaccine Institute Limited

Key audit matter	How our audit addressed the key audit matter
The disclosures associated with impairment of receivables are set out in the financial statements in the following notes: • Note 5.1 – Trade and other receivables (page 16) • Note 9.2 – Risk Management, Credit Risk (page 33) • Note 8.1.2 – Use of Estimates and Judgements, Impairment provision on trade receivables (page 30)	• Where individual impairments were identified we performed tests to assess whether the loss event (the point at which impairment is specifically assessed) was identified in a timely manner; and • We examined estimates of future cash flows prepared by the Company to support the calculation of the impairment, challenging the assumptions and comparing estimates to historical collection.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Company's Annual Financial Statements for the year ended 31 December 2017, which we obtained prior to the date of this auditor's report, and the other sections of the Company's Annual Report 2017, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.
Auditor's responsibilities for the audit of the financial statements

Independent Auditor's Report [CONTINUED]

To the members of Botswana Vaccine Institute Limited

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Individual practicing member: Sheyan Edirisinghe
Membership number: 20030048

7 December 2018
Gaborone

Statement of Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 P	2016 P
Revenue	2	83,006,095	170,566,616
Cost of sales		(53,965,225)	(77,056,509)
Gross profit		29,040,870	93,510,107
Administrative expenses		(18,284,103)	(18,774,040)
Distribution costs		(4,361,842)	(23,486,676)
Other income	3.1	1,057,433	1,038,371
Other losses	3.2	(1,280,592)	(4,692,792)
Operating profit		6,171,766	47,594,970
Finance income	3.4	5,820,922	4,453,480
Finance costs	3.4	(4,967,891)	(10,109,786)
Finance income / (costs) - net		853,031	(5,656,306)
Profit before income tax		7,024,797	41,938,664
Income tax expense	4	-	-
Profit for the year		7,024,797	41,938,664
Other comprehensive income			
Item that will not be reclassified to income statement			
Revaluation gain on property, plant and equipment	6.1	9,503,520	72,843,300
Total comprehensive income for the year		16,528,317	114,781,964

Statement of Financial Position

as at 31 December 2017

	Notes	2017 P	2016 P
ASSETS			
Non-current assets			
Property, plant and equipment	6.1	334,961,376	331,554,239
Current assets			
Inventories	6.2	71,730,950	56,911,888
Trade and other receivables	5.1	64,575,970	68,728,911
Financial assets at fair value through profit or loss	5.2	72,515	70,050
Cash and cash equivalents (excluding bank overdrafts)	5.3	179,207,341	165,910,136
		315,586,776	291,620,985
Total assets		650,548,152	623,175,224
LIABILITIES			
Non-current liabilities			
Interest bearing borrowings	5.5	132,574	39,683,462
Current liabilities			
Trade and other payable	5.4	34,193,609	29,079,232
Interest bearing borrowings	5.5	44,580,597	147,775
Employee benefit obligations	6.3	4,194,879	3,346,579
		82,969,085	32,573,586
Total liabilities		83,101,659	72,257,048
Net assets		567,446,493	550,918,176
EQUITY			
Capital and reserves			
Stated capital	7.1	278,347,000	278,347,000
Other reserves	7.2	171,538,730	162,035,210
Retained earnings		117,560,763	110,535,966
Total equity		567,446,493	550,918,176

Statement of Changes in Equity

for the year ended 31 December 2017

	Notes	Stated capital P	Other reserves P	Retained earnings P	Total equity P
For the year ended 31 December 2016					
Balance at 1 January 2016		278,347,000	89,191,910	68,597,302	436,136,212
Profit for the year		-	-	41,938,664	41,938,664
Other comprehensive income					
Revaluation gain	7.2	-	72,843,300	-	72,843,300
Balance at 31 December 2016		278,347,000	162,035,210	110,535,966	**550,918,176**
For the year ended 31 December 2017					
Balance at 1 January 2017		278,347,000	162,035,210	110,535,966	**550,918,176**
Profit for the year		-	-	7,024,797	**7,024,797**
Other comprehensive income					
Revaluation gain	7.2	-	9,503,520	-	**9,503,520**
Balance at 31 December 2017		**278,347,000**	**171,538,730**	**117,560,763**	**567,446,493**

Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 P	2016 P
Cash flows from operating activities			
Operating profit		6,171,766	47,594,970
Adjustment for non cash items:			
Depreciation	6.1	14,304,119	15,463,118
Profit on disposal of property, plant and equipment	3.2	(3,605)	(5,789)
Unrealised fair value gain	3.2	(2,465)	(2,197)
Changes in working capital			
Inventories		(14,819,062)	(12,246,835)
Trade and other receivables		4,152,941	(13,759,324)
Employee benefit obligations		848,300	910,096
Trade and other payables		5,114,377	(50,383,290)
Cash generated from operations		15,766,371	(12,429,251)
Interest paid		(4,587,286)	(9,733,197)
Net cash inflow / (outflow) from operating activities		11,179,085	(22,162,448)
Cash flows from investing activities			
Payment for property, plant and equipment	6.1	(8,207,736)	(5,040,317)
Interest received	3.4	5,820,922	4,453,480
Proceeds from sale of property, plant and equipment		3,605	24,029
Net cash outflow from investing activities		(2,383,209)	(562,808)
Cash flows from financing activities			
Repayment of borrowings		(150,484)	(30,249,612)
Net cash inflow / (outflow) from financing activities		(150,484)	(30,249,612)
Net increase / (decrease) in cash and cash equivalents		8,645,392	(52,974,868)
Cash and cash equivalents at beginning of year		165,910,136	218,885,004
Cash and cash equivalents at end of year	5.3	174,555,528	165,910,136
Cash and cash equivalents at end of year	5.3	165,910,136	218,885,004

Notes to the Financial Statements

for the year ended 31 December 2017

1 SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM responsible for allocating resources and assessing performance of the operating segment has been identified as the Company's steering committee, made up of the General Manager and the Finance Manager. They are responsible of making strategic decisions for the Company, which are approved by the Board of directors.

The steering committee examines the Company's performance and has identified 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 foot and moth diseases (FMD) vaccine. 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 steering committee manages and operates the Company's affairs. They review the results of the segment on a monthly basis by going through the activities of the Company and their impact on the results of the segment.

The steering committee primarily uses a measure of operating profit before interest and tax to assess the performance of the operating segments. However, the steering committee also receives information about the segment's geographical revenue information on monthly basis.

1.1 Geographical information

Company's revenue is from sales to governments in the African continent. Therefore, there is only one customer in each country. The Company's revenue from customers is attributable to the following countries:

	2017 P	2016 P
Namibia	1,889,548	50,792,327
Zambia	26,999,940	21,593,146
Zimbabwe	15,615,926	18,974,446
Botswana	16,807,622	17,094,231
South Africa	4,821,517	14,689,452
Uganda	4,345,696	3,327,791
France	3,188,048	-
Niger	2,525,466	13,235,543
Chad	2,205,299	-
Burkina Fasso	1,684,918	-
Mozambique	1,390,583	11,580,017
Kenya	434,725	5,146,512
Eritrea	-	5,237,536
Mauritania	-	2,653,577
Malawi	684,197	2,212,254
Cameroon	-	1,414,421
Mauritius	-	1,795,071
Other	412,610	820,292
	83,006,095	170,566,616

Notes to the Financial Statements

for the year ended 31 December 2017

1 SEGMENT INFORMATION [continued]

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.

	2017 P	2016 P
Namibia	1,889,548	50,792,327
Zambia	26,999,940	21,593,146
Zimbabwe	15,615,926	18,974,446
Botswana	16,807,622	17,094,231

2 REVENUE (NOTE 15.3)	2017 P	2016 P
Sales of vaccines	81,789,058	165,195,529
Freight	1,217,037	5,371,087
	83,006,095	170,566,616

3 OTHER INCOME AND EXPENSES ITEMS

3.1 Other income	2017 P	2016 P
Cattle sales	99,415	134,581
Training fees refund	348,842	253,493
Travel insurance refund	180,909	468,438
Other income	428,267	181,859
	1,057,433	1,038,371

3.2 Other losses	2017 P	2016 P
Net gain on disposal of property, plant and equipment	3,605	5,789
Fair value gain on financial assets at fair value through profit or loss	2,465	2,197
Net foreign exchange loss	(1,286,662)	(4,700,778)
	(1,280,592)	(4,692,792)

Notes to the Financial Statements

for the year ended 31 December 2017

3.3 Breakdown of expenses by nature	Notes	2017 P	2016 P
Cost of sales		77,056,509	98,141,976
Auditors' remuneration		152,472	138,225
Depreciation (excluding plant and machinery)	6.1	3,374,601	3,079,560
Directors' remuneration		87,976	64,470
Donations		57,215	50,565
Export commission		18,971,619	19,707,129
Professional fees		533,393	547,917
Repairs and maintenance - motor vehicles		135,191	113,933
Repairs and maintenance - other		224,692	36,965
Provision for impairment of trade receivables	5.1	800,673	883,124
Salaries and wages		7,418,873	6,094,312
Other expenses		10,504,011	6,562,501
Total cost of sales, distribution and administrative expenses		119,317,225	135,420,677

	Notes	2017 P	2016 P
Salaries and wages			
Salaries and wages		21,226,495	21,252,395
Pension costs		2,743,474	2,108,995
Gratuity and leave pay provision		2,068,217	1,368,188
		26,038,186	24,729,578

	Notes	2017 P	2016 P
The salaries and wages have been expensed as follows:			
Cost of sales		18,226,730	17,310,705
Administrative expenses		7,811,456	7,418,873
		26,038,186	24,729,578

	Notes	2017 P	2016 P
3.4 Finance income and costs			
Finance income			
Interest received on short term investments		5,820,922	4,453,480
Finance costs			
Interest expenses - interest bearing borrowings		(4,967,891)	(10,109,786)
Net finance cost		853,031	(5,656,306)

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

4. INCOME TAX EXPENSE

Botswana Vaccine Institute Limited has been exempted from paying income tax through the Tax Agreement (Ratification) Act No. 22 of 1990.

5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company holds the following financial instruments:

Financial assets	Notes	Assets at fair value through profit or loss P	Financial assets at amortised cost P	Total P
At 31 December 2017				
Trade and other receivables*	5.1	-	60,404,793	60,404,793
Financial assets at fair value through profit or loss	5.2	72,515	-	72,515
Cash and cash equivalents	5.3	-	179,207,341	179,207,341
		72,515	**239,612,134**	**239,684,649**
At 31 December 2016				
Trade and other receivables*	5.1	-	66,616,869	66,616,869
Financial assets at fair value through profit or loss	5.2	70,050	-	70,050
Cash and cash equivalents	5.3	-	165,910,136	165,910,136
		70,050	232,527,005	232,597,055

*excluding prepayments

Financial liabilities	Notes	Liabilities at amortised cost
At 31 December 2017	5.4	**34,193,609**
Trade and other payables*	5.5	**44,713,171**
Borrowings		**78,906,780**
At 31 December 2016	5.4	**29,079,232**
Trade and other payables*	5.5	**39,831,237**
Borrowings		**68,910,469**

*excluding non-financial liabilities

The Company's exposure to various risks associated with the financial instruments is discussed in note 9.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Notes to the Financial Statements

for the year ended 31 December 2017

5.1 Trade and other receivables	2017 P	2016 P
Trade receivables	59,086,499	67,820,506
Less - adjustment to amortised cost	-	(598,665)
Less - provision for impairment (Note 9.2)	(741,510)	(800,673)
	58,344,989	66,421,168
Other receivables from related parties (Note 15)	1,888,792	-
Other receivables	171,012	195,701
VAT receivables	2,106,211	827,962
Deposits and prepayments	2,064,966	1,284,080
	64,575,970	68,728,911

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Company's impairment and other accounting policies for trade and other receivables are outlined in notes 9.2 and 17.6 respectively.

(ii) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Company.

(iii) Fair values of trade and other receivables

Fair value of Trade receivables and other receivable as at 31 December 2017 amount to P 60,404,793 (2016 : P 66,616,869).

Due to the short-term nature of the other receivables, their carrying amount is considered to be the same as their fair value.

The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk (Note 9.2).

(iv) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Company's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 9.1 and 9.2.

Notes to the Financial Statements

for the year ended 31 December 2017

5.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2017 P	2016 P
Current assets		
Stanlib Botswana Money Market Fund	53,067	66,679
Stanlib Botswana Management Prudential Fund	19,448	3,371
	72,515	70,050

(i) *Classification of financial assets at fair value through profit or loss*

The Company classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short-term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. See note 15.8 for the Company's other accounting policies for financial assets.

(ii) *Amounts recognised in profit or loss*

Changes in fair values of financial assets at fair value through profit or loss are recorded in other losses in the income statement (2017 – gain of P 2,465; 2016 – gain of P 2,197).

5.3 Cash and cash equivalents

	2017 P	2016 P
Bank balances	3,324,846	7,699,531
Short term deposits	175,882,408	158,210,283
Cash on hand	87	322
	179,207,341	165,910,136

(i) Reconciliation to cash flow statement

The below figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2017 P	2016 P
Bank balances	3,324,846	7,699,531
Short term deposits	175,882,408	158,210,283
Bank overdrafts (Note 5.5)	(4,651,813)	-
Cash on hand	87	322
	174,555,528	165,910,136

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 15.5 for the Company's other accounting policies on cash and cash equivalents.

(iii) Restricted cash

TThe cash and cash equivalents disclosed above and in the statement of cash flows include P 157,972,735 which are held for the expansion project. Therefore, it's not available for general use by the Company.

Notes to the Financial Statements

for the year ended 31 December 2017

5.4 Trade and other payables

	2017 P	2016 P
Trade accounts payable	**3,412,811**	2,527,773
Accrued interest	**670,004**	674,790
Advance received from customers	**4,156,933**	1,517,495
Other accruals	**11,016,255**	2,807,122
Amounts due to related parties (Note 15)	**14,937,606**	21,552,052
	34,193,609	29,079,232

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

5.5 Borrowings

	Notes	Int. rate	Current P	2017 Non-current P	Total P	Current P	2016 Non-current P	Total P
Bank overdraft		**4,651,813**	**-**	**4,651,813**	-	-	-	358,938
Bond	II	**39,868,874**	**-**	**39,868,874**	**-**	39,490,982	39,490,982	69,114,122
Debt Participation Capital Funding Limited:								
Loan 5	III	**12.00**	**-**	**-**	**-**	87,865	-	87,865
Loan 6	IV	**14.60**	**59,910**	**132,574**	**192,484**	59,910	192,480	252,390
			44,580,597	**132,574**	**44,713,171**	147,775	39,683,462	39,831,237
			147,775	**39,683,462**	**39,831,237**	608,822	69,454,376	70,063,198

(i) The Company has an overdraft facility of P 3 million with Standard Chartered Bank Botswana Limited, which is unsecured and attracts interest at the fixed rate of 5.75% per annum.

(ii) 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 P 3,236,508. The bonds are subsequently measured at amortised cost using effective interest method. The effective interest rate of the bond is 12.05%. During, the year 2016 the Company redeemed nominal value of P 30,000,000. The fair value of bonds as at 31 December 2017 amounted to P 39,868,874.

(iii) Loan IV is repayable in semi-annual instalments of P 47,924 (including interest). The final instalment was paid in 2017. This loan is unsecured and is negotiated at a fixed rate of interest.

(iv) 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 2017 amounted to P 192,484 (2016: 252,390).

5.5 Borrowings (continued)

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 2017.

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:

a) The loan will be settled in accordance with the original contract terms.
b) The Company has the intent and the ability to meet payment obligations as they fall due.
c) 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.

vii) Risk exposures

Details of the Company's exposure to risks arising from current and non-current borrowings are set out in note 9.

5.6 Recognised fair value measurements

(i) Fair value hierarchy

The Company has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements	Notes	Level 1 P	Level 2 P	Level 3 P	Total P
Financial assets as at 31 December 2017					
Financial assets at fair value through profit or loss	5.2	-	**72,515**	**-**	**72,515**
Financial assets as at 31 December 2016					
Financial assets at fair value through profit or loss	5.2	-	70,050	-	70,050
Financial labilities as at 31 December 2017					
Borrowings (excluding bank overdraft)	5.5	**-**	**40,061,358**	**-**	**40,061,358**
Financial labilities as at 31 December 2016					
Borrowings (excluding bank overdraft)	5.5	-	39,831,237	-	39,831,237

Notes to the Financial Statements

for the year ended 31 December 2017

5.5 Borrowings [continued]

There were no transfers between levels during the year.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

6 NON-FINANCIAL ASSETS AND LIABILITIES

6.1 Property, plant and equipment

	Capital Work-In-Progress (Cost) P	Land and buildings (Valuation) P	Residential property (Valuation) P	Plant and machinery (Valuation) P	Motor vehicles (Cost) P	Furniture, fittings and office equipment (Cost) P	Total (Cost / Valuation) P
At 1 January 2016							
Cost or fair value	-	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 2016							
Opening net book amount	-	54,743,921	17,909,591	195,545,019	118,750	834,699	**269,151,980**
Additions	1,200,000	598,097	300,008	2,109,299	268,971	563,942	**5,040,317**
Revaluation surplus	-	6,672,807	4,597,596	61,572,897	-	-	**72,843,300**
Disposals	-	-	(12,668)	-		(5,572)	**(18,240)**
Depreciation	-	(1,987,826)	(782,527)	(12,088,517)	(162,082)	(442,166)	**(15,463,118)**
Closing net book amount	**1,200,000**	**60,026,999**	**22,012,000**	**247,138,698**	**225,639**	**950,903**	**331,554,239**
At 31 December 2016							
Cost or fair value	1,200,000	60,026,999	22,012,000	247,138,698	1,628,095	5,178,135	**337,183,927**
Accumulated depreciation	-	-	-	-	(1,402,456)	(4,227,232)	**(5,629,688)**
Net book amount	**1,200,000**	**60,026,999**	**22,012,000**	**247,138,698**	**225,639**	**950,903**	**331,554,239**
Year ended 31 December 2017							
Opening net book amount	1,200,000	60,026,999	22,012,000	247,138,698	225,639	950,903	**331,554,239**
Additions	6,362,366	19,786	33,402	1,351,868	-	440,314	**8,207,736**
Revaluation surplus	-	-	-	9,503,520	-	-	**9,503,520**
Depreciation	-	(2,148,500)	(881,652)	(10,822,286)	(67,304)	(384,377)	**(14,304,119)**
Closing net book amount	**7,562,366**	**57,898,285**	**21,163,750**	**247,171,800**	**158,335**	**1,006,840**	**334,961,376**
At 31 December 2017							
Cost or fair value	7,562,366	60,046,785	22,045,402	247,171,800	1,628,095	5,466,303	**343,920,751**
Accumulated depreciation	-	(2,148,500)	(881,652)	-	(1,469,760)	(4,459,463)	**(8,959,375)**
Net book amount	**7,562,366**	**57,898,285**	**21,163,750**	**247,171,800**	**158,335**	**1,006,840**	**334,961,376**

Notes to the Financial Statements

for the year ended 31 December 2017

6.1 Property, plant and equipment [continued]

(i) Disclosure of depreciation in the statements of comprehensive income

Depreciation charge for the year has been classified in the statement of comprehensive income as follows:

	2017 P	2016 P
Cost of sales	10,822,286	12,088,517
Administration expenses	3,481,833	3,374,601
	14,304,119	15,463,118

(ii) Revaluation, depreciation methods and useful lives

Land and buildings, plant and machinery and residential property are recognised at fair value based on periodic, but at least triennial valuations, by external independent valuers, less subsequent accumulated depreciation for buildings and plant and machinery. To ensure that management's assumption in this regard remains appropriate, in the year that a detailed valuation is not performed, management performs a "desk top" review to compare year-on-year fair values. A revaluation surplus is credited to other reserves (Note 7.2). All other property, plant and equipment is recognised at historical cost less accumulated depreciation.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term, 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

See note 15.10 for other accounting policies relevant to property, plant and equipment.

(iii) Significant estimates – valuations of land and buildings

Information about the valuation of land and buildings, residential properties and plant and machinery is provided in Note 8.

(iv) Carrying amounts that would have been recognised if land and buildings and plant and machinery that were revalued were stated at cost

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

6.1 Property, plant and equipment [continued]

	Cost P	Accumulated depreciation P	Net book amount P
At 31 December 2015			
Land and buildings	58,919,301	(10,720,714)	48,198,587
Residential property	3,504,581	(2,220,061)	1,284,520
Plant and machinery	207,569,225	(57,329,646)	150,239,579
	269,993,107	(70,270,421)	199,722,686
At 31 December 2016			
Land and buildings	58,939,087	(10,988,732)	**47,950,355**
Residential property	3,537,983	(2,308,863)	**1,229,120**
Plant and machinery	208,918,293	(63,062,611)	**145,855,682**
	271,395,363	(76,360,206)	195,035,157

6.2 Inventories

	2017 P	2016 P
Finished goods (at net realisable value)	**63,287,759**	45,881,402
Raw materials (at cost)	**8,443,191**	11,030,486
	71,730,950	56,911,888

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using standard costing. See note 15.7 for the Company's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2017 amounted to P 24,916,207 (2016: P 47,657,287). These were included in cost of sales.

Notes to the Financial Statements

for the year ended 31 December 2017

6.3 Employee benefit obligations

	Leave pay P	Gratuity and pension P	Total P
Balance at beginning of the year	2,206,865	1,139,714	3,346,579
Provisions for the year	551,820	1,516,397	2,068,217
Payments during the year	(290,855)	(929,062)	(1,219,917)
Balance at end of the year	**2,467,830**	1,727,049	**4,194,879**

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.

Leave pay

This liability includes all of the accrued annual leave. The entire amount of the provision of P 2,467,830 (2016 - P 2,206,865) is presented as current, since the Company does not have an unconditional right to defer settlement of these obligations.

6.4 Recognised fair value measurements

(i) Fair value hierarchy

The Company has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 5.6.

Non-recurring fair value measurements	Notes	Level 1 P	Level 2 P	Level 3 P	Total P
At 31 December 2017					
Land and building	6.1	-	-	**57,898,285**	**57,898,285**
Residential properties	6.1	-	-	**21,163,750**	**21,163,750**
Plant and machinery	6.1	-	-	247,171,800	**247,171,800**
Total non-financial assets		-	-	326,233,835	**326,233,835**
At 31 December 2016					
Land and building	6.1	-	-	60,026,999	60,026,999
Residential properties	6.1	-	-	22,012,000	22,012,000
Plant and machinery	6.1	-	-	247,138,698	247,138,698
Total non-financial assets		-	-	329,177,697	329,177,697

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers for non-recurring fair value measurements during the year.

6.4 Recognised fair value measurements [continued]

(ii) Valuation techniques used to determine level 3 fair values
The Company obtains independent valuations for its land and building, residential properties and plant and machinery at least every three years.

At the end of each reporting period, Management updates their assessment of the fair value of land and building, residential properties and plant and machinery. To ensure that management's assumption in this regard remains appropriate, in the year that a detailed valuation is not performed, Management performs a "desk top" review to compare year-on-year fair values

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; and
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Land and buildings were revalued on 31 December 2016 by RealReach (Pty) Limited `based on the open market value at P 60,026,999 and the residential properties were valued by Kwena Property Services (Pty) Limited based on the open market valued at P 22,012,000.

All resulting fair value estimates for properties are included in level 3. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

Plant and machinery were revalued on 31 December 2017 by desk top review done by RealReach (Pty) Limited 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 the existing plant and machinery, depreciated according to age, obsolescence, use and condition.

(iii) Valuation inputs and relationships to fair value
The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Notes to the Financial Statements

for the year ended 31 December 2017

6.4 Recognised fair value measurements [continued]

Description	Fair value 2017	Fair value 2016	Unobservable inputs*	Range of inputs (probability - weighted average) 2017	2016	Relationship of unobservable inputs to fair value
	P '000	P '000				
Land and building	57,898	60,027	Remaining useful life	**16 Years**	17 Years	The higher the remaining useful life higher the fair value
			Physical deterioration and obsolescence	**8% - 10%**	8% - 10%	The higher the rate of physical deterioration and obsolescence
Residential properties	**21,164**	22,012	Comparable value of a similar land and building	**P 6,221 sq.m**	P 6,470 sq.m	The higher the comparable value, higher the fair value
Plant and machinery	**247,172**	247,139	Remaining useful life	**16 Years**	17 Years	The higher the remaining useful life higher the fair value
			Technical obsolescence, usage and condition	**8% - 10%**	8% - 10%	The higher the adjustment for technical obsolescence, usage and condition lower the fair value.

*There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(iv) Valuation processes

The Company engages external, independent and qualified valuers to determine the fair value of the Company's land and building, residential properties and plant and machinery at least every three years. As at 31 December 2016, the fair values of the land and building and plant and machinery have been determined by RealReach (Pty) Limited. The residential properties valued by Kwena Property Services (Pty) Limited as at 31 December 2016. As at 31 December 2017, Management reviewed their assessment of the fair value of land and building, residential properties and plant and machinery. To ensure that management's assumption in this regard remains appropriate, the Management performed a "desk top" review through RealReach (Pty) Limited, and note the plant and machinery' value has increased by P 9,503,520. Therefore the plant and machinery were revalued and gain of P 9,503,520 was recognised.

7 EQUITY

7.1 Stated capital

	2017 P	2016 P
Ordinary shares issued and fully paid		
At beginning of year	278,347,000	278,347,000

The 275,000,002 (2015: 275,000,002) ordinary shares in issue have no par value.

7.2 Other reserves

	Revaluation reserve P
At 1 January 2016	89,191,910
Revaluation - gross (Note 6.1)	72,843,300
At 31 December 2016	162,035,210
At 1 January 2017	**162,035,210**
Revaluation - gross (Note 6.1)	**9,503,520**
At 31 December 2017	**171,538,730**

The revaluation reserve arises as a result of revaluation of land and building, 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.

Notes to the Financial Statements

for the year ended 31 December 2017

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different to the actual outcomes. Detailed information about each of these estimates and judgements is included in notes 1 to 7 together with information about the basis of calculation for each affected line item in the financial statements

8.1 Significant estimates and judgements

The areas involving significant estimates or judgements are:

8.1.1 Estimation of fair values of land and buildings – Notes 6.1

Land and building, residential properties and plant and machinery are valued at least triennially as the assets do not experience significant and volatile changes in fair value, thus negating the necessity for annual revaluation. It is usually expected in most industries that the value of plant and machinery will fluctuate materially, year-on-year. The assumption that no significant and volatile changes in fair value of the Company's plant and machinery will occur on an annual basis, is therefore a significant management assumption. To ensure that management's assumption in this regard remains appropriate, in the year that a detailed valuation is not performed, management performs a "desk top" review to compare year-on-year fair values. Any change in fair value, which is below P 5Mn is not considered to be a significant change in fair value.

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

(i) Plant and machinery

Plant and machinery were revalued on 31 December 2017 by an independent valuer based on the 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 the existing plant and machinery, depreciated according to age, obsolescence, use and condition.

(ii) Land and buildings and residential properties

Land and buildings and residential properties were revalued on 31 December 2016 by an independent valuer based on the 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 willing seller;
- a reasonable period in which to negotiate the sale taking into account the nature of the property and the state of the market;
- that values will remain static during that period;
- that the property will be freely exposed to the open market; and
- that no account will be taken of any additional bid by a purchaser with special interest.

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS [Continued]

8.1.2 Impairment provision on trade receivables – Note 5.1

The nature of the Company's business is such that its customers mainly consist of state owned and government enterprises. Consequently, these customers are subject to economic and political risk. The assessment of the recoverability of receivables therefore, requires significant judgement by the Company and may have a significant impact on the financial statement.

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 takes into consideration adverse movement in the Sovereign credit ratings, unfavorable changes in fiscal policy, changes to the political environment and historical experience with customers such as the period of time taken to settle in the past and past events that resulted in the amounts due not being collected.

When management prepares estimates of cash flows and the timing thereof for each counter-party, following are the significant assumptions used:

(i) The timing of cash flows will assume to take a similar pattern to the historical cash flow pattern as modified by known changes based on correspondences;

(ii) The credit risk (measured by reference to the sovereign credit ratings), fiscal policy and political environment of each customer will remain unchanged over the forecast period;

(iii) Where relevant, donor financing pledged to customers for specific orders will remain in place over the forecast period;

(iv) Significant movements in foreign exchange rates are not expected to occur over the forecast period in respect of sales transactions denominated in foreign currencies; and

(v) A pre-tax rate interest of LIBOR adjusted for risk for specific countries (ranging from +2 to +5), for foreign debtors and fixed deposit rates for local debtors are used to determine the present value estimated future cash flows.

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.

8.1.3 Residual value and useful lives of property, plant and equipment

The Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. 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.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Notes to the Financial Statements

for the year ended 31 December 2017

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS [Continued]

8.1.4 Transfer of risk and rewards

Due to the dynamic nature of each customer, terms and conditions are individually negotiated to take into account many considerations and unique circumstances.

The dynamics of each contract does not lend itself for automation, requiring significant manual intervention in determining when the risks and rewards are transferred for each transaction to recognise the related revenue in terms International Accounting Standards 18, Revenue ("IAS 18").

Management identifies and assesses if the specific conditions of each sales transactions meets the criteria set by IAS 18 for revenue recognition.

9 FINANCIAL RISK MANAGEMENT

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Botswana Pula	Cash flow forecasting Sensitivity analysis	Assets/liability matching to the extent possible by maintaining appropriate level of relevant foreign currency cash balances taking into consideration foreign currency cash flows from receivables to meet foreign currency obligations.
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Assets/liabilities matched to the extent possible by holding assets earning variable rates of interest
Credit risk	Cash and cash equivalents and trade receivables	Aging analysis	Diversification of bank deposits, credit limits and letters of credit.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities.

The Company's risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Finance Department identifies and evaluates financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, , and investment of excess liquidity.

9.1 MARKET RISK [Continued]

(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.

At 31 December 2017, 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 1,536,487 (2016: P 1,476,285) 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.

At 31 December 2017, 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 1,483,295 (2016: P 1,474,287) higher / lower, mainly as a result of foreign exchange gains / losses on translation of Euro denominated bank balances, trade receivables and trade payable.

Exposure
The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Botswana Pula, was as follows:

	31 December 2017			31 December 2016		
	USD	**Euro**	**ZAR**	**USD**	**Euro**	**ZAR**
Trade and other receivables	**26,789,966**	**17,583,398**	**-**	25,671,679	2,169,047	-
Cash and cash equivalents	**251,493**	**3,524,487**	**1,780**	226,500	7,770,751	5,583
Trade payables	**5,303,152**	**9,997,311**	**608,990**	5,114,696	1,022,526	329,616

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 expose the Company to fair value interest rate risk.

(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.

Notes to the Financial Statements

for the year ended 31 December 2017

9.1 MARKET RISK [Continued]

9.2 Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, and outstanding trade receivables. 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 that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	2017 P	2016 P
Counterparties with external credit rating (Moody's)		
A2	2,376,821	5,995,868
Aa2	1,888,792	-
Baa3	-	9,180,000
Counterparties with external credit rating (Fitch Ratings)		
Fitch B	12,447,856	13,361,202
Fitch B+	-	-
Fitch B-	422,378	634,340
	1,090,213	
*Counterparties without external credit rating**		
Group 1	-	-
Group 2	16,252,038	8,598,635
Group 3	-	-
Total trade receivables	33,387,885	38,860,258
Other receivables**	171,012	195,701

***Group 2 – existing customers (more than 6 months) with no defaults in the past**

****The Company has procedures in place to assess whether to enter into transactions with third parties, including mandatory credit checks.**

9.1 MARKET RISK [Continued]

The credit ratings have been assessed by Moody's and Fitch Ratings Inc. are independent credit rating organisations. The definitions of the ratings are given below:

Moody's
- An Aa2 rating relates to a "High quality" credit standing, subject to "very 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.

Fitch Ratings
- B rating related to a "Highly Speculative" standing. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment. The modifiers "+" of "-" appended to rating to denote relative status with major rating categories.

Other financial assets at fair value through profit or loss

		2017 P	2016 P
Stanbic Money Market Fund	- not rated	**53,067**	66,679
Stanbic Management Prudential Fund	- not rated	**19,448**	3,371
		72,515	70,050

	2017 P	2016 P
Cash at bank		
Barclays Bank of Botswana Limited	**45,201**	556,649
Standard Chartered Bank Botswana Limited	**1,988,403**	402,023
BancABC Limited	**3,520,170**	7,765,525
First National Bank of Botswana Limited	**-**	15,680
Botswana Insurance Fund Management Unit Trust	**173,653,480**	157,169,937
	179,207,254	165,909,814

The Company only deposits cash with major banks and unit trusts with high quality credit standing and limits exposure to any one counter-party. The Company has deposits with Barclays Bank of Botswana Limited, Standard Chartered Bank Botswana Limited, BancABC Limited and BIFM Unit Trust. There are no credit ratings available in Botswana. The 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.

Notes to the Financial Statements

for the year ended 31 December 2017

9.1 MARKET RISK [Continued]

Barclays Bank of Botswana Limited is listed on the Botswana Stock Exchange. Barclays Bank of Botswana is a subsidiary of Barclays Africa Group Limited which is listed on Johannesburg Stock Exchange. The bank's ultimate holding Company is Barclays Bank PLC - UK, which is listed on the London Stock Exchange and has a credit rating of A-2 for short-term and A – (Negative) for long-term (Standard & Poor's) in the UK.

Standard Chartered Bank Botswana Limited is listed on the Botswana Stock Exchange and is a subsidiary of Standard Chartered PLC. Standard Chartered Bank is rated by Fitch, Moody's, Standard & Poor's. Long-term credit rating assigned to the bank by Fitch is A+ (high credit quality). Long-term credit rating assigned to the bank by Moody's is Aa3 (high grade). Long-term credit rating assigned to the bank by Standard & Poor's is A (strong capacity to meet its financial commitments).

African Banking Corporation Botswana Limited is a subsidiary of ABC Holdings Limited. ABC Holdings Limited is a subsidiary of Atlas Mara Limited. Atlas Mara Limited was listed on London Stock Exchange in 2013.

Impaired trade receivables

Individual receivables which are known to be uncollectible are written-off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Company considers that there is evidence of impairment if any of the following indicators are present:

- An adverse movement in the Sovereign credit ratings, unfavourable change in fiscal policy and prolonged period for settlement of dues;
- Historical loss data and qualitative factors on the individual receivables; and
- Changes to the political environment.

Receivables for which an impairment provision was recognised are written-off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within administration expenses. Subsequent recoveries of amounts previously written-off are credited against administration expenses.

9.1 MARKET RISK [Continued]

The ageing of these impaired trade receivables is as follows:

	Carrying amounts	
	2017	**2016**
	P	**P**
Over 4 months	741,510	800,673

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2017	**2016**
	P	**P**
At 1 January	889,052	255,018
Reversal / (charge) during the year	(88,379)	883,124
Written-off during the year	-	(249,090)
At 31 December	800,673	889,052

Past due but not impaired

As at 31 December 2016, trade receivables of P 27,560,910 (2015: P 32,309,815) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017	**2016**
	P	**P**
Between 31 to 60 days	-	-
Between 61 and 120 days	-	-
Over 120 days	26,845,900	27,560,910
	26,845,900	27,560,910

The other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

Notes to the Financial Statements

for the year ended 31 December 2017

9.3 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 72,515 (2016: P 70,050) and other liquid assets of P 179,207,254 (2016: P 165,909,814) 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 2017	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Liabilities	P	P	P	P	P
Borrowings	44,580,597	85,251	47,323	44,713,171	46,482,081
Trade and other payables	34,193,609	-	-	-	34,193,609
Financial guarantee	2,500,000	-	-	2,500,000	2,500,000
Total	81,274,206	85,251	47,323	81,406,780	78,061,313

As at 31 December 2016	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Liabilities	P	P	P	P	P
Borrowings	2,341,248	2,341,248	41,752,262	47,323	46,482,081
Trade and other payables	29,079,232	-	-	-	29,079,232
Financial guarantee	2,500,000	-	-	-	2,500,000
Total	33,920,480	2,341,248	41,752,262	47,323	78,061,313

Notes to the Financial Statements

for the year ended 31 December 2017

10 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 to the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The company monitors capital on the basis of the following gearing ratio: Net debt as per note 5.5, divided by Total 'equity' (as shown in the statement of financial position).

During 2017, the Company's strategy, which was unchanged from 2016, was to maintain a 0% to 10% gearing ratio. The gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

	2017 P	2016 P
Total borrowings	**44,713,171**	39,831,237
Less – Cash and cash equivalents	**(179,207,341)**	(165,910,136)
Net borrowings	**(134,494,170)**	(126,078,899)
Total equity	**559,653,730**	550,918,176
Total capital	**425,159,560**	424,839,277
Gearing ratio	Nil	Nil

11 NET DEBT RECONCILIATION

	2017 P	2016 P
Cash and cash equivalent	**179,207,341**	165,910,136
Borrowings - repayable with in one year (including bank overdraft)	**(44,580,597)**	(147,775)
Borrowings - replayable after one year	**(132,574)**	(39,683,462)
Net debt	**134,494,170**	126,078,899
Cash and cash equivalent	**179,207,341**	165,910,136
Gross debt - fixed interest rate	**134,494,170**	126,078,899

Notes to the Financial Statements

for the year ended 31 December 2017

	Cash / bank overdraft P	Borrow. due with in 1 year P	Borrow. due after 1 year P	Total P
Net debt as at 1 January 2017	218,885,004	(249,612)	(69,454,376)	**149,181,016**
Cash flows	(52,974,868)	249,612	30,000,000	**(22,725,256)**
Other non-cash movement	-	(147,775)	(229,086)	**(376,861)**
Net debt as at 31 December 2016	165,910,136	(147,775)	(39,683,462)	**126,078,899**
Cash flows	8,645,392	150,484	-	**8,795,876**
Other non-cash movement	-	(39,931,493)	39,550,888	**(380,605)**
Net debt as at 31 December 2017	174,555,528	(39,928,784)	(132,574)	**134,494,170**

12 CONTINGENT LIABILITIES

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 2,500,000 to operate the above scheme. The total advances due by eligible employees to the scheme as at 31 December 2017 amounted to P 2,427,819 (2016: P 2,921,277).

13 COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2017 P	2016 P
Building	**2,329,830**	5,552,809

The above commitments include design and build electrical works on the Company building .

There were no other commitments at the end of the year that require disclosure in the financial statements.

14 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.

15 RELATED PARTY TRANSACTIONS AND BALANCE

(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 :

	2017 P	2016 P
Purchase of goods	4,805,992	9,026,366
Technical fees charged	6,102,217	6,016,023
Export commission charged	3,063,833	18,971,619
Royalties charged	2,362,860	7,022,128
Other expenses	22,749	14,265

Balance reecivable / payable to Merial at year-end is as follows.

	2017 P	2016 P
Other receivables	1,888,792	-

Other receivable arise from sale of vaccines to Merial in the normal course of business. The balance is unsecured, is receivable based on negotiated credit terms and bear no interest.

Export commission payable	6,020,224	13,027,404
Royalty payable	3,180,895	2,294,739
Trade payable	5,736,487	6,229,909
	14,937,606	21,552,052

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 export commission

(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) Export 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 1 January 2015.

Notes to the Financial Statements

for the year ended 31 December 2017

15 RELATED PARTY TRANSACTIONS AND BALANCE [Continued]

(ii) Following are the transactions with the key management personnel:

	2017 P	2016 P
Salaries paid		
Salaries and other allowance paid	2,715,167	1,625,741
Gratuity	147,208	129,900
	2,862,375	1,755,641
Salary advances		
Salary advances outstanding at the year end	-	4,735

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

(iii) Following are the transactions with Directors :

	2017 P	2016 P
Directors' fees paid	4,805,992	9,026,366
Mrs. P. Makepe	12,600	16,800
Dr. A. Blackbeard	21,000	23,118
Government of Botswana	11,760	10,920
Mr. L. Monare	32,697	20,338
Mr. E. Kemsley	12,600	16,800
	90,657	87,976
Board members expenses	140,258	384,232

(iv) Following transactions with Ministry of Agriculture

	2017 P	2016 P
Sale of vaccines	17,087,479	17,510,267
Receivable from Ministry of Agriculture	8,071,750	10,799,776

16 BANKING FACILITIES

The company has the following facilities from Standard Chartered Bank:

Bank overdraft	BwP	3,000,000
Bond and Guarantees	USD	200,000

Detailed Income Statement

for the year ended 31 December 2017

	2017 P	2016 P
Revenue		
Domestic	**16,470,615**	16,509,079
Export	**64,263,434**	145,823,100
Agency	**1,055,009**	2,863,350
	81,789,058	165,195,529
Freight	**1,217,037**	5,371,087
	83,006,095	170,566,616
Cost of sales	**(53,965,225)**	(77,056,509)
Gross profit	**29,040,870**	93,510,107
Other income	**1,057,433**	1,038,371
Other (losses) / income	**(1,280,592)**	(4,692,792)
Distribution costs		
Advertising and travel	**(146,554)**	(249,222)
Custom freight and insurance	**(1,151,455)**	(4,265,835)
Export commission	**(3,063,833)**	(18,971,619)
	(4,361,842)	(23,486,676)
Administrative expenses	**(18,284,103)**	(18,774,040)
Operating profit	**6,171,766**	47,594,970

“This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 3 to 7”.

aftovaxpur BVI
AT 1 SAT 2 SAT 3
PPR-VAC
BVI
Bottle of 100 ml
FOR VETERINARY USE ONLY
A USAGE VETERINAIRE
OTSWANA VACCINE INSTITUTE

BOTSWANA VACCINE INSTITUTE