BOTSWANA VACCINE INSTITUTE

annual report

Providing
SUSTAINABLE
Animal Health Solutions

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.

Values

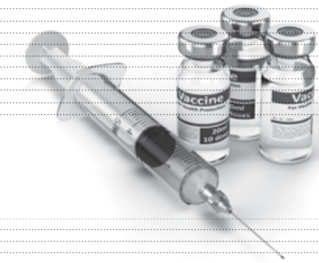
- Teamwork
- Total Customer Satisfaction
- Employee First
- Uphold HSE Standards
- Performance Focus
- Botho [respect/courtesy/humility]

Leadership Principles

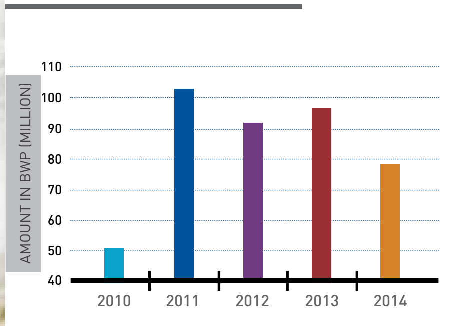
- Communicate effectively
- Set direction and align teams
- Foster an environment of empowerment and excellence
- Make decisions and enable others to make decisions

FIVE YEAR ANNUAL REVIEW

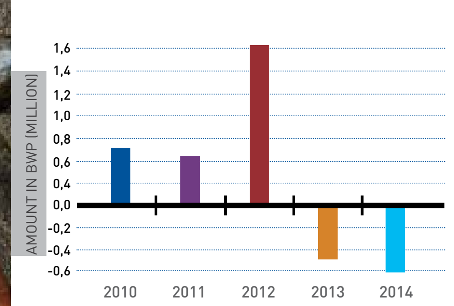
AS AT 31 DECEMBER 2014



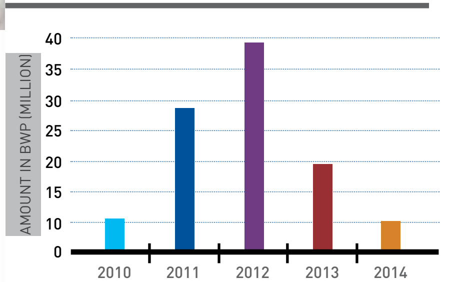
Sale of Goods & Services



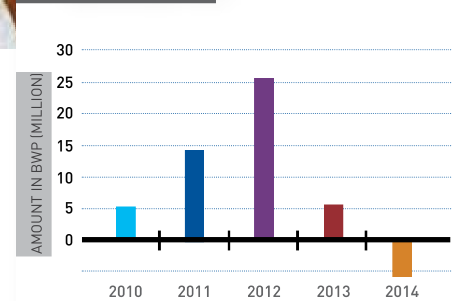
Other Operating Income



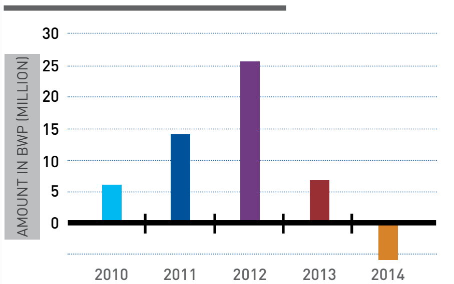
Earnings before Interest, Taxation, Depreciation & Amortisation (Ebitda)



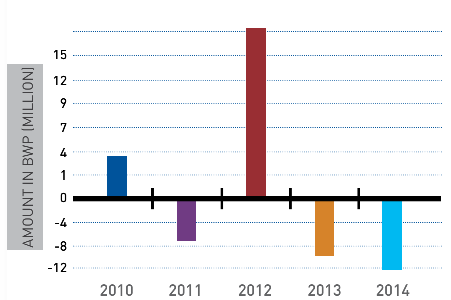
Operating Profit



Earnings before Interest, Taxation, & Amortisation (Ebitda)



Net Profit/[Loss]



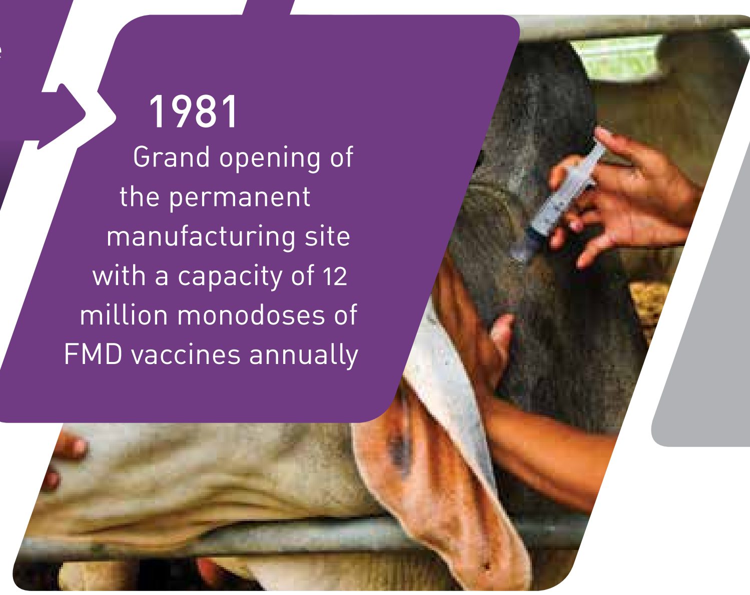
BVI Milestones

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

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

1980
7 million monovalent doses of 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



1985
Rinderpest Vaccine

1992
Anthrax Vaccine and Black Vaccine

1993
CBPP (Contagious Bovine Pleuro Pneumonia) Vaccine

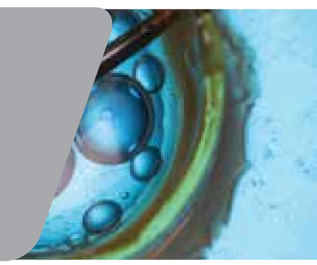
1994
Rinderpest Vaccine (thermostable) discontinued in 2005 due to GREP recommendation

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

1998
Pest des Petits Ruminants Vaccine

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

Board of Directors

Dr P. Dubourget | MEMBER

- Member since 28th October 2004

Mr E. J. Kemsley | BOARD CHAIRMAN

- Appointed on 1st July 2009
- Re-appointed on 1st July 2012 for a further three years expiring on 30th June 2015

Dr M. Letshwenyo | MEMBER

- First appointed on 15th September 2008
- Re-appointed on 1st of April 2012 for a further three years expiring on 31st March 2015

Mr P. Martin-Jarrand | MEMBER

- Member since 9th November 2000

Dr A. Blackbeard | MEMBER

- First appointed on 1st April 2006
- Re-appointed on 1st April 2009 for a further three years
- Re-appointed on 1st April 2012 for a further three years expiring 31st March 2015

Mrs P. Makepe | MEMBER

- First appointed in 2002
- Re-appointed on 1st July 2011 for a further three years

Mr L. Monare | MEMBER

- First appointed on 1st July 2005
- Re-appointed on 1st July 2011 for a further three years

Edward. J. Kemsley

Chairman's Statement

Successful renewal of the Technical Cooperation Agreement with MERIAL for further ten (10) years.

Honourable Patrick Pule Ralotsia
Minister of Agriculture

Honourable Minister,

It is my honour and privilege to submit, on behalf of the Board of Directors, the annual report and audited financial statements for Botswana Vaccine Institute Ltd (BVI) for the financial year ended 31st December 2014.

This year, we operated in a very challenging environment that was characterized by low uptake of vaccines and delayed payments from our traditional customers and this forced us to rely heavily on the use of overdraft facilities. There has never been a more challenging time for the manufacturing industry, relying heavily on the export market. Nevertheless, we continued to deliver against our mandate. During the period we concluded the negotiations with MERIAL for the renewal of the Technical Cooperation for a further ten years. The Agreement was signed in December 2014.

OPERATIONAL PERFORMANCE

2014 was the worst year for BVI's financial performance. Total revenue was P78.28 million compared to P95.15 million reported for the 2013 financial year, a 17.73 % year-on-year decrease. The poor performance is largely attributable to lower sales that were achieved with the same cost structure because most of the costs are fixed and therefore do not vary in line with the level of activity. Finance costs continued to be a challenge although we reported a decrease from P16.20 million in 2013 to P14.05 million as we continue to explore ways of improving our bottom line.

CHALLENGES

Like other manufacturing companies, BVI operates in an environment that is very unpredictable. While our business model is still relevant, we will take the necessary steps to prepare the Company for any possible operational challenges by continuously improving our operational performance and implementing the latest standards. The uncertainties resulting from the cyclical nature of FMD (which contributes more than 80% of the total revenues), also creates a challenge to BVI. This makes it very difficult for the Company to forecast the demand for the vaccines.

CORPORATE SOCIAL RESPONSIBILITY

Although the current cash flow challenges have negatively affected the Company's ability to give back to the community in which it operates, BVI contributed prize money for a school essay competition that was held during the World Rabies day commemorations held in Maun.

STRATEGY AND BOARD FOCUS

A key area of focus for the Board in 2014 has been an in-depth review of the Technical Agreement of Cooperation with MERIAL. We believe that the renewal of this Agreement for a further ten years was a clear demonstration of the commitment of both Parties to move the Company forward.

The Company's good quality products, product technology, first class manufacturing operations and marketing skills ensure that it is well placed to achieve its strategy of providing sustainable animal health solutions. With the signing of the Agreement in 2014, the Board will now focus on turning around the Company's financial performance.

The Company is now focused on its core FMD and PPR markets and is well positioned to benefit from any changes that could lead to an increased demand for these products. Implementation of stringent cost control measures still remains a priority for BVI.

ACKNOWLEDGMENTS

After a challenging year, I would like to take this opportunity, on behalf of the Board, to express our sincere gratitude to our parent Ministry of Agriculture and our Technical Partners MERIAL, for the support we have received during this difficult time. We have nurtured enriched relationships which are demonstrated by the stability of our operating environment. I would like to extend my appreciation to the Management Team who worked with so much dedication and a professional attitude during a year full of challenges. I would also like to pay tribute to the dedication of the Staff who persevered during this difficult year. To our Customers, it is my submission that you have shown commendable loyalty to our products and services.

Thank you!

Chairman

Corporate Governance

STATEMENT OF COMPLIANCE

Corporate governance defines the decision systems by which the owners directly or indirectly manage the Company. The Board constitutes the highest decision making body in the Company. The Board is committed to the highest standards of business integrity, ethical values, transparency and accountability in all activities.

The Board of Directors recognize that their role in reviewing strategy, monitoring performance, understanding risk and reviewing controls is of paramount importance for the success and long term sustainability of the Company. Corporate Governance is core to ensuring the creation, protection and enhancement of Shareholder value. The Board understands that adhering to good corporate governance is critical for maintaining trust of key stakeholders and is accountable to the Shareholder. This also allows them to ultimately achieve the Company's goals. The Directors are satisfied that the Company has adopted the best corporate governance practices in the conduct of business.

MEMBERSHIP OF THE BOARD

As at the 31st December 2014, the Board comprised seven independent Directors who have an appropriate balance of skills, experience and expertise. BVI was established as a company limited by shares and the objectives, mandate and the power of the Board of Directors as well as the relationship with the Shareholder are set out in the Memorandum and Articles of Association. The role of the Chairperson (as fulfilled by E. J. Kemsley) and General Manager are separated and clearly defined.

The Chairman's main responsibility is to lead and manage the Board, encourage critical discussions, facilitate timely decision making, challenge mindsets and additionally promote effective communication within the Board. In addition the Chair is responsible for promoting best practice corporate governance and effective communication with the Shareholder.

The Board has delegated the day to day responsibility for the Company's operations, compliance and performance to the General Manager to ensure that the strategic direction agreed by the Board is followed. The General Manager is responsible for keeping the Board informed of the performance of the operations, and for ensuring that they are being conducted in accordance with laid down policies and procedures.

MEMBER	POSITION	DATE AND PERIOD OF APPOINTMENT
Mr. Edward J. Kemsley	Chairman	Appointed on 1st July 2009, reappointed on 1st July 2012 for a further three years expiring on the 30th June 2015.
Dr. Moetapele Letshwenyo	Member	Appointed on 15th September 2008, reappointed on 1st April 2009 and reappointed on 1st April 2012 for a term expiring on the 31st March 2015.
Dr. Anne Blackbeard	Member	Appointed on 1st April 2006, reappointed on 1st April 2009 and reappointed on 1st April 2012 for a further three years expiring on the 31st March 2015.
Dr. Philippe Dubourget	Member	Member since 28th October 2004
Mr. Philippe Martin - Jarrand	Member	Member since 9th November 2000 and retired at the end of 2014.
Ms. Pinkie Makepe	Member	Appointed on 1st April 2005, reappointed on 1st April 2011 for three years, reappointed on the 1st April 2014 for a further three years expiring on the 31st March 2017.
Mr. Lentswe Monare	Member	Appointed on 1st June 2005, reappointed on 1st June 2011 for three years, reappointed on 1st June 2014 for a further three years expiring on the 31st May 2017.

RESPONSIBILITIES OF THE BOARD

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

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

CONFLICTS OF INTEREST

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

BOARD MEETINGS

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

BOARD COMMITTEES

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

Finance and Audit Committee

Comprises of three Non-Executive Directors, all of whom are independent. As at 31st December 2014, the Audit Committee members were Ms. Pinkie Makepe (Committee Chairperson), Dr. Anne Blackbeard and Dr. Moetapele Letshwenyo. The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information in advance of publication, reviewing on a continued basis the systems of internal controls regarding finance and accounting that Management and the Board have established and reviewing in general the auditing, accounting and financial reporting processes. The ultimate responsibility for reviewing and approving the annual accounts remains with the Board.

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

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

The Committee executed their responsibility in accordance with these terms of reference.

Human Resources Committee

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

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

The Committee carried out their responsibilities in line with the agreed terms of reference.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Within the remit of the Finance and Audit Committee, the financial statements for the year ended 31st December 2014 were reviewed by the Committee, and recommendations were made to the Board concerning their approval and content. Based on the recommendations of the Committee, the accounts were approved by the Board and accordingly signed on behalf of the Company by the Board Chairman and the Finance and Audit Committee Chairperson.

GOING CONCERN

In determining the basis of preparation of the financial statements, the Directors have considered the Company's business activities, together with the factors likely to affect its future development, performance and position. This includes an overview of the Company's financial position, cash flows, liquidity position and borrowing facilities.

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

CHANGES TO THE BOARD

There was no change in the composition of the Board during the 2014 financial year.

Management

A. DR O. G. MATLHO
GENERAL MANAGER

B. MR J. PEREZ
PRODUCTION MANAGER [OTHER VACCINES]

C. MS S. BELFIORE
TECHINICAL SUPPORT MANAGER

D. MR D. DUMEDISANG
HUMAN RESOURCES MANAGER

E. MS L. MOZOLA
QUALITY CONTROL MANAGER

F. MS K. M. TIBE
FINANCE MANAGER

G. MR M. GAONAKGANG
PROCUREMENT & SUPPLIES MANAGER

H. MS B. SALANI
PRODUCTION MANAGER [FMD]

I. MR RAMOGOMA KAISARA
ENGINEERING MANAGER

J. MR B. OBUSITSE
QUALITY ASSURANCE MANAGER

K. DR J. HYERA
OIE LABORATORY MANAGER

L. MR D. GERVAIS
TECHNICAL MANAGER

M. DR M. MAZWIDUMA
SALES & MARKETING MANAGER

N. DR MOKGANEDI MOKOPASETSO
CHIEF VETERINARY OFFICER


C
D
E
I
J
K
L
M
N

Dr O. G. Matlho

General Manager's Report

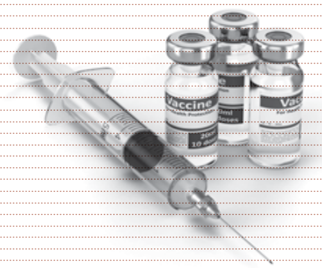
27%
decrease
in total sales revenue

PERFORMANCE OVERVIEW

The Institute posted the worst results during the year under review, was not able to attain the annual targets and attained a loss for the year. Total sales revenue was 27% below the target and 18 % below sales for the previous year.

The subdued performance was mainly attributed to the stabilization of foot and mouth disease (FMD) in Botswana and the SADC region which constitutes the primary market for FMD vaccines resulting in underutilisation of the production capacity (←60%) of FMD laboratory. Botswana reduced sales by more than 30%. The slow global economic recovery during 2014 was also not sufficient to allow mature markets which were in great need of vaccines to increase procurement of the required quantities of vaccines but instead continued to defer orders to the following year due to budgetary constraints.

(A Graph/Chart for comparison 2013 & 2014 sales is on page 16)



BUSINESS DEVELOPMENT

The implementation of the approved marketing strategy (2013-15) continued during the year with the aim of developing the customer offering through expansion of both the market and product range. While retaining the mature markets, we enhanced our footprints in the continent by registration of PPR vaccines sales in Togo, Ghana and Burkina Faso and enhanced FMD vaccine sales in Cameroon. However the development of new markets require a significant amount of resources, with an average cycle of three years to register sales. The continued strengthening of our collaborations with our technical partners is also fundamental to exploration and penetration of the new markets. The collaboration on customer focus assisted us to penetrate the new PPR vaccines markets through awarding the OIE tender for development of vaccine banks for Africa and will result in the growth of our market share of sales in the future.

Despite the slow speed of taking the purified FMD to market due to economic downturn, the building of the new FMD laboratory which was completed in 2010, is a fundamental investment in our future and the national livestock industry. It supports our leadership position against the potential threats by our competitors and resonates well with our vision statement of "being a leader in the production of quality vaccine" to support sustainable animal health for the country. The downstream manufacturing processes for FMD laboratory are now efficient and fully compliant with Good Manufacturing Practices as a key requirement for the fulfilment of international tenders while allowing future investments in the upstream process (blending and filling) during the coming years.

One of our main objectives for 2015 is to get some of the tests within the OIE Laboratory accredited under 17025 before the end of 2015. This will be a major breakthrough for the Laboratory.

OUTLOOK FOR 2015

In general terms our business is highly unpredictable and cyclical by nature. One key element which is certain about our business is that there will always be FMD in the future resulting in demands for vaccines. It is anticipated that there will be a resurgence of FMD outbreaks in the region during 2015 following the significant reductions in vaccinations by traditional customers during the previous year, resulting in the increased demands for vaccines going forward. We therefore expect to achieve optimal utilization of the production capacity which will result in sustainable management of production costs. The sales of PPR vaccines are also expected to significantly increase in future on the basis of the anticipated commencement of the global control and eradication programmes facilitated by OIE and FAO. We are also optimistic about 2015 on the basis of the anticipated improvement of the global economic following the reduction of oil prices from end of 2014. We endeavour to continue the development of customer portfolios through supply agreements in the future for the proper production, planning and supply of vaccines.

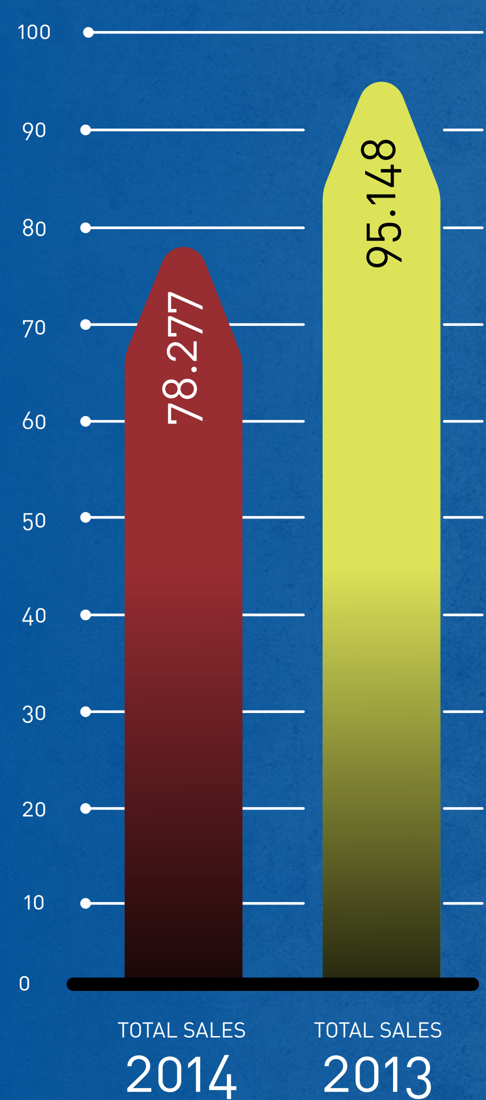
ACKNOWLEDGEMENT

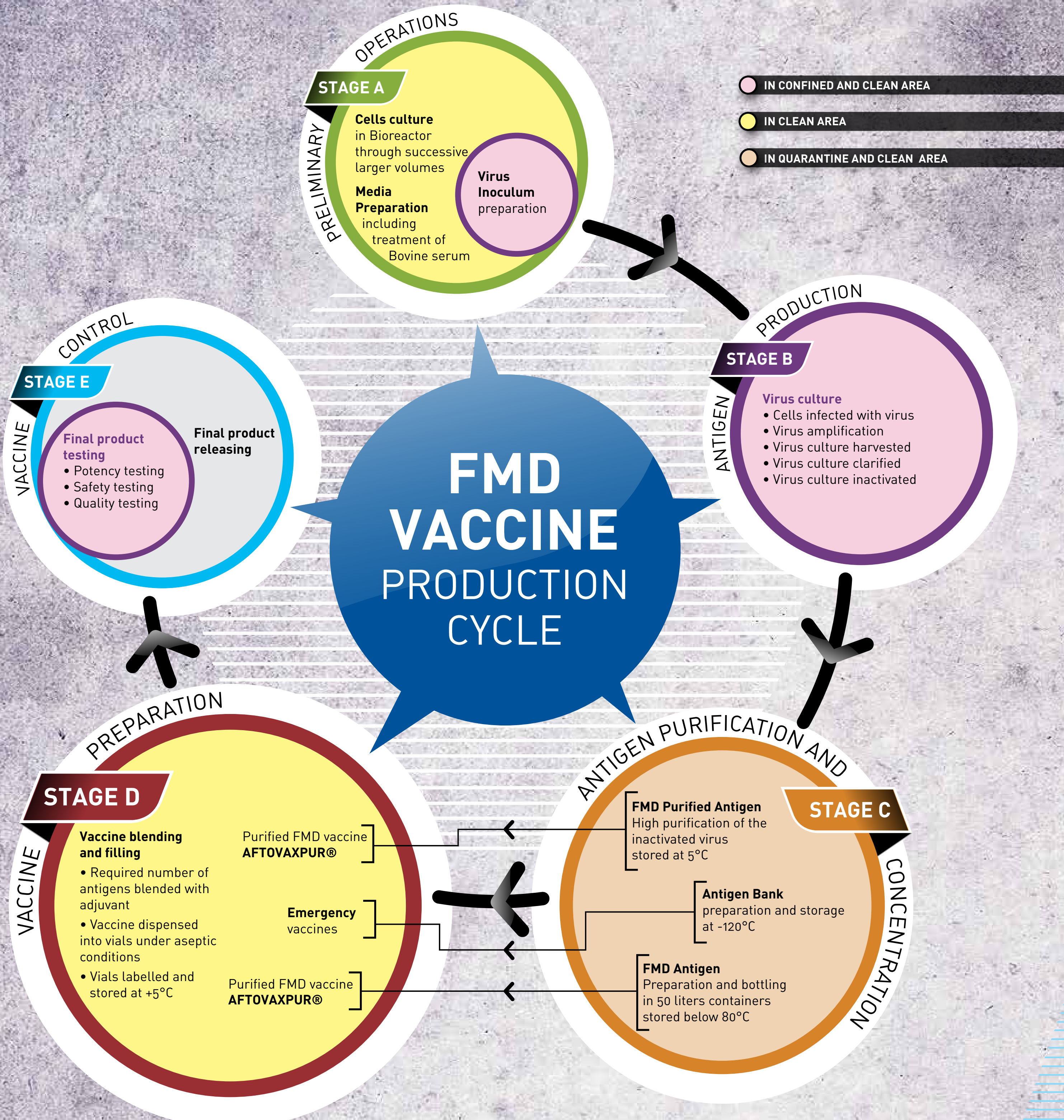
As a vaccine manufacturer and service provider we regard our employees as the most important assets of the organisation. On behalf of the Management and the Board, I would like to sincerely thank the BVI employees for their dedication to and hard work for the company during the past year. Their dedication has established a strong foundation for the organisations during the coming years. I would like to specially thank the Shareholder for the trust and support. I also most sincerely thank our customers around the world for their confidence in the company and contributions to the sales and the valuable feedback for ensuring continual improvements of our processes. I look forward to our continued cooperation in 2015 and am confident that we will continue to deliver top quality products to our customers in the coming years. Lastly I wish to thank the Board of Director and the technical Partner MERIAL for their strategic directions during the year.

Thank you

Dr O. G. Matlho
General Manager

TOTAL VACCINE SALES
IN BWP MILLION 2013 vs 2014





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

Mr D. Gervais

Technical Manager's Report

In line with the BVI vision, the mission of the Technical Department is to supply products of good quality, and "on time in full" to our customers, while controlling production costs within acceptable levels that do not compromise quality. We cannot underestimate the importance of carrying out the production activities in a secure environment as well as within the Quality Assurance procedures and the techniques or standard operating instructions in force.

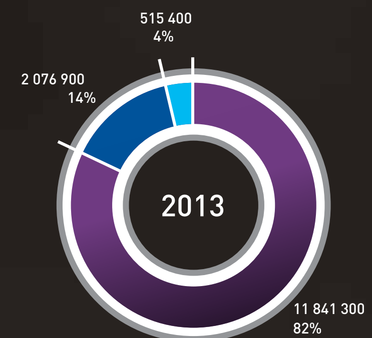
Our main goals are:

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

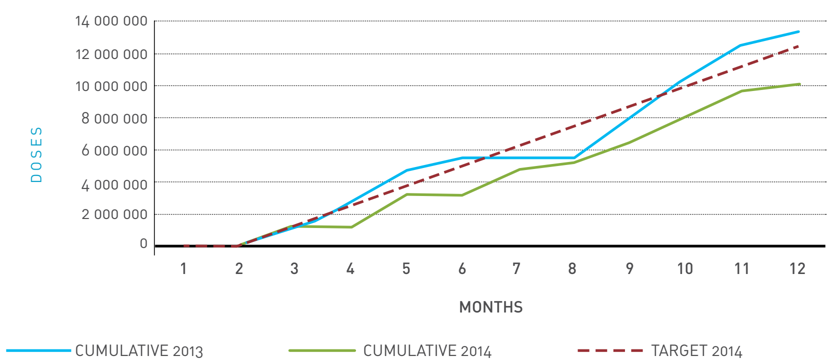
The Foot and Mouth Disease vaccine process chart is provided on page 17.

The Foot and Mouth Disease (FMD) Vaccine is the main product of the Institute both in terms of quantities produced a year and also contribution to total turnover.

In 2014, BVI produced 10,54 million mono doses of FMD antigens. During the year, BVI formulated and released 3,86 million doses of FMD vaccine (corresponding to 9,29 million mono doses), and thus responding "on time in full" to the different orders received in 2014. The volumes produced in 2014 were lower than those achieved in 2013 (a 21% decrease on a year to year basis)



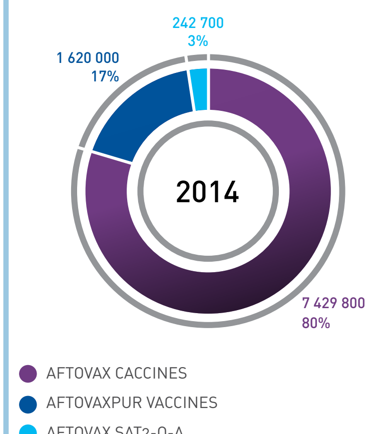
GRAPH 1: FMD ANTIGEN PRODUCTION IN MONODOSES



Graph n°1: Comparison of the cumulative FMD AI production in 2013 and 2014 (expressed in monodoses)

The ratio of the different kinds of FMD vaccines is 80% for Aftovax and 17 % for Aftovaxpur vaccines containing SAT1, SAT2 and SAT3 strains. The SAT2-O-A vaccine, produced for West Africa, represented 3 %.

This ratio is comparable with those recorded in 2013.



Graph n°3: Aftovax and Aftovaxpur product mix ratio in 2013 and 2014 (quantities expressed in monodoses)

Technical Manager's Report [continued]

Other products:

Globally, the demand for the other products was 30% lower than for 2013, resulting in a decrease of orders. The main product was still PPR (7 million doses in 2013) which represents more than 50% of the other products total doses.

Products	ASYMPTOL(1)	CARBOVAX(2)	PERIBOV(3)	PPR(4)
2013	1 435 000D	3 588 700D	2 003 500D	7 007 800D
2014	1 048 100D	1 147 002D	2 000 000D	4 607 900D

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

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

(3) Freeze-dried vaccine against Contagious Bovine Pleuropneumonia (CBPP)

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

Industrial Performance:

The destruction rate of products for technical reasons was 7.1% in 2014 which is a non-performance when compared to the results obtained during the last 4 years.

Main projects:

In 2014, in an effort to adapt the Technical Department Organization to the evolution of the BVI's environment, the Two Production Streams were reorganized to manage the reduction of the number of MERIAL expatriates from 3 to 2 persons. Thus, two localized Managers were nominated and trained with the support of the Continuous Improvement Manager and the Technical Manager.

The QC reorganization in two streams was completed at the end of the year.

Other actions were put in place with the aim to improve the quality of our operations and our work environment: 96% of deviations identified during the GMP audit in 2012 were completed as at the end of 2014 (deviations that needed investments are excluded from this measurement). The major action taken was a study on the Cold Chain Management during the vaccines shipment; the result of this study was the validation of a new set of box and coolant which are compliant to the Quality requirements regarding their ability to guarantee the cold chain during the shipment of the products for a maximum period of 10 days.

Thermostable PPR vaccine: Studies were undertaken at BVI to assess the possibility of having a thermo-stable PPR vaccine without any modification of the freeze-dryer cycle. The first results obtained are encouraging, and additional tests will be conducted in 2015 to validate the technical options assessed.

CONCLUSION

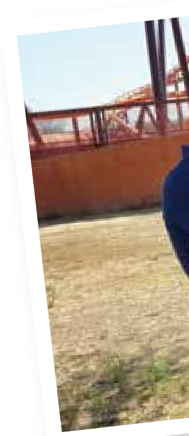
In 2014, BVI managed to answer "on time and in full" to our customers' orders. The high level of destruction due to technical reasons revealed weaknesses related to our technical operations, skills level and the absence of preventive maintenance plan within BVI.

OUTLOOK

In 2015, the Technical Department will focus more on the sustainability and reliability of operations and equipment through the implementation of preventive maintenance plans in all the production laboratories and major equipment monitored by the Maintenance Department. A specific training program titled "Mastery of the Sterility" will be introduced to BVI's Staff to improve both working culture and skills.

Thank you

Mr D. Gervais
Technical Manager



Staff Wellness

Market Review

The objective of the Marketing Team for 2014 was a consolidation of the 2013 emphasis, geared towards product and market diversification with the aim of increasing sales revenue. Both product and market diversification are time - consuming exercises whose benefits are usually realized more in the medium than short term. As the majority of BVI customers are Governments who run national disease preventative programs, the time to gain a new customer is normally longer than with a private customer.

In 2014, despite the fact that the sales revenues were lower, extensive marketing efforts allowed BVI vaccines to reach new markets. Compared to 2012 (14 countries) and 2013 (14 countries), in 2014 BVI vaccines were sold in 19 countries across Africa and the Middle East. Significant new entrants included Cameroon for FMD and Togo for PPR. Successful penetration of our products into these markets were in line with the strategic marketing objectives of market expansion into West Africa away from the traditional SADC market and the expansion is geared on BVI's two main selling products of FMD and PPR. The expansion of the customer base and nurturing of new markets is expected to yield positive results and contribute to significantly higher sales volumes in 2015.

Product diversification work has begun with evaluation of a business case for new products initially targeting the local market. This will see BVI partnering with reputable international manufacturers and introducing ready-made finished products on an agency basis. Regulatory approval process is underway with local authorities for the targeted new products and we expect that by 2015 two new products will have been introduced to the local market. This achievement will be another strategic objective of the BVI marketing strategy of reducing reliance on FMD vaccines, putting the Company on a better footing for the future.

Whilst BVI is putting emphasis on product and market diversification we remain resilient on ensuring that our existing core customers continue to get an undivided customer - centric experience from us through increased aftersales support and provision of requirements on time and in full. We are mindful that customer retention, loyalty and service are the foundations that will ensure our long-term sustainability.

BVI Product Market Distribution

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

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

NORTH AFRICA
- EGYPT
- LIBYA
- MOROCCO

CENTRAL AFRICA
- CHAD
- DRC
- CAR

MIDDLE EAST
- ISRAEL
- UNITED ARAB EMIRATES

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

Ms K. M. Tibe

Finance Manager's Report

P16.87 million

decrease in total revenue from P95.19 million in 2013 to P78.28 in 2014

2014 – A year characterized by a number of challenges and uncertainties!

In 2014, we delivered results that were not impressive; actual results were not in line with our targets. This poor performance is largely attributable to the cyclical nature of the diseases for which we provide vaccines.

What continues to give us comfort is the fact 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 protection against possible viral infection.

FINANCIAL OVERVIEW

The results for 2014 were negatively affected by the challenging economic environment that we operate in and the uncertainties of customer demands. Although stringent credit control policy coupled with continuous follow-up of debtors yielded positive results as evidenced by a reduction in trade debtor balances from P 18.1 million as at the end of 2013 to P10.3 million in 2014, this did not significantly improve 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.

REVIEW OF THE STATEMENT OF COMPREHENSIVE INCOME

Total revenues generated

- Total revenue decreased by P16.87 million (17.7%) to P78.28 million (2013: P95.19 million). 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

- As a result of the difficult trading environment, BVI was not able to reduce its costs to align them with the low level of activity. This is due to 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 gross margins decreasing from 30.9% in 2013 to 24.2% in 2014. This was largely attributable to the reduction in total revenues without a corresponding reduction in the cost of production.

- Gross profit decreased by 35.59% from P29.40 million in 2013 to P18.94 million in 2014

- BVI reported an operating loss of P5.98 million as compared to an operating profit of PP5.66 million achieved in 2013. All the efforts in 2015 will be directed towards reversing this performance.

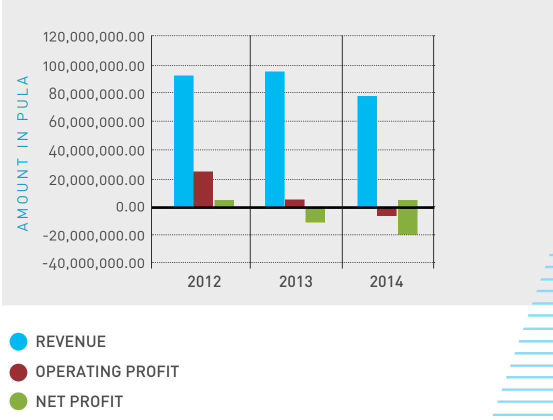
- Net loss of P19.96 million was achieved compared to a net loss of P 10.5 million recorded in 2013.

- Finance costs for the year were P14.05 million, compared to P16.20 million on a comparable annual basis. Management is still exploring ways of reducing this cost.

- Total salary costs increased from P18.43 million in 2013 to P19.75 million in 2014 as a result of a 3% inflationary 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.

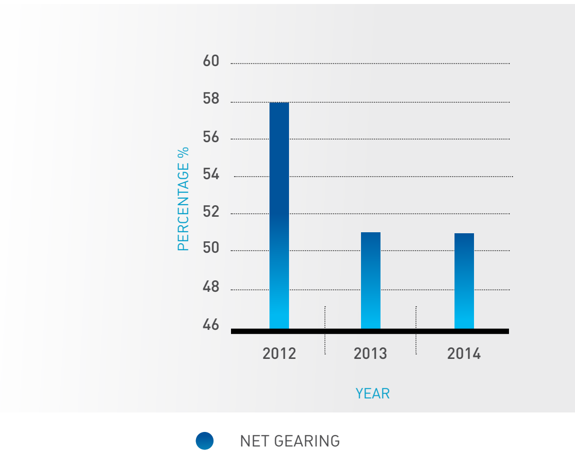
GRAPGH 1: PROFITABILITY



STATEMENT OF FINANCIAL POSITION

As at 31 December 2014 the capital employed (calculated as total assets minus current liabilities) had decreased to P253.11 million compared to P313.73 million in 2013. 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 002 bond become due and payable on the 14th July 2015. It is however important to note that the net gearing ratio remained at 51% even though interest bearing borrowings decreased from P174.28 in 2013 million to P164.98 million in 2014.

GRAPH 2. NET GEARING



CASH FLOW, NET DEBT AND CAPITAL STRUCTURE

The debt facility comprises a P70 million 10-year medium-term note programme with a fixed interest rate of 11.23%, falling due in May 2018; P50 million 5 year medium-term note programme with a floating interest rate linked to the Bank of Botswana Certificates, falling due in July 2015 and an unsecured term loan of P52 million repayable over 5 years, with floating interest rate of prime rate minus 2.5% (8%) final instalment falling due on the 30th June 2017. The Company continues to explore ways of reducing the finance costs.

Despite the cash flow challenges experienced during 2014, BVI managed to fulfil all the debt obligations, and is committed to ensuring that this does not compromise the Company's ability to fulfil its debt obligations in future. Although negative cash flows were reported for the year 2014, the Shareholder has been informed about the impending redemption of the BVI 002 bond and therefore it is anticipated that the redemption will take place on the due date. As at the time of approving the accounts, the Shareholder had reassured the Board and Management that BVI would be provided with the necessary support to ease the current cash flow challenges.

LOOKING AHEAD – OUR PATH TO RECOVERY IN 2015 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 2015.

Although there are a number of uncertainties that we have to contend with, we are confident that a cost-driven recovery will lead to long term profitable growth. We are therefore poised for an improved performance in 2015.

Thank you

Ms K. M. Tibe
Finance Manager


aftovax
aftovaxpur
SAT 1 SAT 2 SAT 3
ASYMPTOL
Inactivated vaccine against toxi-infection due to anaerobic bacteria (Blackleg)
STORAGE
ADMINISTRATION
DILUENT
for Freeze-Dried Vaccine
between +2°C and +8°C
be avoided

INDEX TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

COMPANY INFORMATION

Business operations:
The Company manufactures and distributes veterinary vaccines

Company registration no:
CO 2738

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

Auditors:
PricewaterhouseCoopers

Secretary:
M Tibe

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

CONTENTS

BIV Audited Annual Financial Statements

Statement of Responsibility by the Board of Directors

FOR THE YEAR ENDED 31 DECEMBER 2014

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 32 to 72 were authorised for issue by the Board of Directors on 28 July 2015 and are signed on its behalf by:

Director

Director

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

Report on the Financial Statements

We have audited the accompanying annual financial statements of Botswana Vaccine Institute Limited, which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 72.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of Botswana Vaccine Institute Limited as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

2015 -07- 28

Individual practising member: Sheyan Edirisinghe
Membership number: 20030048

Gaborone

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

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 P	2013 P
Revenue	5	78,277,303	95,148,812
Cost of sales		(59,339,927)	(65,746,948)
Gross profit		18,937,376	29,401,864
Other operational expenses	5	(622,985)	(439,976)
Distribution costs		(9,624,991)	(10,071,933)
Administrative expenses		(14,668,596)	(13,227,614)
Operating (loss) / profit	5	(5,979,196)	5,662,341
Finance income	7	74,932	44,366
Finance costs	7	(14,052,969)	(16,202,223)
Loss before income tax		(19,957,233)	(10,495,516)
Income tax expense	8	-	-
Loss for the year		(19,957,233)	(10,495,516)
Other comprehensive income			
Gains on revaluation of property, plant and equipment		-	53,394,154
Other comprehensive income for the year		-	53,394,154
Total comprehensive income for the year		(19,957,233)	42,898,638

Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	2014 P	2013 P
ASSETS			
Non-current assets			
Property, plant and equipment	10	282,106,935	297,288,918
Current assets			
Inventories	11	64,745,153	65,058,600
Trade and other receivables	12	11,448,596	19,751,349
Financial assets at fair value through profit or loss	13	63,615	60,524
Cash and cash equivalents	14	1,527,140	278,248
		77,784,504	85,148,721
Total assets		359,891,439	382,437,639
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	15	28,347,000	8,347,000
Other reserves	16	89,191,910	89,191,910
Retained earnings	17	52,786,598	72,743,831
		170,325,508	170,282,741
Non-current liabilities			
Interest bearing borrowings	18	82,782,398	143,451,222
Current liabilities			
Interest bearing borrowings	18	82,199,621	30,828,432
Trade and other accounts payable	19	22,121,768	35,862,850
Provisions	20	2,462,144	2,012,394
		106,783,533	68,703,676
Total liabilities		189,565,931	212,154,898
Total equity and liabilities		359,891,439	382,437,639

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

	Stated capital P	Other reserves P	Retained earnings P	Total equity P
For the year ended 31 December 2013				
Balance at 1 January 2013	8,347,000	35,797,756	83,239,347	127,384,103
Comprehensive income				
Net loss for the year	-	-	(10,495,516)	(10,495,516)
Other comprehensive income				
Revaluation gains (Note 10)	-	53,394,154	-	53,394,154
Total comprehensive income	-	53,394,154	(10,495,516)	42,898,638
Balance at 31 December 2013	**8,347,000**	**89,191,910**	**72,743,831**	**170,282,741**
For the year ended 31 December 2014				
Balance at 1 January 2014	8,347,000	89,191,910	72,743,831	170,282,741
Transactions with owners				
Issue of shares	20,000,000	-	-	20,000,000
Comprehensive income				
Net loss for the year	-	-	(19,957,233)	(19,957,233)
Balance at 31 December 2014	**28,347,000**	**89,191,910**	**52,786,598**	**170,325,508**

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		P	P
Cash flows from operating activities			
Operating (loss) / profit		(5,979,196)	5,662,341
Adjustment for non cash items:			
Depreciation	10	16,041,780	13,662,674
Profit on disposal of property, plant and equipment		(28,000)	-
Changes in working capital			
Inventories		313,447	6,433,287
Trade and other receivables		8,302,753	(7,644,758)
Provisions		449,750	157,112
Trade and other accounts payable		(13,741,082)	4,371,320
Cash generated from operations		5,359,452	22,641,976
Interest paid	7	(14,052,969)	(16,053,905)
Net cash (used in) / generated from operating activities		(8,693,517)	6,588,071
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(859,797)	(1,667,209)
Interest received	7	74,932	44,366
Proceeds from disposal of property, plant & equipment		28,000	-
Proceeds from disposal of financial assets at fair value through profit or loss		(3,091)	(3,351)
Net cash used in investing activities		(759,956)	(1,626,194)
Cash flows from financing activities			
Repayment of borrowings		(10,065,307)	(10,835,091)
Proceeds from issue of shares		20,000,000	-
Net cash generated from / (used in) financing activities		9,934,693	(10,835,091)
Net increase / (decrease) in cash and cash equivalents		481,220	(5,873,214)
Cash and cash equivalents at beginning of year		(18,516,277)	(12,643,063)
Cash and cash equivalents at end of year	14	(18,035,057)	(18,516,277)

Significant Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2014

General information

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

The financial statements set out on pages 5 to 47 have been approved by the Board of Directors on 28 July 2015.

1 Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

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

1.1.1. Adoption of standards in the current financial year

a) New and amended standards adopted by the Company

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

- Amendments to IAS 32 – The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP (effective from 1 January 2014).

- Amendment to IAS 36, 'Impairment of assets'- These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal (effective from 1 January 2014).

- IFRIC 21 – Accounting for levies-IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognized (effective from 1 January 2014).

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

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

- Amendments to IFRS 10 'consolidated financial statements', IFRS 12 and IAS 27 for investment entities - The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss.

The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make (effective from 1 January 2014).

- Amendment to IAS 39 on novation of derivatives- The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty (CCP) meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments' (effective from 1 January 2014).

1.1.2. Adoption of standards in future financial periods

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

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

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

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

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

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

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

1.1.2. Adoption of standards in future financial periods (continued)

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

- Amendment to IFRS 13, 'Fair value measurement'- When IFRS 13 was published; paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases (effective from 1 July 2014).

- IAS 24, 'Related party disclosures'- The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity') (effective from 1 July 2014).

- IFRS 13, 'Fair value measurement'- The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9) (effective from 1 July 2014).

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

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

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

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

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

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

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

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

- **1.1.2. Adoption of standards in future financial periods** (continued)

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

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

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

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

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

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

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

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

1.1.2. Adoption of standards in future financial periods (continued)

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

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

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

1.2 Property, plant and equipment

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

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

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

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

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

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

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

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

1.2 Property, plant and equipment (continued)

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

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

1.3 Impairment of non-financial assets

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

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

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

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

1.4 Inventories

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

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

1.5 Financial assets

1.5.1 Classification

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

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

1.5.1 Classification (continued)

Loans and receivables

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

Available-for-sale financial assets

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

1.5.2. Recognition and measurement

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

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

1.5.3. Offsetting financial instruments

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

1.5.4. Impairment of financial assets

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

1.6 Trade receivables

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

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

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

1.6 Trade receivables (continued)

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

1.7 Cash and cash equivalents

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

1.8 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are reviewed at the end of each reporting period date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

1.9 Trade accounts payable

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

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

1.10 Stated capital

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

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

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

1.11 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Such monetary assets and liabilities are translated at the exchange rates prevailing at the year end.

1.11 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

1.12 Revenue recognition – Sale of vaccines

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

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

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

1.13 Recognition of other income

The policies for recognising other income are as follows.

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

1.14 Recognition of donations

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

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

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

1.15 Leases

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

1.16 Cost of sales

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

1.17 Operating profit

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

1.18 Employee benefits

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

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

1.19 Borrowings

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

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

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

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

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

1.20 Borrowing costs

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

1.21 Segment reporting

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

2 Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign currency risk

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

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

a) At 31 December 2014, 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 187,641 (2013: P 501,650) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US Dollar denominated bank balances, trade receivables and trade accounts payable.

b) At 31 December 2014, 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 34,085 (2013: P 480,643) higher / lower, mainly as a result of foreign exchange gains / losses on translation of Euro denominated bank balances, trade receivables and trade accounts payable.

(ii) Cash flow and fair value interest rate risk

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

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

At 31 December 2014, if the prime rate had increased / decreased by 1% with all other variables held constant, post-tax profit for the year would have been P 57,157 (2013: P76,778) higher / lower, mainly as a result of interest expense on Banc ABC term loan and bonds issued on variable interest rate.

(iii) Price risk

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

(b) Credit risk

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

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

2.1 Financial risk factors (continued)

(c) Liquidity risk

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

Surplus cash is invested in interest bearing current 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 63,615 (2013: P 60,524) and other liquid assets of P 1,527,140 (2013: P 278,248) 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 2014

	Less than six months	Between six and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	P	P	P	P	P	P
Financial assets						
Trade and other receivables	11,448,596	-	-	-	-	11,448,596
Financial assets at fair value through profit or loss	63,615	-	-	-	-	63,615
Cash and cash equivalents	1,527,140	-	-	-	-	1,527,140
Total	13,039,351	-	-	-	-	13,039,351
Liabilities						
Borrowings	29,492,087	61,436,871	20,659,781	85,885,286	-	197,474,025
Trade and other accounts payable	22,121,566	-	-	-	-	22,121,566
Financial guarantees	2,774,380	-	-	-	-	2,774,380
Total	54,388,033	61,436,871	20,659,781	-	-	222,369,971

(c) Liquidity risk (continued)

As at 31 December 2013

	Less than six months	Between six and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	P	P	P	P	P	P
Financial assets						
Trade and other receivables	19,751,349	-	-	-	-	19,751,349
Financial assets at fair valuethrough profit or loss	60,524	-	-	-	-	60,524
Cash and cash equivalents	278,248	-	-	-	-	278,248
Total	20,090,121	-	-	-	-	20,090,121
Financial liabilities						
Borrowings	31,641,007	12,681,925	73,456,258	105,386,785	141,969	223,307,944
Trade and other accounts payable	35,862,850	-	-	-	-	35,862,850
Financial guarantees	796,827	-	-	-	-	796,827
Total	68,300,684	12,681,925	73,456,258	105,386,785	141,969	259,967,621

2.2 Capital risk management

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

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

2.2 Capital risk management (continued)

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 P	2013 P
Total borrowings	**164,982,019**	174,279,654
Less - Cash and cash equivalents	**(1,527,140)**	(278,248)
Net borrowings	**163,454,879**	174,001,406
Total equity	**170,325,508**	170,282,741
Total capital	**333,780,387**	344,284,147
Gearing ratio	**51%**	51%

2.3 Fair value estimation of financial instruments

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

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2014.

Assets	Level 1 P	Level 2 P	Level 3 P	Total P
Financial assets at fair value through profit or loss	-	63,615	-	63,615

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

3. Critical accounting estimates and judgments

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

3.1 Critical accounting estimates and assumptions

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

a) Impairment loss on debtors

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

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

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

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

c) Fair value of plant and machinery and residential property

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

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

i) Plant and machinery

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

ii) Residential property and Land and buildings

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

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

3.1 Critical accounting estimates and assumptions

d) Going concern

These financial statements have been prepared using accounting policies that support the going concern assumption. This assumes that the company is able to continue its operations and meet its obligations as they fall due, over the foreseeable future. Please refer note 25 for information on the appropriateness of using the going concern assumption in the preparation of the financial statements.

4 Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. For the purpose of making strategic decisions, financial information is provided to the Board as a single segment as the Company operates through a single operational unit in Gaborone, Botswana and approximately 99.9% of its product-line comprise of a single product, the FMD vaccination and therefore the Company's operations exhibit similar long-term financial performance and similar economic characteristics. Accordingly these financial statements reflect the manner in which the Board manages and operates the Company's affairs.

4.1 Geographical information

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

	2014 P	2013 P
Country		
Botswana	**8,446,923**	19,812,050
Zambia	**9,025,638**	20,991,009
Zimbabwe	**34,178,762**	13,016,595
South Africa	**3,428,269**	14,591,564
Namibia	**5,085,379**	14,497,261
Others	**18,112,332**	12,240,333
Total	**78,277,303**	95,148,812

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

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

- Botswana
- Zambia
- Zimbabwe

		2014	2013
5	**Operating (loss) / profit**	P	P
	The following items have been (credited) / charged in arriving at the operating (loss) / profit:		
	(i) Revenue - sale of goods		
	Sale of vaccines	(78,277,303)	(95,148,812)
	(ii) Other operational expenses		
	Foreign exchange loss	1,066,641	958,650
	Cattle sales	(121,996)	(188,415)
	Rental income	(96,020)	(92,000)
	Fair value adjustment on financial assets at fair value through profit or loss	(3,091)	(3,350)
	Profit on disposal of property, plant and equipment	(28,000)	-
	Other income	(194,549)	(234,909)
		622,985	439,976

The Company's rental income is generated through leasing of its residential properties to its employees and is generally for a period of three years.

The future minimum rental payments receivable under non-cancellable leases are as follows:

	2014	2013
Within one year	146,076	145,752
Between two and five years	730,380	634,390
	876,456	780,142

	2014	2013
(iii) Expenses by nature		
Changes in inventories of finished goods		
Auditors' remuneration	(6,416,167)	2,053,238
Depreciation on property, plant and equipment (Note 10)	126,175	126,975
Directors' remuneration	16,041,780	13,662,674
Donations	99,540	101,220
Drugs and supplies	9,204	37,790
Export commission	7,352,484	8,364,545
Packing materials and consumables	8,077,055	9,601,515
Professional fees	4,853,691	6,860,703
Repairs and maintenance - motor vehicles	513,617	655,024
Repairs and maintenance - other	75,282	91,412
Provision for bad debts	3,926,534	4,892,738
Royalties	-	199,614
Salaries and wages (Note 6.1)	2,475,552	3,047,007
Technical staff costs	19,747,378	18,428,565
Other expenses	6,558,608	7,091,922
Total cost of sales, distribution and administrative expenses	20,192,781	13,831,553
	83,633,514	89,046,495

5 Operating (loss) / profit (continued)

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

- Utilities
- Insurance
- Security
- Travelling expenses

6 Staff costs

	2014 P	2013 P
Salaries and wages	17,365,276	16,223,975
Pension costs	2,060,973	2,083,869
Gratuity	321,129	120,721
	19,747,378	18,428,565
Average number of employees	94	92

6.1 Staff costs

	2014 P	2013 P
Cost of sales	13,823,165	12,899,995
Administrative expenses	5,924,213	5,528,570
	19,747,378	18,428,565

7 Finance income and costs

	2014 P	2013 P
Finance income		
Interest received on investments	45,863	44,366
Reversal of amortised cost on trade receivables	29,069	-
	74,932	44,366
Finance costs		
Interest expenses - interest bearing borrowings	(14,052,969)	(16,053,905)
Amortised cost on trade receivables	-	(148,318)
	(14,052,969)	(16,202,223)
Net finance cost	(13,978,037)	(16,157,857)

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

8 Income tax expense

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

9 Analysis of financial instruments

9.1 Financial instruments by category

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

At 31 December 2014	Assets at fair value through profit or loss P	Loans and receivables P	Total P
Assets as per the statement of financial position	-	11,448,596	11,448,596
Trade and other receivables	**63,615**	-	63,615
Financial assets at fair value through profit or loss	-	1,527,140	1,527,140
Cash and cash equivalents	**63,615**	12,975,736	13,039,351

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

9 Analysis of financial instruments (continued)

9.1 Financial instruments by category (continued)

At 31 December 2013	Assets at fair value through profit or loss P	Loans and receivables P	Total P
Assets as per the statement of financial position	-	19,751,349	19,751,349
Trade and other receivables	**60,524**	-	60,524
Financial assets at fair value through profit or loss	-	278,248	278,248
Cash and cash equivalents	**60,524**	20,029,597	20,090,121

	Other financial liabilities at amortised cost P
Liabilities as per the statement of financial position	
Borrowings	174,279,654
Trade and other accounts payable	35,862,850
	210,142,504

9.2 Credit quality of financial assets

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

At 31 December 2014	Rating P	2014 P	2013 P
Externally rated			
Trade receivables			
	Aa1	-	1,790,688
	A2	41,825	29,005
	B1	495,025	5,213,965
	Not rated	3,853,108	-
Total performing trade receivables		4,389,958	7,033,658
Other receivables	Not rated	1,135,706	1,667,030

Trade receivables are unsecured.

Other financial assets at fair value through profit or loss

Stanbic Money Market Fund	Not rated	60,400	57,485
Stanbic Management Prudential Fund	Not rated	3,215	3,039
		63,615	60,524

Cash at bank	Rating	2014 P	2013 P
Barclays Bank of Botswana Limited	Not rated	313,908	86,650
Standard Chartered Bank Botswana Limited	Not rated	132,966	20,845
BancABC Limited	Not rated	1,060,823	9,987
First National Bank of Botswana Limited	Not rated	19,078	160,303
		1,526,775	277,785

9.2 Analysis of financial instruments (continued)

Key:

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

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

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

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

All amounts in Botswana Pula

At 31 December 2014

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

At 31 December 2013

Financial instruments	BWP	NAD	USD	EURO	ZAR	Total
Trade and other receivables	1,263,694	4,748,729	6,340,681	7,398,245	-	19,751,349
Cash and cash equivalents	125,768	-	20,845	130,603	1,032	278,248
Financial assets at fair value through profit or loss	60,524	-	-	-	-	60,524
	1,449,986	4,748,729	6,361,526	7,528,848	1,032	20,090,121
Borrowings	174,279,654	-	-	-	-	174,279,654
Trade and other accounts payable	13,838,074	-	10,513,810	9,911,551	1,599,415	35,862,850
	188,117,728	-	10,513,810	9,911,551	1,599,415	210,142,504

At 31 December 2014	Capital work-in-progress (cost)	Land and buildings (valuation	Residential property (valuation)
	P	P	P
10 Property, plant and equipment			
Year ended 31 December 2014			
Net book amount at beginning of year	-	56,435,000	19,405,001
Additions	250,208	146,808	52,600
Disposals	-	-	-
Depreciation	-	(1,939,177)	(782,332)
Net book amount at end of year	**250,208**	**54,642,631**	**18,675,269**
At 31 December 2014			
Cost / valuation	250,208	56,581,808	19,457,601
Accumulated depreciation	-	(1,939,177)	(782,332)
Net book amount	**250,208**	**54,642,631**	**18,675,269**
Year ended 31 December 2013			
Net book amount at beginning of year	169,680	59,527,420	9,697,790
Transfers	(169,680)	-	-
Revaluation gain / (loss)	-	(1,406,227)	10,131,390
Additions	-	143,184	-
Depreciation	-	(1,829,377)	(424,179)
Net book amount at end of year	**-**	**56,435,000**	**19,405,001**
At 31 December 2013			
Cost / valuation	-	56,435,000	19,405,001
Accumulated depreciation	-	-	-
Net book amount	**-**	**56,435,000**	**19,405,001**
At 31 December 2012			
Cost / valuation	169,680	65,050,329	10,604,467
Accumulated depreciation	-	(5,522,909)	(906,677)
Net book amount	**169,680**	**59,527,420**	**9,697,790**

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

Plant and machinery (valuation) P	Motor vehicles (cost) P	Furniture, fittings and office equipment (cost) P	Total (cost /valuation) P
220,367,400	356,250	725,267	297,288,918
110,629	-	299,552	859,797
-	-	-	-
(12,850,602)	(118,750)	(350,919)	(16,041,780)
207,627,427	**237,500**	**673,900**	**282,106,935**
220,478,029	1,359,124	4,280,300	302,407,070
(12,850,602)	(1,121,624)	(3,606,400)	(20,300,135)
207,627,427	**237,500**	**673,900**	**282,106,935**
185,573,510	74	921,755	255,890,229
169,680	-	-	-
44,668,991	-	-	53,394,154
955,965	475,000	93,060	1,667,209
(11,000,746)	(118,824)	(289,548)	(13,662,674)
220,367,400	**356,250**	**725,267**	**297,288,918**
220,367,400	1,359,124	3,980,748	301,547,273
-	(1,002,874)	(3,255,481)	(4,258,355)
220,367,400	**356,250**	**725,267**	**297,288,918**
212,978,036	884,124	3,887,688	293,574,324
(27,404,526)	(884,050)	(2,965,933)	(37,684,095)
185,573,510	**74**	**921,755**	**255,890,229**

10 Property, plant and equipment (continued)

Fair value of property, plant and equipment

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

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

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

There were no transfers between levels during the year.

	Fair value measurements at 31 December 2013 arising		
	Level 1	Level 2	Level 3
	P	P	P
Recurring fair value measurements			
Land and buildings	-	56,435,000	-
Residential property	-	19,405,001	-
Plant and machinery	-	220,367,400	-
	-	296,207,401	-

There were no transfers between levels during the year.

10 Property, plant and equipment (continued)	2014 P	2013 P
Fair value measurements using significant un - observable inputs (Level 3)		
Opening balance at 1 January	**296,207,401**	254,798,720
Additions	**310,037**	1,099,149
Reclassification / transfers	**-**	169,680
Gain on revaluation recognised in other comprehensive income	**-**	53,394,154
Depreciation on revaluation	**(15,572,111)**	(13,254,302)
Closing balance at 31 December	**280,945,327**	296,207,401

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

The valuation carried out by independent valuators, RealReach on 31 December 2013 was considered and was assessed to be the best estimate of the open market value of the plant and machinery as of 31 December 2013. The independent valuators adopted a DRC valuation model, (which is described in more detail in Note 3.1) to determine the valuation of plant and machinery as at 31 December 2013.

Plant and machinery not scoped within the DRC valuation carried out by RealReach relate to additions to plant and machinery during the year, where the best estimate of the open market value was assessed to be the invoice value submitted by independent suppliers.

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

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

10 Property, plant and equipment (continued)

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

	Cost P	Accumulated depreciation P	Net book amount P
At 31 December 2014			
Land and buildings	56,581,614	(9,891,319)	**46,690,295**
Residential property	3,190,545	(2,134,286)	**1,056,259**
Plant and machinery	204,825,462	(52,093,360)	**152,732,102**
At 31 December 2013			
Land and buildings	56,434,806	(8,476,779)	47,958,027
Residential property	3,137,945	(2,006,664)	1,131,281
Plant and machinery	204,714,833	(38,438,329)	166,276,504

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

	2014 P	2013 P
Included under cost of sales	**12,850,602**	11,000,505
Included under administrative expenses	**3,191,178**	2,662,169
	16,041,780	13,662,674

11 Inventories

	2014 P	2013 P
Finished goods (at cost)	47,278,325	53,694,492
Finished goods (at selling price less cost to sell)	8,652,162	-
Raw materials (at cost)	8,814,666	11,364,108
	64,745,153	65,058,600

12 Trade and other receivables

	2014 P	2013 P
Trade receivables	10,687,157	18,487,655
Less - adjustment to amortised cost	(119,249)	(148,318)
Less - provision for impairment	(255,018)	(255,018)
Total trade receivables	10,312,890	18,084,319
Other receivables from related parties (Note 23)	207,201	270,262
Other receivables	928,505	1,396,768
	11,448,596	19,751,349

The fair values of trade and other receivables are as follows:

	2014 P	2013 P
Trade accounts receivable	10,312,890	18,084,319
Other receivables	1,135,706	1,667,030
	11,448,596	19,751,349

As of 31 December 2014, trade receivables of P 4,389,958 were fully performing (2013 : P 7,033,658).

Trade receivables less than six months past due are not considered as impaired. As of 31 December 2014, trade receivables of P 5,922,932 (2013: P 11,050,661) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The aging analysis of these trade receivables are as follows:

	2014 P	2013 P
Between 31 to 60 days	2,930,927	6,582,411
Between 61 and 120 days	860,932	4,242,865
Over 120 days	2,131,073	225,385
	5,922,932	11,050,661

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
12	**Trade and other receivables** (continued)	**P**	**P**

As of 31 December 2014, trade and other receivables amounting to P 255,018 were impaired (2013: P255,018).

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

	2014	2013
Balance at beginning of year	**255,018**	55,404
Provision during the year	**-**	199,614
Balance at end of year	**255,018**	255,018

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

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

13 Financial assets at fair value through profit or loss

	2014	2013
Stanlib Botswana Money Market Fund	**60,400**	57,485
Stanlib Botswana Management Prudential Fund	**3,215**	3,039
	63,615	60,524

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

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

14 Cash and cash equivalents

	2014	2013
Bank balances	**1,526,775**	277,785
Cash on hand	**365**	463
	1,527,140	278,248

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

	2014	2013
Bank balances	**1,526,775**	277,785
Bank overdrafts (Note 18)	**(19,562,197)**	(18,794,525)
Cash on hand	**365**	463
	(18,035,057)	(18,516,277)

		2014	2013
15	**Stated capital**	**P**	**P**
	Ordinary shares issued and fully paid		
	At beginning of year	8,347,000	8,347,000
	Issued during the year	20,000,000	-
	At end of year	28,347,000	8,347,000

The 25,000,002 (2013: 5,000,002) ordinary shares in issue have no par value.

		Revaluation reserve
16	**Other reserves**	**P**
	Balance at 1 January 2014	89,191,910
	Revaluation gain for the year	-
	Balance at 31 December 2014	89,191,910
	Balance at 1 January 2013	35,797,756
	Revaluation gain for the year	53,394,154
	Balance at 31 December 2013	89,191,910

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

17	**Retained earnings**	**P**
	At 1 January 2013	83,239,347
	Net loss for the year	(10,495,516)
	At 31 December 2013	72,743,831
	At 1 January 2014	72,743,831
	Net loss for the year	(19,957,233)
	At 31 December 2014	52,786,598

18 Interest bearing borrowings

	Notes	2014 %	2013 %	2014 P	2013 P
Debt Participating Capital Funding Limited:	I	9.50	9.50	**228,699**	328,081
Loan 2	II	12.00	12.00	**235,661**	297,602
Loan 5	III	14.60	14.60	**349,615**	388,868
Loan 6	IV	11.23	11.23	**68,736,823**	68,359,524
Bond - BVI001	V	6.50	7.00	**25,935,481**	36,301,905
Term loan - Prime rate less 2.5%	VI	4.70	5.51	**49,933,543**	49,809,149
Bond - BVI002				**145,419,822**	155,485,129
				(62,637,424)	(12,033,907)
				82,782,398	143,451,222

Interest bearing borrowings - current portion	2014 P	2013 P
Interest bearing borrowings - amount falling due within one year	62,637,424	12,033,907
Bank overdrafts (Note 14 and vii below)	19,562,197	18,794,525
	82,199,621	30,828,432

The prime rate as at year end was 9% per annum (2013: 9.5% per annum).

i. Loan 2 is repayable in semi-annual instalments of P 64,122 (including interest). The final instalment is due in 2016. This loan is unsecured and is negotiated at a fixed rate of interest. The fair value of the loan as at 31 December 2014 amounted to P 153,984.

ii. Loan 5 is repayable in semi-annual instalments of P 47,924 (including interest). The final instalment is due in 2017. This loan is unsecured and is negotiated at a fixed rate of interest. The fair value of the loan as at 31 December 2014 amounted to P 167,552.

iii. Loan 6 is repayable in semi-annual instalments of P 47,323 (including interest). The final instalment is due in 2020. This loan is unsecured and is negotiated at a fixed rate of interest. The fair value of the loan as at 31 December 2014 amounted to P 266,770.

iv. On 7 May 2008, the company issued non convertible and redeemable bonds with a face value of P 70,000,000 at a fixed rate of 11.23% per annum to finance its expansion programme. The bonds are repayable on 7 May 2018. The bond is unsecured and interest is payable semi-annually. The bonds are initially recognised at fair value which equals to the par value less issue cost of P3,236,508. The bonds are subsequently measured at amortised cost using effective interest method. The effective interest rate of the bond is 12.05%. The fair value of bonds as at 31 December 2014 amounted to P 80,761,982.

18 Interest bearing borrowings (continued)

v. The term loan from BancABC Limited was granted to redeem BDC preference shares which was utilised to fund the expansion programme. The repayment of capital commenced on 30 June 2012. The loan is unsecured and repayable in equal quarterly instalments of P 3,120,011 over a period of 5 years. The loan is carried at amortised cost. The fair value of the loan approximates the carrying amount as the loan is between unrelated parties at prevailing market conditions.

vi. On 14 July 2010, the company issued non convertible and redeemable bonds with a face value of P 50,000,000 at a floating rate of 91 days BOBC plus 1.5% per annum to finance its expansion programme. The bonds are repayable on 14 July 2015. 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 620,281. The bonds are subsequently measured at amortised cost using effective interest method. The effective interest rate of the bond is 4.70%. The fair value of bonds as at 31 December 2014 amounted to P 52,553,745.

vii. The company has the following overdraft facilities.

a) BancABC Limited overdraft facility of P 15 million is unsecured and attracts interest at the rate of prime less 2.25% per annum , currently at 6.75% per annum.

b) Standard Chartered Bank Botswana Limited overdraft facility of P 3 million is unsecured and attracts interest at the rate of prime less 1.75% per annum , currently at 7.25% per annum.

viii) 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 2014.

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

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

These assumptions have been consistently applied.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
19	**Trade and other accounts payable**	**P**	**P**
	Trade accounts payable	**1,592,235**	2,329,862
	Accrued interest	**2,267,129**	2,474,983
	Other accruals	**9,466,080**	10,075,990
	Amounts due to related parties (Note 19.1)	**8,796,324**	20,982,015
		22,121,768	35,862,850
19.1	**Amount due to related parties (Note 23)**		
	Merial	**8,796,324**	20,982,015

		Leave pay	Gratuity	Total
20	**Provisions**	**P**	**P**	**P**
	Balance at beginning of the year	1,580,667	431,727	2,012,394
	Provisions for the year	438,559	321,129	759,688
	Payments during the year	(309,938)	-	(309,938)
	Balance at end of the year	**1,709,288**	**752,856**	**2,462,144**

Gratuity

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

Leave pay

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

21 Commitments

Capital commitments contracted for but not yet completed, amounted to P 2,325,255 as at 31 December 2014. These relate to capital project on water intrusion, contracted for by the Company and is part of it's capital expansion programme which is expected to be concluded by June 2015.

22 Events after reporting period

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

23 Related party transactions

Merial, 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 :

	2014 P	2013 P
Purchase of goods	**3,551,664**	15,881,200
Technical fees paid	**6,558,608**	7,091,922
Export commission paid	**8,077,055**	9,601,505
Royalties paid	**2,475,552**	3,047,007
Other expenses	**818,206**	863,991
Balances with Merial at year-end is as follows.		
Other receivables (Note 12)	**207,201**	270,262
Trade accounts payable at year end (Note 19.1)	**8,796,324**	20,982,015

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

Royalties and commissions

(a) Royalties

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

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

(b) Commission

Commission is charged on export sales of the monovalent vaccine by Merial based on the value of doses sold. Commission varies from 5% - 15% of the FOB Gaborone price depending on the number of doses sold as per the agreement dated 28 October 2004.

Notes to the Financial Statements [continued]

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
23	**Related party transactions** (continued)	P	P

(ii) Following are the transactions with the senior management :

	2014 P	2013 P
Salaries paid		
Salaries paid to key personnel	1,489,047	1,447,135
Salary advances		
Salary advances outstanding at the year end	-	2,550

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 :

	2014 P	2013 P
Directors' fees paid		
Mrs P Makepe	21,000	17,640
Dr A Blackbeard	21,840	20,160
Dr M Letshwenyo - Government of Botswana	9,240	18,480
Mr L Monare	24,360	21,840
Mr E Kemsley	23,100	23,100
	99,540	101,220
Board members expenses	641,412	302,694

24 Contingencies

All permanent employees of the Company are entitled to a loan to purchase motor vehicles and acquire a residential property under an agreed scheme with Botswana Savings Bank. The Company has provided a guarantee of P 2.5 million to operate the above scheme. The total advances due by eligible employees to the scheme as at 31 December 2014 amounted to P 2,774,380. (2013: P 796,827).

25 Going concern

These financial statements have been prepared using accounting policies applicable to a going concern, which assumes the realisation of assets and settlement of obligations as they fall due in the normal course of operations. For the year ended 31 December 2014, the Company reported a net loss of P 19,957,233 (2013 – P 10,495,516) and as at 31 December 2014, the Company's current liabilities exceeded it's current assets by P 28,999,029. Significant assumptions used and relevant information applicable that support the Company's ability to continue as a going concern and consequently the preparation of these financial statements on that basis, are as follows:

1. The shareholder, The Government of Botswana, will continue to financially support the Company over the foreseeable future. This commitment includes the immediate financing needs to settle the maturing bond, BVI 001, on 14 July 2015.

2. The demand for the company's products, which is dependent on the incidence of disease in farm animals, will continue to grow to commercially viable levels.

3. The plant will continue to operate at optimal levels and the capital projects will be implemented as planned.

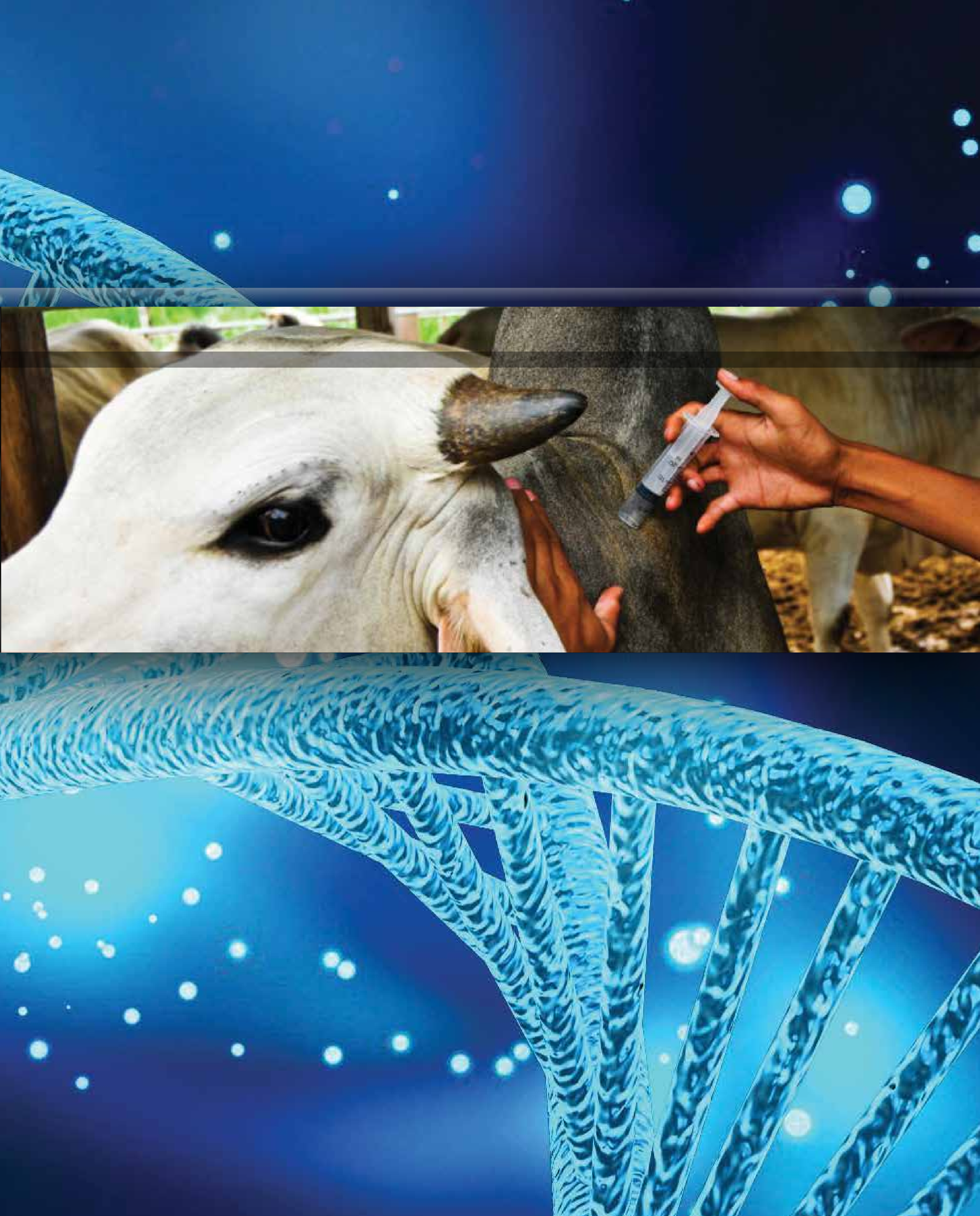
4. That the company has lines of credit available that could be called upon, to meet it's obligations, should the need arises. The use of the going concern assumption also takes into consideration the settlement of bond number BVI 002 on 14 July 2015.

Detailed Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 P	2013 P
Revenue		
Domestic	8,446,923	19,093,148
Export	66,661,478	73,208,065
Agency	3,168,902	2,847,599
	78,277,303	95,148,812
Cost of sales	(59,339,927)	(65,746,948)
Gross profit	18,937,376	29,401,864
Other operational expenses	(622,985)	(439,976)
Distribution costs		
Advertising and travel	(103,278)	(82,414)
Custom freight and insurance	(1,444,658)	(388,004)
Export commission	(8,077,055)	(9,601,515)
	(9,624,991)	(10,071,933)
Administrative expenses	(14,668,596)	(13,227,614)
Operating (loss) / profit	(5,979,196)	5,662,341

"This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 3 and 4".



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