BVI

BOTSWANA VACCINE INSTITUTE

2019

Contents

Vision

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

Mission

To support 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 of sound manufacturing and environmentally friendly processes and remain sustainable.

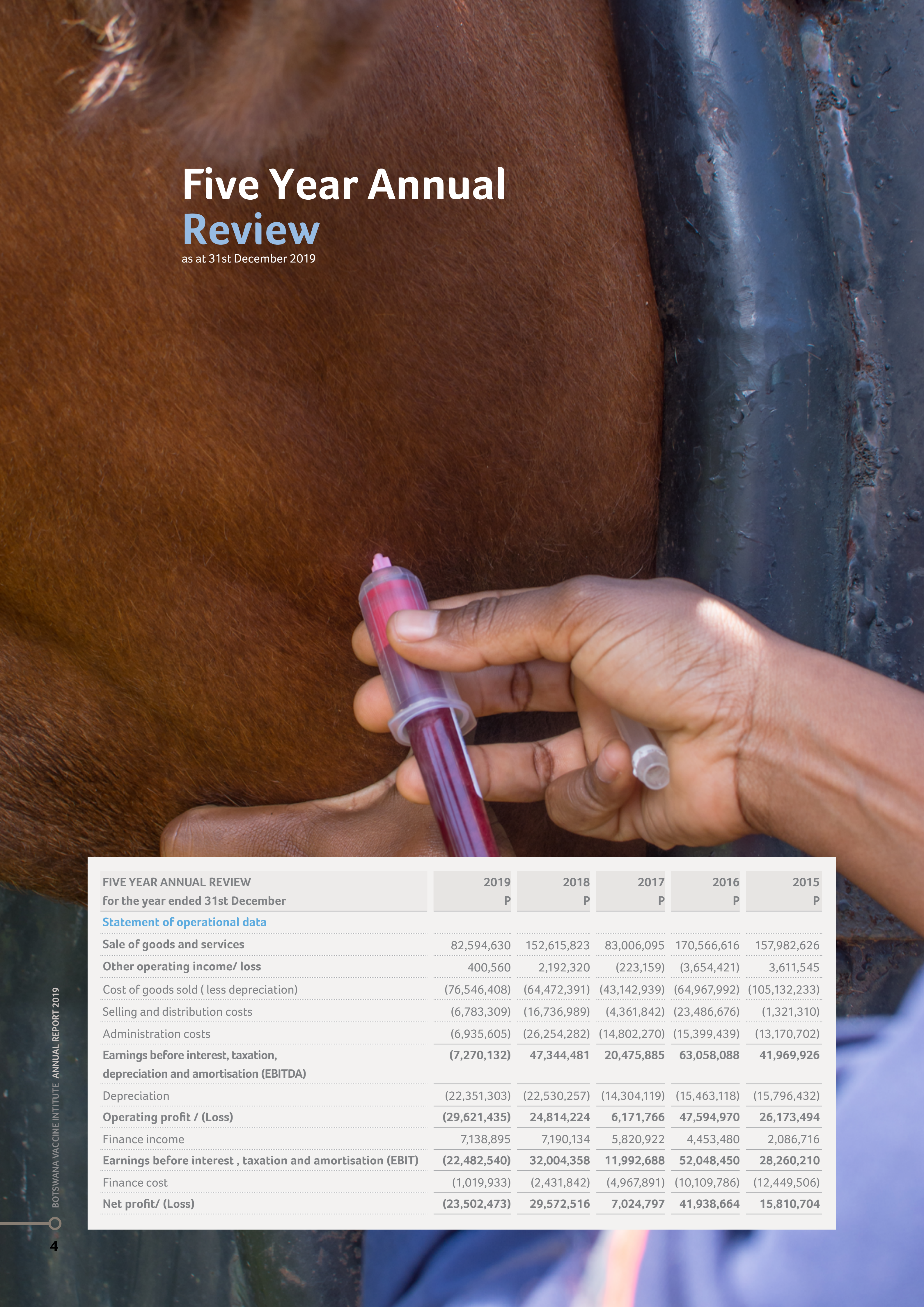
Leadership Principles

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

Values

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


CARBOVAX-C
DILUENT FOR FREEZE-DRIED VACCINE
DILUANT POUR VACCIN LYOPHILISE
ASYMPTOL
FOR VETERINARY USE ONLY
BOTSWANA VACCINE INSTITUTE
aftovax
aftovaxpur
SAT1-SAT2-SAT3
MERIAL



Five Year Annual Review

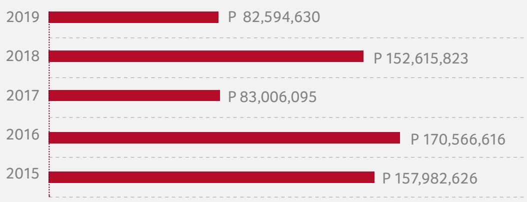
as at 31st December 2019

FIVE YEAR ANNUAL REVIEW for the year ended 31st December	2019 P	2018 P	2017 P	2016 P	2015 P
Statement of operational data					
Sale of goods and services	82,594,630	152,615,823	83,006,095	170,566,616	157,982,626
Other operating income/ loss	400,560	2,192,320	(223,159)	(3,654,421)	3,611,545
Cost of goods sold (less depreciation)	(76,546,408)	(64,472,391)	(43,142,939)	(64,967,992)	(105,132,233)
Selling and distribution costs	(6,783,309)	(16,736,989)	(4,361,842)	(23,486,676)	(1,321,310)
Administration costs	(6,935,605)	(26,254,282)	(14,802,270)	(15,399,439)	(13,170,702)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**(7,270,132)**	**47,344,481**	**20,475,885**	**63,058,088**	**41,969,926**
Depreciation	(22,351,303)	(22,530,257)	(14,304,119)	(15,463,118)	(15,796,432)
Operating profit / (Loss)	**(29,621,435)**	**24,814,224**	**6,171,766**	**47,594,970**	**26,173,494**
Finance income	7,138,895	7,190,134	5,820,922	4,453,480	2,086,716
Earnings before interest , taxation and amortisation (EBIT)	**(22,482,540)**	**32,004,358**	**11,992,688**	**52,048,450**	**28,260,210**
Finance cost	(1,019,933)	(2,431,842)	(4,967,891)	(10,109,786)	(12,449,506)
Net profit/ (Loss)	**(23,502,473)**	**29,572,516**	**7,024,797**	**41,938,664**	**15,810,704**

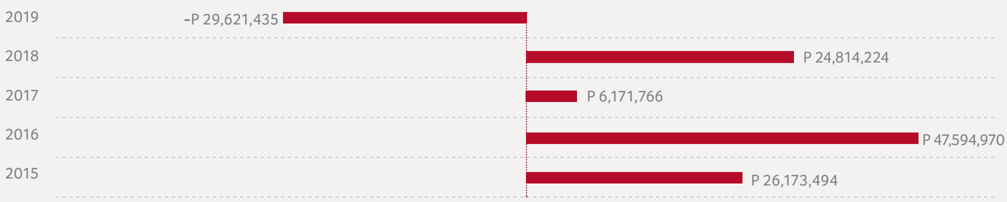
Five Year Annual Review

as at 31st December 2019

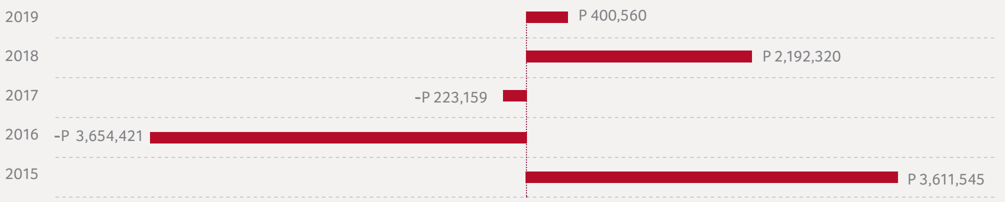
Sale of goods and services (BWP Millions)



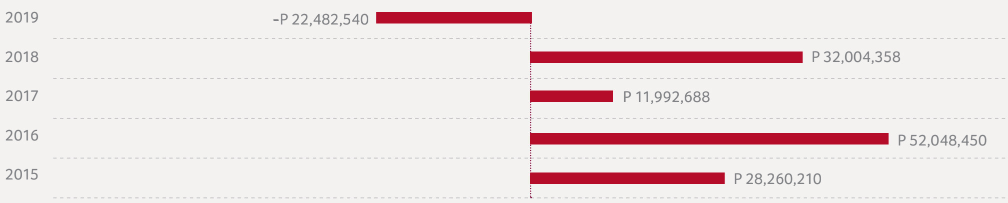
Operating profit / (Loss) (BWP Millions)



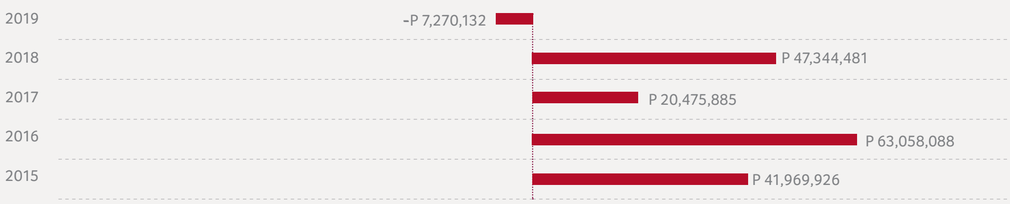
Other operating income/ loss (BWP Millions)



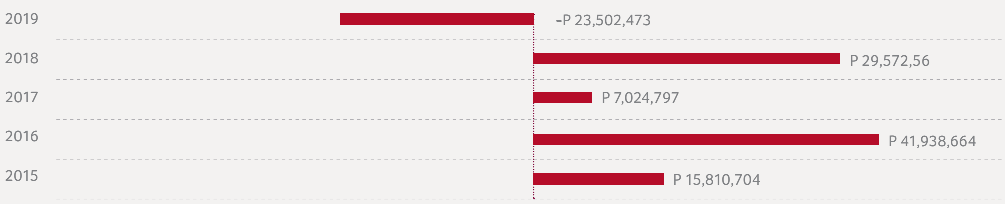
(EBIT) (BWP Millions)



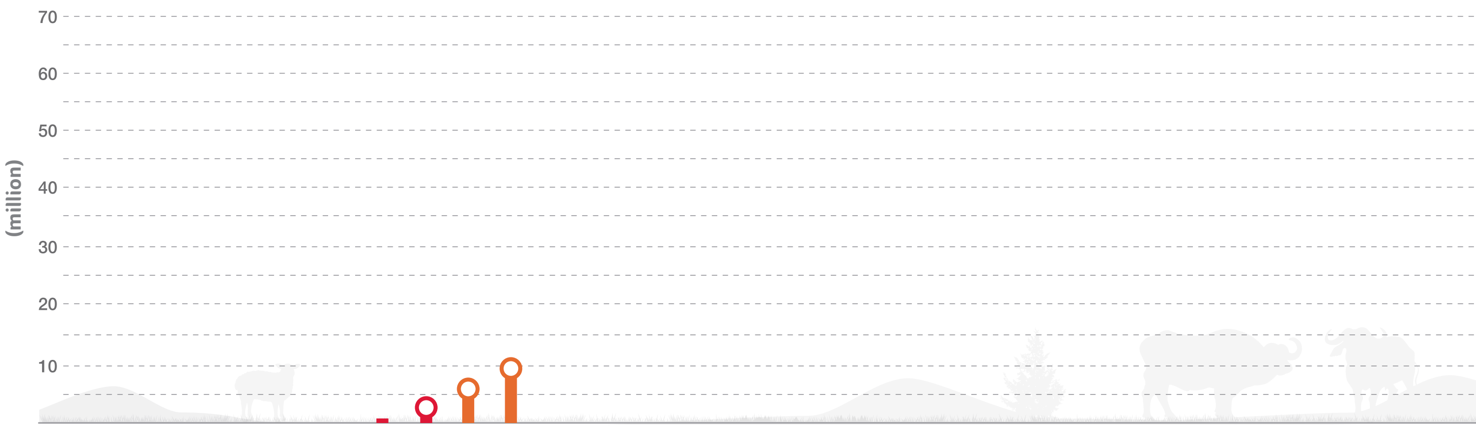
(EBITDA) (BWP Millions)



Net profit/ (Loss) (BWP Millions)



KEY BVI MILESTONES



1970 1980 1990

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 themodule

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

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

1985
Rinderpest Vaccine

1992
Anthrax Vaccine and Bw

1993
CBPP (Contagious Bovine Pleuro Pneumonia) Vaccine

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

1998
Pest des Petits Ruminants Vaccine

2000

2010

2020

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

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

2011
Launch of new purified FMD vaccine "Aftovaxpur"

2013
Award of the OIE PPR vaccine bank for Africa

2013
Award of the OIE PPR vaccine bank for Africa

2014
Renewal of the Technical Cooperation Agreement with MERIAL

2015
Sequestration and Return of Rinderpest Material to the AU PANVAC

2016
Launch of a GMP Compliant Blending and Filling Laboratory Project

BVI Board

Mr Makuke Stephen Makuke
CHAIRMAN

Ms Pinkie Mothopeng - Makepe
BOARD MEMBER

Dr Noel Joseph – Francois Detraz
BOARD MEMBER

Dr John C. Moreki
BOARD MEMBER

Mr Lentswe Monare
BOARD MEMBER

Mr Stephane Jeane - Pierre Perrin

BOARD MEMBER

Dr Kebadire Tlotleng

BOARD MEMBER

Ms Dikabelo Gaolaolwe

BOARD MEMBER

Mr Bennett Maifala

BOARD MEMBER

Ms Godiraone Pearl Mahlala

COMPANY SECRETARY

Chairman's Report

Honourable Minister

It is once again my honour and privilege to present, on behalf of the Board of Directors, the Annual Report and Audited Financial Statements for Botswana Vaccine Institute Limited (BVI) for the financial year ended 31st December 2019. While it is acknowledged that this was another tough and challenging year for the Company, I want to assure you that BVI's contribution towards the Ministry's goal of improving food security cannot be undermined. Although the 2019 financial results are not as good as we would have preferred, the result came in about where we expected, because of the uncertainties characterizing our operating environment. After recording impressive results in 2018 on account of increased demand for Foot and Mouth Disease (FMD) vaccines, it was obvious that the same demand levels could not be anticipated for 2019 because a good vaccination coverage has an effect of reducing the incidents of FMD outbreaks which in turn impact on the quantities demanded.

Operational Performance

On our financial performance, total revenue was P82.59 million compared to P152.6 million reported for the 2018 financial year, a 45.9 % year on year decrease. An operating loss of P 29.62 million on account of the decreased revenues was not matched with a decrease in operating expenses. BVI continues to experience negative cash flow challenges emanating from a delayed settlement of outstanding invoices by most of our traditional customers. This has in turn resulted in continued reliance on overdraft facilities to finance operational activities. We will continue exploring ways of improving our cash flow position through, among other things, imposing stringent credit control initiatives for both existing and potential customers. We will continue working towards improving our balance sheet and liquidity while strengthening our working capital management and reducing controllable costs to acceptable levels.

Strategic Focus and Alignment

Last year I reported that through the support of the Management Team, the Board is continuously assessing the Company's Strategy and operational efficiencies. It is for this reason that a tender for the development of a five (5) year Strategy was floated and we expect the assignment to be completed during the 2020 financial year. In line with best practice, we also invited Consultancy Firms with relevant experience to submit proposals for the Organizational Structure as well as the Remuneration and Salaries Review Project which we believe is important for the realization of the new Strategic Plan once it is developed. These two Projects are very key in delivering results that are in line with the Shareholder expectations.

Mr Makuke Stephen Makuke
CHAIRMAN

Corporate Responsibility

As a company, we remain committed to sustainable development, which for BVI means a balance between economic, social and environmental responsibility. These principles are applied throughout our product's value chain, from raw materials to production until the end of the entire life cycle. Although the current cash flow challenges have negatively affected the Company's ability to give back to the communities in which it operates, we maintained our sponsorship for the World Rabies Day commemorations. It is through this initiative that BVI is contributing to youth empowerment. In line with our mission, BVI has contributed prize money for a school essay competition that had been held during the World Food Day commemorations in Molepolole.

Outlook

The 2019 overall performance accentuated the importance of a diversified product portfolio and markets for BVI's long term sustainability. Implementation of stringent credit control measures remains a priority for BVI. Through the implementation of such credit control measures, we shall have embarked on a journey leading to self-reliance and utilization of internally generated funds that has no cost and hence reduce our finance costs.

revenues
recorded in 2019
P82.6 million
45.9 % decrease

Chairman's Report (continue)

Acknowledgements

I would like to take this opportunity, on behalf of the Board, to express our sincere gratitude to our parent Ministry; the Ministry of Agricultural Development and Food Security, who continue to provide unwavering support to BVI. I wish to record our appreciation for the support we have been receiving from our Technical Partners (MERIAL) for over 40 years! We have nurtured such an enriched relationship which can be exemplified by the stability and achievements that we are now enjoying. I would like to extend my appreciation to the Management Team who has worked so hard, with dedication and a professional attitude during a year full of challenges. My profound gratitude also goes to the Staff, for their commitment during the course of the year.

While we acknowledge that reduced revenues result in net losses, these results should rather encourage us to believe that we can score even better if we continue working together for a common goal – "providing sustainable animal health solutions". To our customers, it is my submission that you have continued demonstrating your laudable loyalty to our products and I commend you for that.

Thank you!
MR. Makuke Stephen Makuke
Chairman

Ba01
HV75
Bb02
PI92

Corporate Governance

Statement of Compliance

The Board of Directors is committed to a high level of corporate governance and fostering a culture that values ethical behaviour, integrity and respect. We believe that adopting and operating following high standards of corporate governance is essential for sustainable long-term performance and value creation. The Board is responsible for the overall corporate governance of BVI. This Statement reports on BVI's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.

Board Role and Responsibilities

The Constitution provides that the business and affairs of the company are to be managed by or under the direction of the Board. While it is acknowledged that as at the end of 2019, the Board had not yet finalised the approval process for the Board Charter, the principles as defined therein were used to govern the activities of the Board during the year. The Charter among other things provides details of the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the Management of BVI's business activities is delegated to the General Manager (GM) who is accountable to the Board. The central role of the Board is to set the company's strategic direction, to select and appoint a GM and to oversee the company's Management and business activities. In performing its role, the Board is committed to setting a high standard of corporate governance to drive sustainable corporate performance and to meet good market practice and stakeholder expectations.

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board:

- The appointment and removal of the GM, any other Executive Managers and the Company Secretary and determination of their remuneration and conditions of service;
- Approving Senior Management succession plans;
- Approving significant changes to organisational structure;
- Authorising borrowings, other than in the ordinary course of business, and the granting of security over the undertakings of the company or any of its assets;
- Authorising expenditures that exceed the GM's delegated authority levels;
- approving strategic plans and budgets;
- Approving policies of company-wide or general application; and
- Establishing procedures that ensure that the Board is in a position to exercise its powers and to discharge its responsibilities.

Corporate Governance (continue)

Board Composition

The Board has currently comprised of nine (9) non-executive directors and the CEO. Details of the directors, including their date of appointment and independent status, are set out in Table 1 below. 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 is set out in the Memorandum and Articles of Association.

The role of the Chairman (as fulfilled by Mr. Makuke. Stephen. Makuke) and General Manager (Dr. Onkabetse. George. Matlho) are separated and clearly defined. The Chairman is responsible for leadership and effective performance of the Board and for the maintenance of relations between Directors and Management that are open, cordial and conducive to productive cooperation. In addition, he is responsible for promoting best practice corporate governance and effective communication with the Shareholder and other key stakeholders.

The Board considers that collectively the directors represent the skills, knowledge and experience necessary and desirable to direct the company. The non-executive directors contribute operational and international experience, an understanding of the industry in which BVI operates, knowledge of financial markets and an understanding of the health, safety, environmental and community and other sustainability matters that are important to the company. The Board supplements its expertise with internal and external subject matter experts as appropriate (for example, regular attendance at Board meetings by relevant Managers).

MEMBER	POSITION	DATE AND PERIOD OF APPOINTMENT
Mr. Makuke. S. Makuke	Chairman	Appointed on 1st July 2018 for three years expiring on the 30th June 2021.
Dr. Noel Joseph Francois Detraz	Member	Member since 11th November 2016
Dr. John Cassius Moreki	Member	Appointed on 1st February 2017.
Dr. Kebadire Tlotleng	Member	Appointed on 1st July 2018 for three years expiring on the 30th June 2021.
Mr. Bennett Maifala	Member	Appointed on 1st July 2018 for three years expiring on the 30th June 2021.
Ms. Dikabelo Gaolaolwe	Member	Appointed on 1st July 2018 for three years expiring on the 30th June 2021.
Mr Stephane Jean - Pierre Perrin	Member	Member since 1st March 2015
Ms. Pinkie Mothopeng -Makepe	Member	Appointed on 1st April 2005, reappointed on 1st April 2011 for three years, reappointed for three years on the 1st April 2014, reappointed on 1st April 2017 for a further three years expiring on the 31st March 2020.
Mr. Lentswe Monare	Member	Appointed on 1st June 2005, reappointed on 1st June 2011 for three years, reappointed on 1st June 2014 for three years, reappointed on 1st June 2017 for a further three years expiring on the 31st May 2020.

Conflicts of Interest

The Board has approved a Directors' Conflict of Interest Procedure which applies if there is, or may be, a conflict between the personal interests of a director, or the duties a director owes to another company, and the duties the director owes to Woodside. Directors are required to disclose circumstances that may affect, or be perceived to affect, their ability to exercise independent judgement so that the Board can assess independence regularly. A director with an actual or potential conflict of interest concerning a matter before the Board does not receive the Board papers relating to that matter and when the matter comes before the Board for discussion, the director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision-making process.

Board Meetings

The Board meets at least four times a year and two of these meetings have to be attended by the MERIAL Representatives. One of these meetings serves to review and approve the business plan and budgets for the next financial year while the other one is for the consideration and approval of the Audited Financial Statements. In addition, the local 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, Membership and Terms of Reference

The Board has the ability under the company's constitution to delegate its powers and responsibilities to committees of the Board. This allows the directors to spend additional and more focused time on specific issues. The Board has four standing committees to assist in the discharge of its responsibilities. These are the:

- Finance and Audit Committee;
- Human Resources & Compensation Committee;
- Board Tender Committee and
- Board Project Steering Committee.

The committees operate principally in a review or advisory capacity, except in cases where powers are specifically conferred on a committee by the Board. Each Committee has a charter, detailing its role, duties and membership requirements. The committee charters are reviewed regularly and updated as required. Before the commencement of each year, the committees set an annual agenda for the coming year regarding the committee charters and other issues the committee members or Board consider appropriate for consideration by the committees.

The Finance and Audit Committee reviews BVI's procedures for the identification, assessment, reporting and management of risks. However, all committees maintain open lines of communication in relation to BVI's risk to ensure effective risk oversight, including through reports from the committee chairs to the full Board, common committee membership and extending invitations to all directors to attend meetings of standing committees. Membership of the committees is based on directors' qualifications, skills and experience. Each standing committee is comprised of:

- only non-executive directors;
- at least three members, the majority of whom are independent; and
- a chairman appointed by the Board who is one of the independent non-executive directors.

In accordance with the provisions of the 2004 Company's Act, the Board has established three Committees operating under their 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: -

Corporate Governance (continue)

- ***Finance and Audit Committee*** **–** the role of the Finance and Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the company's financial reporting, compliance with legal and regulatory requirements, internal control structure, risk management and insurance procedures and the internal and external audit functions. The Finance and Audit Committee's charter, which sets out further details on the role and duties of the committee. Members of the Finance and Audit Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which BVI operates, to be able to effectively discharge the committee's responsibilities. The chairman of the Finance and Audit Committee cannot be the Chairman of the Board.

- ***Human Resources Committee*** **–** The role of the Human Resources Committee is to assist the Board in establishing human resources and compensation policies and practices which:
  - enable the company to attract, retain and motivate employees who achieve operational excellence and create value for shareholders; and
  - reward employees fairly and responsibly, having regard to the results of Woodside, individual performance and general remuneration conditions.

  The Human Resources Committee's charter sets out further details on the role and duties of the committee. The committee's charter requires at least one member to have an understanding of remuneration policies and practices. The Human Resources Committee assists the Board to ensure that BVI's remuneration arrangements are equitable and consistent with the delivery of superior performance that is aligned to the creation of value for shareholders. To ensure it is fully informed when making remuneration decisions, the committee draws on services from a range of external sources, including remuneration consultants where appropriate.

  The Committee is comprised of three Directors. During the year, the Human Resources Committee members were Mr. Bennett Maifala (Committee Chairperson), Mr. Lentswe Monare and Ms. Dikabelo Gaolaolwe.

- ***Board Tender Committee*** **–** the Committee is comprised of three non-Executive Directors. During the year, the Board Tender Committee members were Dr. Kebadire Tlotleng (Committee Chairperson), Mr. Lentswe Monare and Mr. Bennett Maifala. The Terms of Reference (ToR) for the Committee are documented and agreed upon by the Board. The purpose of the Committee is to assist the Board in fulfilling its obligations relating to procurement matters. The Committee shall, among other things, review, monitor and recommend to the Board, significant matters related to the procurement of goods and services for the Botswana Vaccine Institute Limited in accordance with the approved Procurement Authority Limits and the Procurement Policy.

  While the Committee has an independent role, it is still accountable to the Board. The Committee derives its mandate from the delegated authority by the Board as recorded in the Terms of Reference.

Approval of Annual Financial Statements

In the absence of the Finance and Audit Committee at the time of considering the financial statements for the year ended 31st December 2019, these were reviewed by and approved by the full Board.

Growing Concern

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

Changes To The Board

There was no change in the composition of the Board during the 2019 financial year.

BVI
Management

Dr O. G. Matlho
GENERAL MANAGER

Ms K. M. Tibe
FINANCE MANAGER

Dr M. Mokopasetso
CHIEF VETERINARY OFFICER

Mr B. Chevalier
TECHNICAL SUPPORT MANAGER

Dr J. Hyera
OIE LABORATORY MANAGER

Mr. B. Ketlhaetse
PROCUREMENT & SUPPLIES MANAGER

Ms B. Salani
FMD PRODUCTION MANAGER

Mr E. Mlazie
ENGINEERING MANAGER

Ms L. Mozola
OTHER VACCINES PRODUCTION MANAGER

Ms K. Henry
HR & ADMINISTRATION MANAGER

Ms S. Percet
TECHNICAL MANAGER

Dr K. Moagabo
QUALITY CONTROL MANAGER

Dr M. Mazwiduma
SALES & MARKETING MANAGER

Mr B. Obusitse
QUALITY ASSURANCE & SHEB MANAGER

General Manager's Statement

Dr O. G. Matlho
GENERAL MANAGER

Performance Highlights

It gives me great pleasure to report on the performance of Botswana Vaccine Institute Limited (BVI) for the year ended 31st December 2019. This was a challenging year after an impressive performance achieved in 2018 financial year. The Company recorded an under-performance during the period under review in terms of sales and production against the set targets compared to 2018. The trends for the activity levels remained below target throughout the period. This was due to lack of vaccine uptake by customers despite the high demands as derived from customer confirmed orders.

Investments in business development, account management and marketing continued as part of the on-going focus for pursuing profitable growth by concentrating our efforts in proactively identifying and selectively exploring opportunities for growth within the targeted markets. An important component of increasing our competitiveness was to continually drive towards a more effective cost base by streamlining our procurement and optimising our shared services.

Operational Performance

The countries constituting the core of the BVI markets were impacted by the global economic downturn resulting in budgetary constraints, high inflations, and cash flow challenges. Some of our customers also experienced natural disasters (droughts and cyclones), resulting in re-prioritization of national budgets for the provision of essential requisites like human medicines to save human livelihoods against procurement animal vaccines. Even after securing a modest budget for vaccine supply, some countries were constrained to mobilise resources for vaccination campaigns.

It must be noted that most customers chose to secure funding to settle the outstanding debts prior to fulfilling their orders for 2019. Despite the repeated FMD outbreaks in some countries within the SADC region, it didn't stimulate the urgency to vaccinate and control the disease spread. This however should not be interpreted as lack of demand on the part of customers but rather lack of financial resources to implement disease control programs.

As previously reported, AFTOVAXPUR vaccines deepens our exposure to growth opportunities in the livestock industry as a "marker vaccine" for differentiating infected from vaccinated animals. The increased uptake of the vaccine by most of our customers would improve our efficiency levels and hence increase profitability.

Figure 1

Revenue Contribution Per Country

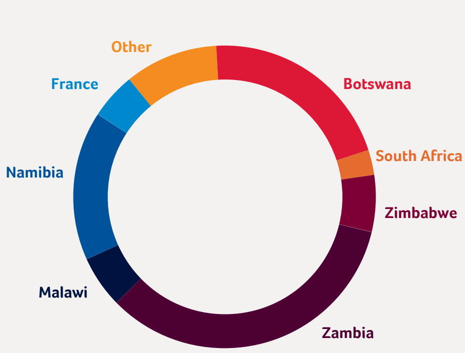
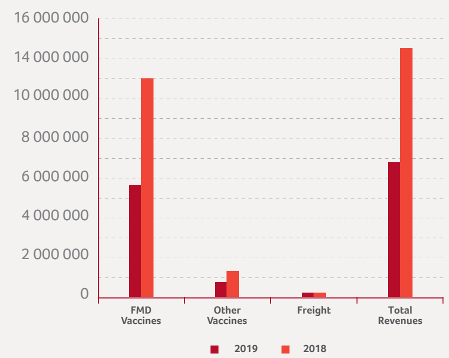


Figure 2

Production Contribution To Revenue



Strategic Issues

In order to maintain market leadership in FMD vaccine supply in Africa, BVI has taken an active role in the capacity building of FMD vaccine testing at the Pan African Veterinary Vaccine Centre (AU-PANVAC) OIE twinning project with OIE Regional Reference Laboratory for EU, and FAO World Reference Laboratory in Pirbright Institute (PI- WRL). PANVAC ability to fully test FMD vaccines manufactured by African Laboratories will greatly reduce the proliferation of substandard FMD vaccines in the continent.

The BVI business model has shown that agency sales of finished products from reputable manufacturers is a low risk and requires low investment while yielding high returns. BVI therefore would aggressively increase agency products and offer to the market locally orientated products that are tailor made for Botswana and on demand for the regional market.

World Organisation of Animal Health (OIE) Reference Laboratory Activities

The laboratory continued to execute its OIE mandate for the Sub Saharan Africa. It provided technical support for harmonisation of laboratory techniques for FMD diagnosis and expertise for disease investigations during outbreaks, surveillance and control of FMD in the region. The laboratory coordinated the proficiency testing for serological test using liquid phase blocking Elisa for the regional National Veterinary Laboratories as well as participating in the annual proficiency testing conducted by OIE/FAO network of reference laboratories for FMD.

Participation In Research on FMD Virus Strains Circulating In Wildlife

In an attempt to address the challenges associated with sporadic outbreaks within vaccinated areas, BVI have embarked on a joint project with one of the customers and the project aims at researching into virus strains circulating in wildlife populations, more importantly in the buffalo as the reservoir.

The virus isolates will be studied at molecular level and antigenically, and compared through antigenic match with currently available vaccine strains used to produce the trivalent vaccine being applied for immunization. Potential potent wildlife strains are candidates for consideration for adaptation and incorporation into the vaccine mix as appropriate. The results also demonstrate scientifically that there are no new mutants' circulation in the wildlife, and that current vaccine strains used are immuno-dominate for the region.

This will further support the implementation and promotion of commodity-based trade for regional and international trade, that following the vaccination with BVI vaccines, the meat is safe for trade from vaccinated areas so that communities can access lucrative markets. The focus is freedom for meat from FMD virus or antigens, not the geographical location as in past.

Training

The Laboratory hosted a PhD student from BUAN and provided training to facilitate immunogenic protein profiling for Cysticercus bovis; which is the cause of bovine cysticercosis, commonly known as beef measles. The techniques exposed to included protein extraction, SPDS-PAGE and Western Blotting. The Laboratory also offered training to BITRI Research Team working in partnership with BVI on the development of a Pen side test for FMD diagnosis at kraal level. The training involved quantitative estimation of FMD antibodies by the non-structural protein (nsp) ELISA.

Our Employees

Only a strong and inspired Team can drive excellent performance especially in a challenging business environment. Great emphasis was put on the continuous improvement and fostering a unique industrial culture at BVI as well as strengthening of the leadership qualities. We are proud of the diverse backgrounds possessed by our workforce in terms of the educational background, skills and experiences which blends well as one of the key success factors for the Institute.

Outlook

Despite the difficult trading environment during 2019 and all the uncertainties associated with BVI business, it still remains sustainable due to the prevailing strong demands for products and services. The difficult trading environment and the business uncertainty is expected to continue into 2020 as most customers couldn't out rightly confirm their 2020 vaccine requirements as was done in the past. The main challenge for most customers is ability to secure adequate Government budget to fund the settlement of the outstanding debts and procure vaccines in 2020. The forecasted epidemic situation of FMD in the region is that of continued recurrence of FMD outbreaks during the next few years which is expected to continually drive the demand for vaccines.

2020 will be another challenging year. But we are well prepared, and – thanks to the dedication of our Employees – we are confident that we can continue to outperform our markets and deliver sustainable growth and long-term value to all stakeholders.

Acknowledgements

I would like to take this opportunity to thank you all as our key stakeholders: a special thank you to our Shareholder for your continued trust, support and confidence in BVI as a strategic Institution as we navigate through the changing requirements of the International Standards for pharmaceutical industry; to our loyal customers, we really appreciate your continued confidence in our products as well as the feedback that motivates us to continuously improve our product and service offerings. To our Technical Partners, Boehringer Ingelheim Animal Health (BIAH), this is a journey well-travelled though our destination is still far.

Total Vaccine Sales
In BWP

FMD Vaccine Production Cycle

STAGE A — PRELIMINARY OPERATIONS

- **Cells Culture** in Bioreactor through successive larger volumes
- **Media Preparation** including treatment of Bovine serum
- **Virus Inoculum** preparation

STAGE B — ANTIGEN PRODUCTION

Virus Culture

- Virus amplification
- Virus culture harvested
- Virus culture clarified
- Virus culture inactivated

STAGE C — ANTIGEN PURIFICATION AND CONCENTRATION

- **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

STAGE D — VACCINE PREPARATION

- Purified FMD vaccine **AFTOVAXPUR®**
- **Emergency** vaccines
- Purified FMD vaccine **AFTOVAXPUR®**

Vaccine Blending and Filling

- Required number of with adjuvant
- Vaccine dispensed into vials under aseptic conditions
- Vials labelled and stored at +5°C

STAGE E — VACCINE CONTROL

Final Product Testing

- Potency testing
- Safety testing
- Quality testing

Final Product Releasing

In Confined and Clean Area

In Clean Area

In Quarantine and Clean Area

Technical Manager's Report

Overview

Our mission, which is in line with the BVI vision, is to supply products that conform in terms of quantity, quality and "on time in full" to our customers while controlling production costs within acceptable levels. While we pursue opportunities for continuous improvement initiatives that could result in cost savings, we cannot underestimate the importance of carrying out these activities in a secure environment under the Quality Assurance procedures and the techniques or standard operating procedures and instructions in force.

Net loss of
P23.50 million
Achieved in 2019

Net profit of
P29.57 million
Recorded in 2018

At the beginning of 2019, BVI had accumulated a stock of FMD vaccines that was needed for the fulfilment of the forecasted vaccine orders that were received at the end of 2018. These forecasted sales orders did not materialize and as such the production schedule was therefore aligned to the reduced demand. It is however important to note that as at the end of 2019, the FMD antigen stock was just over six (6) million doses which translate to 33%ore than the average stock for the previous years at the same period and this stock could roughly allow us to fulfil half of the projected demand for 2020.

The Foot and Mouth Disease vaccine production:

The FMD vaccine is the main product of the Institute in terms of quantities produced per year and its contribution to turnover. The production activities for FMD antigen production resumed in March 2019 with a single shift organisation. given the anticipated reduced demand for FMD vaccines, the production plan was adapted to concentrate on the production of purified antigens which have longer shelf life relative to the conventional antigens. This was also in line with the BVI strategy to supply all the major customers with the AFTOVAXPUR vaccine.

Ms S. Percet
TECHNICAL MANAGER

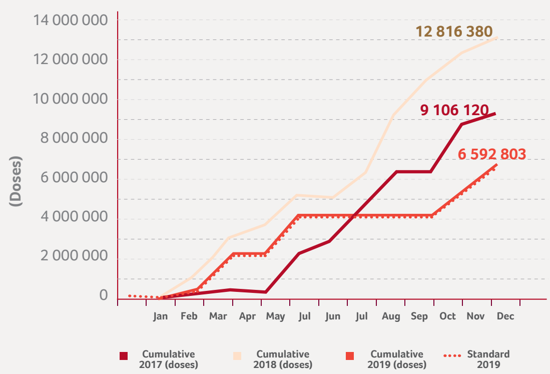
Technical Manager’s Report (continue)

Production Indicators

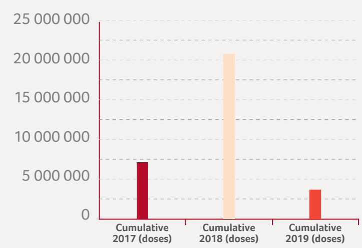
It is important to highlight as at the 31st December 2019, a total of fifteen (15) batches of FMD antigens were produced, in addition to achieving an improvement of 4.8% in terms of the standard yield, out of these batches, three (3) were for the new FMD serotypes that were produced for the first time within the BVI production facilities. This is a notable achievement as allows the Institute the opportunity to access the East and West African markets.

Driven by the sales and available stock levels, the production of FMD vaccines was significantly lower than in 2018.

FMD Antigen Production in Monodoses



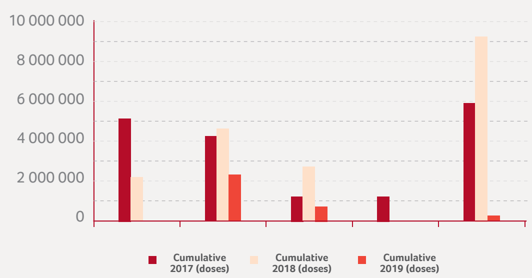
FMD Vaccines Monodoses Produced



Other Vaccines Production (Non- Fmd):

In line with the BVI production strategy, the production for other vaccines was aligned to customer needs and as such production activities were very minimal. It is however important to note that BVI was appointed as the European Commission (EC) PPR vaccine bank effective 2018 and the bank was maintained in 2019.

Other Vaccines Production in Monodoses



Quality Improvements

For BVI, the destruction target is set at 4% which is aligned to the targets set for one of the best-in-class biological laboratories worldwide. Since the introduction of the "Mastery of Sterility" programme in 2015, BVI has been able to remain within this target. It is important to highlight that during 2019, for each reported destruction and non – conformance, the Define – Measure – Analyse – Improve – Control **(DMAIC)** method was used to analyse possible factors that could have contributed to the destructions and these were categorised according to the 5Ms (Man, Machine, Material, Method, Mother Nature) and summarised in the Ishikawa diagram (Cause Effect Diagram) to identify the root cause. Aseptic Process Simulations (APS) are also normally carried out to assess the contamination risk. It is important to highlight that over the past three (3) years, the root cause analysis revealed that the destructions were not attributable to human error but rather process equipment failures which were accordingly addressed.

BVI received for the first time a Good Manufacturing Practice **(GMP)** certificate for the FMD production stream from an external party, Uganda Drugs Authority and the certificate is valid for two (2) years.

Conclusion

2019 recorded a sharp decline in demand which in turn resulted in a lower production activity level. While the activity level was lower compared to 2018, all was not lost as the Technical Department collaborated with the Quality Assurance Department on the implementation of GMP action plans.

In vaccine manufacturing facilities, where aseptic processing is of paramount importance, the fight against contaminations is a continuous process that calls for the support of all functions at all times. The Technical Department will continue bringing awareness on the sterility principles, foster collaboration between Teams which will, in turn, continue strengthening the foundation of our aseptic operations.

This success wouldn't have been achieved without the team spirit, commitment and flexibility that were demonstrated by the BVI Staff and Management during this challenging year.

Market Review

A market characterized by volatility both in terms of customer demands and price sensitivity. 2019 was yet another challenging year both in terms of quantities procured as well as the product diversity.

In an attempt to address issues of uncertainties surrounding the demand for our products, a sales and marketing framework was developed. The introduction of new FMD vaccine strains into the pool of vaccines available from BVI and thus providing us with the flexibility to explore fully after African FMD markets. To maintain market leadership in FMD vaccine supply in Africa, BVI has taken an active role in the capacity building of FMD vaccine testing at the Pan African Veterinary Vaccine Centre (AU – PANVAC) OIE twinning project with OIE Regional Reference Laboratory for EU, and FAO World Reference Laboratory in Pirbright Institute (PI – WRL).

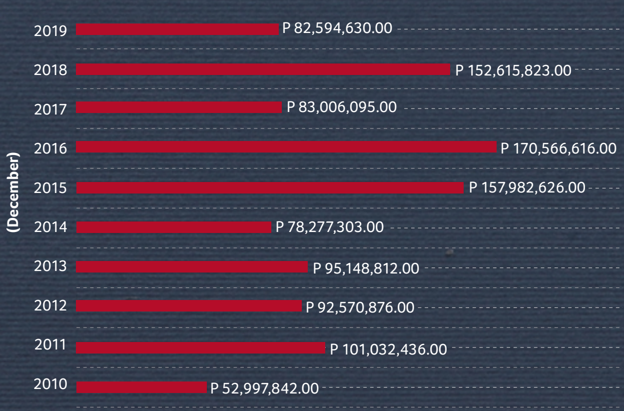
While BVI has made significant progress in market penetration and achieved repeat sales within the regional market, a lot of effort is required if the Institute is to capture the East African region, which has the highest concentrations of livestock populations (Ethiopia, Sudan & Somalia with a combined cattle population of 212 million). The main objective is to provide this region with access to adequate quantities of good quality vaccines and appropriate combinations of vaccine strains to facilitate economic contribution from the abundant livestock resources within this economic region.

In terms of competition, BVI faces competition for the supply of Contagious Bovine Pleuropneumonia (CBPP) and Peste des Petits Ruminants (PPR) vaccines from both African and International Laboratories. While the existence of competitors is acknowledged, the efficiencies that would be realised from production process improvements would allow BVI to retain market leadership in terms of product quality and competitive pricing.

2019 has provided further evidence that most of our customers are experiencing cash flow challenges / budgetary constraints making it impossible for most of them to settle their outstanding debts within the agreed credit period. This is further confirmed by the variability of sales revenue on an annual basis as depicted in Figure 1 below.

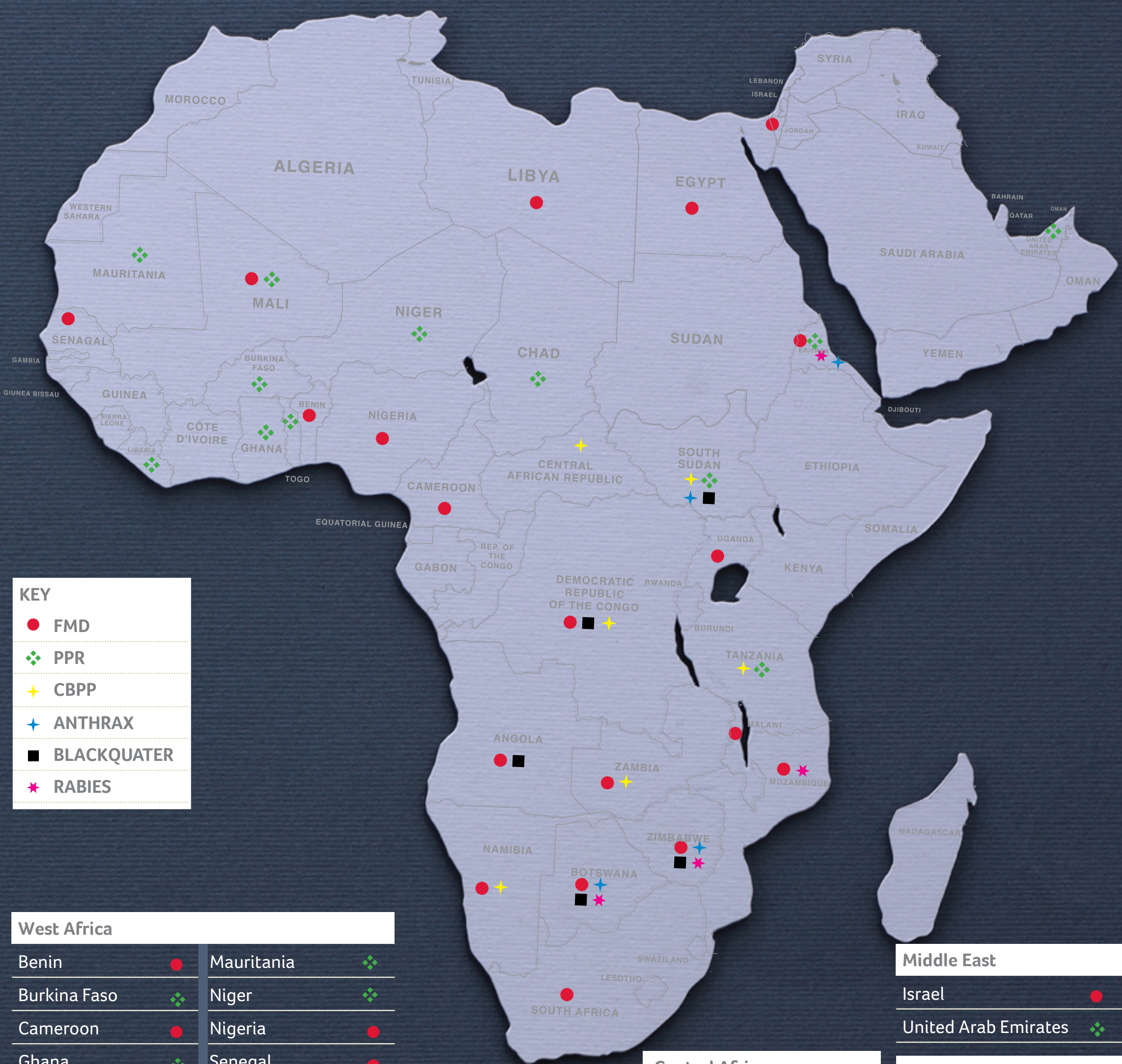
Figure 1

BVI Total Revenue December (2010-2019)



We will continue to adapt to the ever-changing operating environment and remain focused on delivering consistent, competitive and sustainable growth. Key to our sustainable business model are our stakeholders and in order to succeed there has to be continuous engagement. Some of our stakeholders are direct participants in our value chain and are integral to our ability to create value for our Shareholders

MAP OF BVI SALES (2012-2019)



KEY

- FMD
- PPR
- CBPP
- ANTHRAX
- BLACKQUATER
- RABIES

West Africa			
Benin	FMD	Mauritania	PPR
Burkina Faso	PPR	Niger	PPR
Cameroon	FMD	Nigeria	FMD
Ghana	PPR	Senegal	FMD
Liberia	PPR	Togo	PPR
Mali	PPR, FMD		

Southern Africa			
Angola	FMD, BLACKQUATER	Namibia	FMD, CBPP
Botswana	FMD, ANTHRAX, BLACKQUATER, RABIES	South Africa	FMD
Malawi	FMD	Zambia	FMD, CBPP
Mozambique	FMD, RABIES	Zimbabwe	FMD, ANTHRAX, BLACKQUATER, RABIES

Central Africa	
Chad	PPR
Central Africa Rep.	CBPP
DRC	FMD, BLACKQUATER, CBPP

Product Registration	
UAE, Iran, Iraq, Kuwait	PPR
Zimbabwe	FMD
Tanzania	CBPP

Middle East	
Israel	FMD
United Arab Emirates	PPR

East Africa	
Eritrea	PPR, ANTHRAX, FMD, RABIES
South Sudan	CBPP, PPR, ANTHRAX, BLACKQUATER
Tanzania	CBPP, PPR
Uganda	FMD

North Africa	
Egypt	FMD
Libya	FMD

Finance Manager's Report

Ms K. M. Tibe
FINANCE MANAGER

2019 – A year characterized by economic challenges

Each year has its own challenges and rewards, for Botswana Vaccine Institute Limited (BVI), 2019 was no different. Despite a strong economic headwind, we continued on a steady path of perfection driven by performance focus and cost control initiatives. The ability for BVI to manage through a challenging year like 2019 and maintain financial strength is one of the many reasons the Institute has been able to execute its core mandate and continue providing the much-needed support to the Region.

Gross loss of
P13.28 million
Achieved in 2019

Gross margin of
P68.54 million
in 2018

There are many signs of progress on our journey towards becoming a simpler, stronger, more successful company generating free cash flow in a sustainable, predictable manner. However, as these results show, progress has been slower and more expensive than we had hoped, partly because some of the challenges could not have been fully anticipated in 2019.

What continues to give us some discomfort is the fact that in 2019, a gross loss of **P13.28 million** was achieved which points towards an unsustainable cost structure which is constituted of **60%** fixed costs while only **40%** are variable. The Institute achieved a significant decline in revenues of **45.9%** which was not matched with a decline in operating costs and therefore resulting in a net loss of **P23.5 million** recorded for the 2019 financial year.

Financial Overview

Against a backdrop of reduced revenues resulting from low economic growth and constrained customer spending that has prevailed in the current year, BVI produced financial results that are not aligned to the forecasts, highlighting the need for diversification of the markets in which we trade.

Whilst total revenues recorded in 2019 were at **P82.6 million**, a **45.9 %** decrease when compared to 2018, cost of sales increased from **P84.04 million** in 2018 to P **95.9 million** in 2018 on account of the higher proportion of fixed costs relative to those variables. A net loss of **P23.50 million** was recorded compared to a net profit of **P29.59 million** recorded in 2018.

Stringent credit control initiatives coupled with continuous follow up on debtors yielded positive results as evidenced by a reduction in the provision for impairment from **P 14.3 million** at the end of 2018 to **P5.84 million** in 2019.

Finance Manager's Report (continue)

Review of the Statement of Comprehensive Income

Total revenues generated

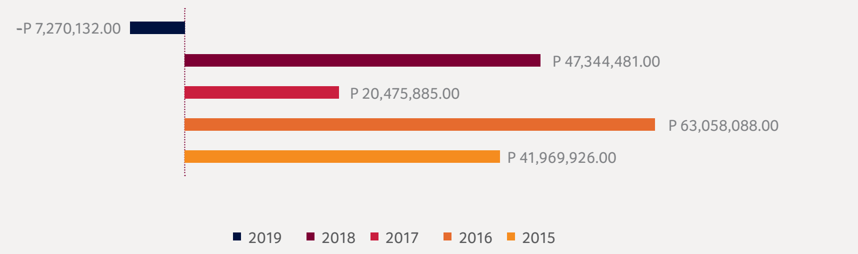
- Total revenue decreased by P70.01million (45.9%) to P82.6million (2018: P152.61 million). The revenue decrease is largely attributable to the deferral of delivery of some confirmed orders to allow customers to settle overdue balances carried over from prior years.

Profitability

- Gross loss of P13.28 million was achieved in 2019 compared to a gross margin of P68.54 million in 2018
- Operating loss P29.62 million recorded in 2019 compared to an operating profit of P24.81 million in 2018 on account of reduced revenues.
- Net loss of P23.50 million was achieved compared to a net profit of P 29.57 million recorded in 2018.
- Finance costs for the year were P1.02 million, compared to P2.43 million on a comparable annual basis.
- Total salary costs decreased from P28.52 million in 2018 to P27.03 million in 2019 as a result of reduced activity level and hence deferral of recruitment for vacant positions.

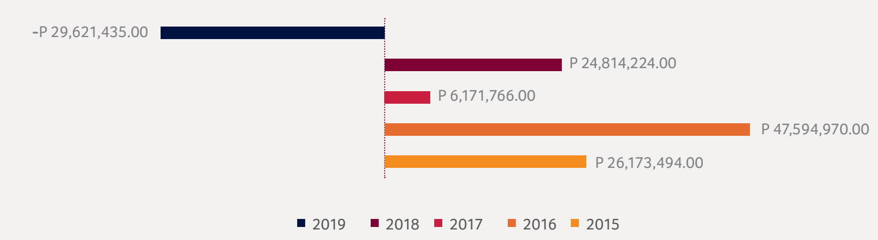
Graph 1

Earnings Before Interest, Tax,Depreciation and Amortisation (2015-2019)



Graph 2

Operating Profit (2015-2019)



Statement of Financial Position

As of 31 December 2019, the capital employed (calculated as total assets minus current liabilities) had decreased to P389.1 million compared to P403.98 million in 2018. This was primarily due to the decrease in current assets reported during the period resulting from a significant reduction in inventories as at year-end. Net gearing was maintained at Nil.

Cash Flow, Net Debt and Capital Structure

The debt facility comprises an unsecured term loan of P15 million repayable over one (1) year, with a floating interest rate linked to the prime rate (6.5%with the final instalment falling due on the 1st July 2020. In addition to the term loan, as at the year-end, a balance of P47,323 (inclusive of interest was outstanding concerning the Debt Participation Funding limited and the final instalment is due in 2020. Out of an overdraft facility of P18 million, only P 7.54 million was utilized as of the 31st December 2019. The Company has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods.

Looking ahead – our path to value creation in 2020 and beyond

We have continued to work hard to deliver on the commitments of our strategy – to simplify, strengthen and succeed. But there is more to do to achieve our goals and, while we are convinced that the plan remains the right one, not everything has worked in our favour.

Looking further ahead, the improvements made to the business in recent years give us the confidence that BVI will continue to deliver good results and cash through the business cycle. Although creating a competitive cost base for BVI remains critical for the long-term financial sustainability of the Company, improved cash flow generation/management continues to be a priority in 2020.

Operating loss
P29.62 million
Recorded in 2019

Operating profit of
P24.81 million
in 2018

Botswana Vaccine Institute Limited
(Companyregistrationnumber.BW00001577802)

Annual Financial Statements

for the year ended 31 December 2019

CONTENTS

General Information

Business operations
Botswana Vaccine Institute Limited (the Company) is a limited liability company registered in Botswana. The Company manufactures and distributes veterinary vaccines.

Directors
Ms. Godiraone Pearl Mahlala
Mr. Makuke Stephen Makuke°
Dr. Kebadire Tlotleng°
Mr. Bennett Maifala°
Mr. Dikabelo Gaolaolwe°
Ms. Agnes Pinky Makepe°
Mr. Lentswe Monare°
Mr. John Cassius Moreki°
Mr. Stephane Pierre Perrin+
Mr. Noel Joseph Detraz+
°Motswana   +French

Secretary
Ms. Godiraone Pearl Mahlala

Registered Office
Plot 6385/90, Lejara Road,
Broadhurst Industrial Estate, Gaborone.

Bankers
ABSA Bank of Botswana Limited
Standard Chartered Bank Botswana Limited
BancABC Limited

Auditors
PricewaterhouseCoopers

Company registration number
BW00001577802

Statement of Responsibility by the Board of Directors

For the year ended 31 December 2019

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 and available cash resources.

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 annual financial statements set out on pages 45 to 92 were authorised for issue by the Board of directors on _______________ and are signed on behalf of the Company by:

Director **Director**

Independent Auditor's Report

To the Shareholder of Botswana Vaccine Institute Limited

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Vaccine Institute Limited (the "Company") as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Botswana Vaccine Institute Limited's financial statements set out on pages 45 to 92 comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Expected credit losses on trade receivables At 31 December 2019, the Company recognised trade receivables of P77 416 204, after deducting expected credit losses ("ECL") of P5 840 143. The Company applied the simplified approach to determine the ECL on trade receivables as required by International Financial Reporting Standard 9 - Financial Instruments (IFRS 9).	**Our audit procedures included the following:** • Through discussions with management, we gained an understanding of the Company's relevant controls relating to credit origination, credit control and debt collection. Where we intended to rely on controls, we tested the operating effectiveness of those controls on a sample basis.

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

Significant assumptions used by management in the determination of ECL are:

- The timing of future cash flows, which are assumed to take a similar pattern to historical cash flows, as modified by known changes;
- The risk of default (measured with reference to sovereign credit ratings); and
- Where relevant, donor financing pledged to customers (credit enhancements) which will remain in place over the forecast period.

The determination of ECL of trade receivables was considered to be a matter of most significance to the current year audit due to the significant judgement and estimates applied by management in determining the ECL.

The disclosures associated with ECL of receivables are set out in the financial statements in the following notes:

- Note 5.1 – Trade and other receivables;
- Note 9.2 – Risk Management, Credit Risk; and
- Note 8.1.2 – Use of Estimates and

Judgements, Impairment provision on trade receivables

- We assessed the policy adopted by management with respect to the ECL model against the requirements of IFRS 9 and found the policy to be consistent with the principles of IFRS 9.

- We agreed a sample of the data utilised in management's ECL model as at 31 December 2019 to relevant underlying documentation. No material differences were identified.

- We compared the cash flows used by management with respect to each individual customer to historical payment patterns, outcomes of recent correspondences that are relevant to the assessment and where applicable, the evidence supporting any credit enhancements in place. Based on our work performed, we accepted management's cash flow assumptions.

- We tested the reasonability of the loss given default applied by management by comparing them to actual incurred loss given default and, based on the results of our comparison, accepted the assumptions used.

- We compared management's calculated rates of default for the determination of ECL to our independently obtained sovereign credit ratings applicable to each customer. No material differences were noted.

- We recalculated the adjustment required to unwind the cash flows over the remaining term of the receivables, and noted no material adjustments to be processed in this regard.

- We evaluated the financial statement disclosures of the trade receivables against the requirements of IFRS 7 - Financial Instruments: Disclosures. In doing so, we considered the following:

  - judgements and assumptions applied by management; and
  - the classification of trade and other receivables on application of IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Botswana Vaccine Institute Limited Annual Financial Statements for the year ended 31 December 2019"*, which we obtained prior to the date of this auditor's report and the other sections of the document titled *"Botswana Vaccine Institute Limited Annual Report 2019"*, which is expected to be made available to us after the date. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Individual practicing member: Sheyan Edirisinghe	Gaborone
Registration number: 20030048	30 April 2021

Botswana Vaccine Institute Limited

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 P	2018 P Restated
Revenue	2	**82,594,630**	152,615,823
Cost of sales	3.3	**(95,869,729)**	(84,073,347)
Gross (loss) / profit		**(13,275,099)**	68,542,476
Administrative expenses		**(18,380,455)**	(21,476,594)
Reversal / (provision) of trade receivable impairment		**8,416,868**	(7,706,988)
Distribution costs		**(6,783,309)**	(16,736,989)
Other income	3.1	**935,781**	1,242,546
Other (losses) / gains	3.2	**(535,221)**	949,774
Operating (loss) / profit		**(29,621,435)**	24,814,224
Finance income	3.4	**7,138,895**	7,190,134
Finance costs	3.4	**(1,019,933)**	(2,431,842)
Net finance income		**6,118,962**	4,758,292
(Loss) / profit before income tax		**(23,502,473)**	29,572,516
Income tax expense	4	**-**	-
(Loss) / profit for the year		**(23,502,473)**	29,572,516
Other comprehensive income			
Item that will not be reclassified to income statement			
Revaluation gain on property, plant and equipment	6.1	**8,713,626**	-
Total comprehensive (loss) / income for the year		**(14,788,847)**	29,572,516

Botswana Vaccine Institute Limited

Statement of Financial Position

For the year ended 31 December 2019

	Notes	2019 P	2018 P Restated	2017 P Restated
ASSETS				
Non-current assets				
Property, plant and equipment	6.1	**132,688,582**	134,259,266	147,658,396
Current assets				
Inventories	6.2	**74,303,310**	89,102,678	71,730,950
Trade and other receivables	5.1	**81,657,011**	79,140,764	64,575,970
Financial assets at fair value through profit or loss	5.2	**77,994**	74,832	72,515
Cash and cash equivalents (excluding bank overdrafts)	5.3	**165,987,433**	168,530,025	179,207,341
		322,025,748	336,848,299	315,586,776
Total assets		**454,714,330**	471,107,565	463,245,172
LIABILITIES				
Non-current liabilities				
Interest bearing borrowings	5.5	**-**	76,190	132,574
Current liabilities				
Trade and other payables	5.4	**42,109,219**	56,815,326	34,193,609
Interest bearing borrowings	5.5	**18,924,674**	5,183,132	44,580,597
Employee benefit obligations	6.3	**4,561,768**	5,125,401	4,194,879
		65,595,661	67,123,859	82,969,085
Total liabilities		**65,595,661**	67,200,049	83,101,659
Net assets		**389,118,669**	403,907,516	380,143,513
EQUITY				
Capital and reserves				
Stated capital	7.1	**278,347,000**	278,347,000	278,347,000
Other reserves	7.2	**46,772,096**	38,058,470	38,058,470
Retained earnings		**63,999,574**	87,502,046	63,738,043
Total equity		**389,118,669**	403,907,516	380,143,513

Botswana Vaccine Institute Limited

Statement of Changes In Equity

For the year ended 31 December 2019

	Notes	Stated capital P	Other reserves P	Retained earnings P	Total equity P
For the year ended 31 December 2017					
Balance at 31 December 2017 as previously stated		278,347,000	171,538,730	117,560,763	567,446,493
Prior year restatement	18	-	(133,480,260)	(53,822,720)	(187,302,980)
Balance at 31 December 2017 as restated		**278,347,000**	**38,058,470**	**63,738,043**	**380,143,513**
For the year ended 31 December 2018					
Balance at 1 January 2018 as restated		278,347,000	38,058,470	63,738,043	380,143,513
Adjustment on initial application of IFRS 9		-	-	(5,808,513)	(5,808,513)
Adjusted Balance at 1 January 2018		**278,347,000**	**38,058,470**	**57,929,530**	**374,335,000**
Profit for the year (Restated)		-	-	29,572,516	29,572,516
Balance at 31 December 2018		**278,347,000**	**38,058,470**	**87,502,046**	**403,907,516**
For the year ended 31 December 2019					
Balance at 1 January 2019		278,347,000	38,058,470	87,502,046	403,907,516
Loss for the year		-	-	(23,502,473)	(23,502,473)
Other comprehensive income					
Revaluation gain on land and buildings	7.2	-	8,713,626	-	8,713,626
Balance at 31 December 2019		**278,347,000**	**46,772,096**	**63,999,574**	**389,118,669**

Botswana Vaccine Institute Limited

Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 P	2018 P Restated
Cash flows from operating activities			
Operating (loss) / profit		**(29,621,435)**	24,814,224
Adjustment for non cash items:			
Depreciation	6.1	**22,351,303**	22,530,257
Loss on disposal of property, plant and equipment	3.2	**-**	11,596
Unrealised fair value gains	3.2	**(3,163)**	(2,318)
Changes in working capital			
Inventories		**14,799,368**	(17,371,728)
Trade and other receivables		**(2,516,247)**	(20,373,307)
Employee benefit obligations		**(563,633)**	930,522
Trade and other payables		**(14,706,107)**	22,621,717
Cash (used in) / generated from operations		**(10,259,913)**	33,160,964
Interest paid	3.4	**(1,019,933)**	(2,431,842)
Net cash (used in) / generated from operating activities		**(11,279,846)**	30,729,122
Cash flows from investing activities			
Payment for property, plant and equipment	6.1	**(12,066,993)**	(9,145,856)
Interest received	3.4	**7,138,895**	7,190,134
Proceeds from sale of property, plant and equipment		**-**	3,133
Net cash used in investing activities		**(4,928,098)**	(1,952,589)
Cash flows from financing activities			
Borrowings during the year		**15,000,000**	-
Repayment of borrowings		**(3,737,226)**	(39,937,846)
Net cash generated from / (used in) financing activities		**11,262,774**	(39,937,846)
Net decrease in cash and cash equivalents		**(4,945,170)**	(11,161,313)
Cash and cash equivalents at beginning of year		**163,394,215**	174,555,528
Cash and cash equivalents at end of year	5.3	**158,449,044**	163,394,215

1. Segment information

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

The Steering Committee examines the Company's performance and has identified a single segment as the Company operates through a single operational unit in Gaborone, Botswana and approximately 80% of its product-line comprise of a single product, the foot and mouth diseases (FMD) vaccine. Therefore, the Company's operations exhibit similar long-term financial performance and similar economic characteristics. Accordingly, these annual financial statements reflect the manner in which the Steering Committee manages and operates the Company's affairs. They review the results of the segment on a monthly basis by going through the activities of the Company and their impact on the results of the segment.

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

1.1 Geographical information

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

	2019 P	2018 P
Namibia	**17,670,868**	30,892,068
Zambia	**24,836,208**	5,245,393
Zimbabwe	**7,212,529**	55,106,071
Botswana	**14,673,821**	22,290,486
South Africa	**3,003,540**	5,757,753
France (Guinea)	**4,196,643**	-
Mozambique	**841,773**	13,176,874
Benini	-	9,871,931
Malawi	**4,560,931**	3,584,089
South Sudan	**1,378,436**	5,789,757
Other	**4,219,881**	901,401
	82,594,630	152,615,823

1. Segment information (continued)

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

Revenues from external customers come from the sale of vaccines and where the customer does not arrange for the transportation of the products, the freight charges are billed accordingly. Revenues from a single customer, which are significant, and where the revenues exceed 10% of the total revenues, arise from the following geographical locations:

	2019 P	2018 P
Namibia	**17,670,868**	30,892,068
Zimbabwe	**7,212,529**	55,106,071
Botswana	**14,673,821**	22,290,486
Zambia	**24,836,208**	5,245,393

2. Revenue from contracts with customer

a) Disaggregation of revenue from contracts with customers

The main contributing product to the BVI revenues is the Foot and Mouth Disease vaccine (FMD) contributing more than 80% annually with the remaining 20% derived from all other vaccines. The Company derives revenue from the sale of vaccines at a point in time in the following major product lines and geographical locations:

	2019 P	2018 P
FMD Vaccines		
Botswana	**11,961,693**	17,591,422
South Africa	**2,997,717**	5,757,753
Zimbabwe	**4,959,542**	49,962,006
Zambia	**24,342,710**	5,082,321
Benin	-	45,904
Mozambique	-	20,562,297
Malawi	**4,560,931**	3,558,409
Namibia	**16,193,472**	29,976,916
France	**4,196,643**	-
Sub Total	**69,212,708**	132,537,028

2. Revenue from contracts with customer (continued)

a) Disaggregation of revenue from contracts with customers

	2019 P	2018 P
Other vaccines		
Botswana	**2,712,129**	4,672,607
Zimbabwe	**2,153,731**	4,873,581
Zambia	**414,713**	121,108
Namibia	**1,365,022**	794,376
Mozambique	**798,168**	2,309,651
Angola	**-**	8,708
South Sudan	**1,237,029**	5,286,451
Tanzania	**199,635**	520,600
Congo	**11,203**	13,750
Eritrea	**124,339**	-
Benguela	**-**	6,938
EU Commission	**305,623**	306,373
Lesotho	**397,351**	-
Cameroon	**1,449,275**	-
Uganda	**1,516,240**	-
Sub Total	**12,684,458**	18,914,143
Freight	**697,464**	1,164,652
Total Revenues	**82,594,630**	152,615,823

3. Other income and expenses

3.1 Other income		
Cattle sales	**96,687**	142,556
Other income	**839,094**	1,099,990
	935,781	1,242,546

3.2 Other (losses) / gains		
Loss on disposal of property, plant and equipment	**-**	(11,596)
Fair value gain on financial assets at fair value through profit or loss	**3,162**	2,318
Net foreign exchange (losses) / gains	**(538,383)**	959,052
	(535,221)	949,774

3. Other income and expenses (continued)

	2019 P	2018 P
3.3 Expenses by nature		
Cost of sales	**95,869,729**	84,073,347
Auditors' remuneration	**311,388**	214,248
Custom freight and insurance	**389,650**	796,548
Depreciation (excluding plant and machinery) (Note 6.1)	**3,027,982**	2,929,301
Directors' remuneration (Note 15)	**146,820**	84,570
Donations	**61,445**	61,445
Export commission	**6,158,671**	15,653,174
Professional fees	**515,263**	372,027
Repairs and maintenance - other	**37,596**	68,184
(Reversal) / provision of trade receivable impairment	**(8,416,868)**	7,706,988
Salaries and wages	**8,109,239**	8,556,820
Other expenses	**14,822,578**	1,770,278
Total cost of sales, distribution and administrative expenses	**121,033,493**	122,286,931
Salaries and wages		
Salaries and wages	**24,006,004**	23,707,224
Pension costs	**1,995,861**	3,011,935
Gratuity and leave pay provision	**1,028,932**	1,803,575
	27,030,797	28,522,734
The salaries and wages have been expensed as follows:		
Cost of sales	**18,921,558**	**19,965,914**
Administrative expenses	**8,109,239**	**8,556,820**
	27,030,797	**28,522,734**

3. Other income and expenses (continued)

	2019 P	2018 P
3.4 Finance income / (costs)		
Finance income		
Interest received on short-term investments	**7,138,895**	7,190,134
Finance costs		
Interest expenses - interest bearing borrowings	**(1,019,933)**	(2,431,842)
Net finance cost	**6,118,962**	4,758,292

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

4. Income tax expense

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

5. Financial assets and financial liabilities

The Company holds the following financial instruments:

Financial assets	Notes	At fair value P	At amortised cost P	Total P
At 31 December 2019				
Trade and other receivables*	5.1	-	77,605,457	77,605,457
Financial assets at fair value through profit or loss	5.2	77,994	-	77,994
Cash and cash equivalents	5.3	-	165,987,433	165,987,433
		77,994	**243,592,890**	**243,670,885**
At 31 December 2018				
Trade and other receivables*	5.1	-	74,299,457	74,299,457
Financial assets at fair value through profit or loss	5.2	74,832	-	74,832
Cash and cash equivalents	5.3	-	168,530,025	168,530,025
		74,832	242,829,482	242,904,314

*excluding prepayments and statutory receivables

5. Financial assets and financial liabilities (continued)

The Company holds the following financial instruments:

Financial liabilities	Notes	At amortised cost P
At 31 December 2019		
Trade and other payables*	5.4	**42,109,219**
Borrowings	5.5	**18,924,674**
		61,033,893
At 31 December 2018		
Trade and other payables*	5.4	56,815,326
Borrowings	5.5	5,259,322
		62,074,648

*excluding non-financial liabilities

The Company's exposure to various risks associated with the financial instruments is discussed in note 9. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above

	2019 P	2018 P
5.1 Trade and other receivables		
Financial assets		
Trade receivables	**83,256,347**	88,234,211
Less - provision for impairment (Note 9.2)	**(5,840,143)**	(14,257,011)
Net trade receivables	**77,416,204**	73,977,200
Other receivables	**189,253**	322,257
Non-financial assets		
VAT receivables	**1,725,680**	1,243,126
Deposits and prepayments	**2,325,874**	3,598,181
	81,657,011	79,140,764

(i) Classification as trade and other receivables

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

5. Financial assets and financial liabilities **(continued)**

5.1 Trade and other receivables (continued)

(ii) *Other receivables*

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

(iii) *Fair values of trade and other receivables*

As at 31 December 2019, the fair value of trade receivables amounted to P77,416,204 (2018: P73,977,200) and other receivables amounted to P189,253 (2018: P322,257).

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

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

(iv) *Impairment and risk exposure*

Information about the impairment of trade and other receivables, their credit quality and the Company's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 9.1 and Note 9.2. In line with the requirements of the impairment model under the IFRS 9, an assessment of the expected credit loss of P 5,840,143 (2018: P 14,257,011) was estimated as the lower end and the fair value of trade receivables was accordingly adjusted to incorporate this estimated loss.

(v) As at 31 December 2019, trade and other receivables amounting to P20,000,000 is secured against the term-loan obtained (Note 5.5.(iii).

5.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the following:

	2019 P	2018 P
Current assets		
STANLIB Botswana Money Market Fund	**56,954**	54,739
STANLIB Botswana Management Prudential Fund	**21,040**	20,093
	77,994	74,832

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

The Company classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short-term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. See note 17.8 for the Company's other accounting policies for financial assets.

(ii) *Amounts recognised in profit or loss*

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains / (losses) in the income statement (2019: gain of P 3,162; 2018: gain of P 2,318).

5. Financial assets and financial liabilities (continued)

Financial assets at fair value through profit or loss include the following:

	2019 P	2018 P
5.3 Cash and cash equivalents		
Bank balances	**1,250,797**	6,285,450
Short-term deposits	**164,736,622**	162,244,343
Cash on hand	**14**	232
	165,987,433	168,530,025

(i) Reconciliation to cash flow statement

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

	2019 P	2018 P
Bank balances	**1,250,797**	6,285,450
Short-term deposits	**164,736,622**	162,244,343
Bank overdrafts (Note 5.5)	**(7,538,389)**	(5,135,810)
Cash on hand	**14**	232
	158,449,044	163,394,215

(ii) Classification as cash and cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 17.5 for the Company's other accounting policies on cash and cash equivalents.

(iii) Cash held for expansion project

The cash and cash equivalents disclosed above and in the statement of cash flows include P 164,646,394 which are held for the expansion project. Therefore, it's not available for general use by the Company (2018: P 161,803,189).

	2019 P	2018 P
Trade and other payables		
Trade accounts payable	**2,687,922**	4,940,780
Accrued interest	**1,245**	3,487
Advance received from customers	**2,644,335**	1,677,343
Other accruals	**7,798,167**	17,084,672
Amounts due to related parties (Note 15)	**28,977,550**	33,109,044
	42,109,219	56,815,326

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

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

5. Financial assets and financial liabilities (continued)

5.5 Borrowings

	Notes	Int. rate	2019 Current P	2019 Non-current P	2019 Total P	2018 Current P	2018 Non-current P	2018 Total P
Bank overdraft	(i) , (ii)	6.50	**7,538,389**	-	**7,538,389**	5,135,810	-	5,135,810
Term loan	(iii)	6.50	**11,342,182**	-	**11,342,182**	-	-	-
Debt Participation Capital Funding Limited:				-				
Loan 6	(iv)	**14.60**	**44,103**	-	**44,103**	47,322	76,190	123,512
			18,924,674	-	**18,924,674**	5,183,132	76,190	5,259,322

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

(ii) The Company has an overdraft facility of P 15 million with ABSA Bank of Botswana Limited, which is unsecured and attracts interest at the fixed rate of 6.50% per annum.

(iii) BVI arranged a Term Loan of P15 million with ABSA Bank Botswana at an interest rate of 6.5% (prime rate) to finance the replacement of some of its critical equipment. The loan is repayable quarterly over a one (1) year period. The final instalment will be paid on the 1st July 2020. The loan is secured with a Deed of hypothecation over movable assets in the amount of P 20 million passed by BVI in favour of the Bank.

(iv) Loan 6 is repayable in semi-annual instalments of P 47,323 (including interest). The final instalment is due in 2020. This loan is unsecured and is negotiated at a fixed rate of interest. The fair value of the loan as at 31 December 2019 amounted to P 44,103 (2018: 123,512).

(v) The Company has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods

vi) Fair value disclosures

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

a) The loan will be settled in accordance with the original contract terms.

b) The Company has the intent and the ability to meet payment obligations as they fall due.

c) The rate of interest used for the purpose of discounting future cash flows, assumes the market yield applicable to listed debt instruments with comparable credit risk to that of the Company with similar maturity periods.

These assumptions have been consistently applied.

vii) Risk exposures

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

5. Financial assets and financial liabilities (continued)

5.6 Recognised fair value measurements

(i) Fair value hierarchy

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

Recurring fair value measurements	Notes	Level 1 P	Level 2 P	Level 3 P	Total P
Financial assets as at 31 December 2019					
Financial assets at fair value through profit or loss	**5.2**	-	**77,994**	-	**77,994**
Financial assets as at 31 December 2018					
Financial assets at fair value through profit or loss	5.2	-	74,832	-	74,832
Financial labilities as at 31 December 2019					
Borrowings (excluding bank overdraft)	**5.5**	-	**11,386,285**	-	**11,386,285**
Financial labilities as at 31 December 2018					
Borrowings (excluding bank overdraft)	5.5	-	123,512	-	123,512

There were no transfers between levels during the year.

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

Level 1:

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

Level 2:

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3:

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

6. Non-financial assets and liabilities

6.1 Property, plant and equipment

	Capital Work-in-progress (Cost) P	Land and buildings (Valuation) P	Residential property (Valuation) P	Plant and machinery (Cost) P	Motor vehicles (Cost) P	Furniture, fittings and office equipment (Cost) P	Total (Cost / Valuation) PP
At 31 December 2017							
Cost or fair value as previously stated	7,562,366	60,046,785	22,045,402	247,171,800	1,628,095	5,466,303	343,920,751
Prior year restatement - cost (Note 18)	-	-	-	(32,454,308)	-	-	(32,454,308)
Accumulated depreciation as previously stated	-	(2,148,500)	(881,652)	-	(1,469,760)	(4,459,463)	(8,959,375)
Prior year restatement - accumulated depreciation (Note 18)	-	-	-	(154,848,672)	-	-	(154,848,672)
Net book amount as restated	**7,562,366**	**57,898,285**	**21,163,750**	**59,868,820**	**158,335**	**1,006,840**	**147,658,396**
Year ended 31 December 2018							
Opening net book amount as restated	7,562,366	57,898,285	21,163,750	59,868,820	158,335	1,006,840	147,658,396
Additions	3,704,296	1,701,239	-	3,458,059	-	282,262	9,145,856
Disposal - cost	-	-	-	(15,100)	-	(27,584)	(42,684)
Disposal - accumulated depreciation	-	-	-	371	-	27,584	27,955
Transfers	(3,431,630)	-	-	3,431,630	-	-	-
Additional depreciation charges on accounting policy change (Note 18)	-	-	-	(7,626,668)	-	-	(7,626,668)
Depreciation	-	(1,635,945)	(881,816)	(11,974,288)	(67,243)	(344,297)	(14,903,589)
Closing net book amount as restated	**7,835,032**	**57,963,579**	**20,281,934**	**47,142,824**	**91,092**	**944,805**	**134,259,266**
At 31 December 2018							
Cost or fair value as previously stated	7,835,032	61,748,024	22,045,402	254,046,389	1,628,095	5,720,981	353,023,923
Prior year restatement - cost (Note 18)	-	-	-	(32,454,308)	-	-	(32,454,308)
Cost as restated	7,835,032	61,748,024	22,045,402	221,592,081	1,628,095	5,720,981	320,569,615
Accumulated depreciation as previously stated	-	(3,784,445)	(1,763,468)	(11,973,917)	(1,537,003)	(4,776,176)	(23,835,009)
Prior year restatement - accumulated depreciation (Note 18)	-	-	-	(162,475,340)	-	-	(162,475,340)
Accumulated depreciation	-	(3,784,445)	(1,763,468)	(174,449,257)	(1,537,003)	(4,776,176)	(186,310,349)
Net book amount	**7,835,032**	**57,963,579**	**20,281,934**	**47,142,824**	**91,092**	**944,805**	**134,259,266**
Year ended 31 December 2019							
Opening net book amount	7,835,032	57,963,579	20,281,934	47,142,824	91,092	944,805	134,259,266
Additions	9,964,737	264,145	-	969,376	674,107	194,628	12,066,993
Revaluation gains	-	5,367,744	3,345,882	-	-	-	8,713,626
Depreciation	-	(1,649,468)	(881,816)	(19,323,321)	(183,959)	(312,739)	(22,351,303)
Closing net book amount	**7,799,769**	**61,946,000**	**22,746,000**	**28,788,879**	**581,240**	**826,694**	**132,688,582**
At 31 December 2019							
Cost or fair value	17,799,769	61,946,000	22,746,000	222,561,457	2,302,202	5,915,609	333,271,037
Accumulated depreciation	-	-	-	(193,772,578)	(1,720,962)	(5,088,915)	(200,582,455)
Net book amount	**17,799,769**	**61,946,000**	**22,746,000**	**28,788,879**	**581,240**	**826,694**	**132,688,582**

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

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

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

	2019 P	2018 P
Cost of sales	**19,323,321**	19,600,956
Administration expenses	**3,027,982**	2,929,301
	22,351,303	22,530,257

(ii) *Revaluation, depreciation methods and useful lives*

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

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

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

See note 17.10 for other accounting policies relevant to property, plant and equipment.

(iii) *Significant estimates valuations of land and buildings*

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

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

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

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

	Cost P	Accumulated depreciation P	Net book amount P
At 31 December 2018			
Land and buildings	60,640,326	(11,263,450)	49,376,876
Residential property	3,537,983	(2,401,218)	1,136,765
	64,178,309	**(13,664,668)**	**50,513,641**
At 31 December 2019			
Land and buildings	60,904,471	(11,545,036)	49,359,435
Residential property	3,537,983	(2,497,267)	1,040,716
	64,442,454	**(14,042,303)**	**50,400,151**

6.2 Inventories

	2019 P	2018 P
Finished goods (at the lower of cost and net realisable value)	**62,928,044**	81,367,630
Raw materials (at the lower of cost and net realisable value)	**14,865,000**	9,042,141
Provision for inventory impairment	**(3,489,734)**	(1,307,093)
	74,303,310	89,102,678

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using standard costing. See note 17.7 for the Company's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2019 amounted to P20,571,878 (2018: P18,859,715). These were included in cost of sales.

6. Non-financial assets and liabilities (continued)

6.3 Employee benefit obligations

	Leave pay P	Gratuity and pension P	Total P
Balance at beginning of the year	**2,935,885**	2,189,516	5,125,401
Provisions for the year	412,799	616,133	1,028,932
Payments during the year	(450,390)	(1,142,175)	(1,592,565)
Balance at end of the year	**2,898,294**	**1,663,474**	**4,561,768**

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 the reporting period.

Leave pay

This liability includes all of the accrued annual leave. The entire amount of the provision of P 2,898,294 (2018: P 2,935,885) is presented as current, since the Company does not have an unconditional right to defer settlement of these obligations.

6.4 Recognised fair value measurements

(i) *Fair value hierarchy*

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

Non-recurring fair value measurement	Notes	Level 1 P	Level 2 P	Level 3 P	Total P
At 31 December 2019					
Land and building	**6.1**	-	-	**61,946,000**	**61,946,000**
Residential properties	**6.1**	-	-	**22,746,000**	**22,746,000**
Total non-financial assets		-	-	**84,692,000**	**84,692,000**
At 31 December 2018					
Land and building	6.1	-	-	57,963,579	57,963,579
Residential properties	6.1	-	-	20,281,934	20,281,934
Total non-financial assets		-	-	78,245,513	78,245,513

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

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

6. Non-financial assets and liabilities **(continued)**

6.4 Recognised fair value measurements (continued)

(ii) *Valuation techniques used to determine level 3 fair values*

The Company obtains independent valuations for its land and building and residential properties at least every three years.

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

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

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

Land and buildings were revalued as of 31 December 2019 by Real Reach (Pty) Limited based on the open market value at P 61,946,000 and the residential properties were valued by Kwena Property Services (Pty) Limited based on the open market valued at P 22,746,000.

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

6. Non-financial assets and liabilities (continued)

6.4 Recognised fair value measurements (continued)

(ii) *Valuation techniques used to determine level 3 fair values*

The Company obtains independent valuations for its land and building and residential properties at least every three years.

Description	Fair value 2019 P '000	Fair value 2018 P '000	Unobservable inputs	Range of inputs (probability-weighted average) 2019 P	Range of inputs (probability-weighted average) 2018 P	Relationship of unobservable inputs to fair value
Land and building	**61,946**	57,964	Remaining useful life	**14 Years**	15 Years	The higher the remaining useful life, higher the fair value.
			Physical deterioration and obsolescence	**8% - 10%**	8% - 10%	The higher the rate of physical deterioration and obsolescence lower the fair value
Residential properties	**22,746**	20,282	Comparable value of a similar land and building	**P 6,221 sq.m**	P 6,221 sq.m	The higher the comparable value, higher the fair value

iv) *Valuation processes*

The Company engages external, independent and qualified valuers to determine the fair value of the Company's land and building and residential properties at least every three years. As at 31 December 2019, the fair values of the land and buildings have been determined by Real Reach (Pty) Limited. The residential properties valued by Kwena Property Services (Pty) Limited as at 31 December 2019. As at 31 December 2019, management reviewed their assessment of the fair value of land and building, residential properties .

7. Equity

7.1 Stated capital

	2019 P	2018 P
Ordinary shares issued and fully paid		
Ordinary shares issued and fully paid	**278,347,000**	278,347,000

The 275,000,002 (2018: 275,000,002) ordinary shares in issue have no par value.

7.2 Other reserves

	Revaluation reserve P Restated
Balance at 31 December 2017 as previously stated	171,538,730
Prior year restatement (Note 18)	(133,480,260)
Balance at 31 December 2017 as restated	**38,058,470**
At 31 December 2018	38,058,470
At 1 January 2019	**38,058,470**
Revaluation gain (Note 6.1)	**8,713,626**
At 31 December 2019	**46,772,096**

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

8. Critical accounting estimates and judgments

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

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

8.1 Significant estimates and judgements

The areas involving significant estimates or judgements are:

8.1.1 Estimation of fair values of land and buildings and residential properties (Note 6.1)

Land and buildings and residential properties are valued at least triennially as the assets do not experience significant and volatile changes in fair value, thus negating the necessity for annual revaluation.

The fair values of the Company's land and buildings and residential properties are determined by independent valuers based on the following methods.

Land and buildings and residential properties

Land and buildings and residential properties were revalued as of 31 December 2019 by independent valuers based on the 'Open Market Value'. The open market value is the best price at which an interest in the property might reasonably be expected to be sold at the date of the valuation assuming:

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

8.1.2 Impairment provision on trade receivables (Note 5.1)

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

The Company reviews its debtors to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company takes into consideration adverse movement in Sovereign credit ratings, unfavourable changes in fiscal policy, changes to the political environment and historical experience with customers such as the period of time taken to settle in the past and past events that resulted in the amounts due not being collected.

8. Critical accounting estimates and judgments (continued)

8.1 Significant estimates and judgements (continued)

8.1.2 Impairment provision on trade receivables (Note 5.1) (continued)

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

(i) The timing of cash flows will assume to take a similar pattern to the historical cash flow pattern as modified by known changes based on correspondences;
(ii) The credit risk (measured by reference to the sovereign credit ratings), fiscal policy and political environment of each customer will remain unchanged over the forecast period;
(iii) Where relevant, donor financing pledged to customers for specific orders will remain in place over the forecast period;
(iv) Significant movements in foreign exchange rates are not expected to occur over the forecast period in respect of sales transactions denominated in foreign currencies; and
(v) A pre-tax rate interest of LIBOR adjusted for risk for specific countries (ranging from +2 to +5), for foreign debtors and fixed deposit rates for local debtors are used to determine the present value estimated future cash flows.

The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A detailed assessment for impairment of trade receivables was undertaken in line with the provisions of IFRS 9 and this resulted in an impairment provision of P 5,840,143 at 31 December 2019 (2018: P 14,257,011) recognised in the annual financial statements.

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

The Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The Company increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair, technically obsolete or non-strategic assets that have been abandoned or identified for sale.

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

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

8. Critical accounting estimates and judgments (continued)

8.1 Significant estimates and judgements (continued)

8.1.4 Transfer of control

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

The dynamics of each contract does not lend itself for automation, requiring significant manual intervention in determining when the controls are transferred for each transaction to recognise the related revenue in terms of the International Financial Reporting Standards 15, Revenue ("IFRS 15"). Management identifies and assesses, if the specific conditions of each sales transactions meets the criteria set by IFRS 15 for revenue recognition.

8.1.5 Change in accounting policy – property, plant and equipment (Note 18)

During the year, the Company changed its policy for measuring plant and machinery from the revaluation model to the cost model.

The change in accounting policy was considered to provide reliable and more relevant information to the users of the financial statements due to the following:

(a) the use of the fair value model in the past yielded a broad range of outcomes rendering the past valuations less reliable than it would have had the cost model been used; and
(b) following the settlement of the listed bonds, the primary user of the financial statements is the Company's shareholder, the Government of Botswana. The shareholder uses the cost model as its policy choice for plant and machinery in most instances. Therefore, the change in accounting policy to cost model provides more relevant information that is consistent and comparable to the users.

The change in accounting policy requires retrospective application thereof in terms of International Accounting Standards 8, Accounting policies, changes in accounting estimates and errors.

Disclosures relating to the impact of the retrospective application of the accounting policy choice is provided in note 18.

9. Financial risk management

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Botswana Pula	Cash flow forecasting Sensitivity analysis	Assets/liability matching to the extent possible by maintaining appropriate level of relevant foreign currency cash balances taking into consideration foreign currency cash flows from receivables to meet foreign currency obligations
Market risk - interest rate	Short-term borrowings at fixed rates	-	There is no interest rate risk since short-term borrowings are held at fixed rates
Credit risk	Cash and cash equivalents and trade receivables	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities.

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

9.1 Market risk

(i) Foreign currency risk

Foreign currency risk is managed by the Finance Function. Its objective is to minimise losses arising from the Company's exposure to various currencies by attempting to match foreign currency denominated current liabilities against current assets of similar currencies to the extent possible. In the ordinary course of business, the Company enters into transactions denominated in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

At 31 December 2019, if the currency had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit for the year would have been P 1,771,163 (2018: P 3,321,012) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US Dollar denominated bank balances, trade receivables and trade accounts payable.

At 31 December 2019, 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 578,938 (2018: P 689,485) higher / lower, mainly as a result of foreign exchange gains / losses on translation of Euro denominated bank balances, trade receivables and trade payable.

9. Financial risk management (continued)

9.1 Market risk (continued)

Exposure

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

	31 December 2019			31 December 2018		
	USD	Euro	ZAR	USD	Euro	ZAR
Trade and other receivables	**49,713,906**	**21,930,979**	**-**	73,988,346	3,001,875	-
Cash and cash equivalents	**880,792**	**332,373**	**1,788**	3,018,454	3,259,372	5,420
Trade and other payables	**17,827,566**	**11,529,499**	**284,375**	13,907,818	19,361,462	857,199

***(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 short-term borrowings. Borrowings issued at fixed rates did not expose the Company to cash flow interest rate risk.

***(iii)** Price risk*

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

9. Financial risk management (continued)

9.2 Credit risk

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

The credit quality of financial assets can be assessed by reference to historical information about counterparty default rates:

	2019 P	2018 P
Trade receivables		
Counterparties with external credit rating (Moody's)		
A2	**824,871**	306,373
Aa2	**11,611,462**	22,115,254
Baa3	-	-
Counterparties with external credit rating (Fitch Ratings)		
Fitch B	**1,504,984**	2,642,450
Fitch B+	-	-
Fitch B-	-	-
*Counterparties without external credit rating**		
Group 1	-	-
Group 2	**69,315,030**	63,170,134
Group 3	-	-
Total trade receivables	**83,256,347**	88,234,211
Other receivables**	**189,253**	322,257

**Group 2 – existing customers (more than 4 months) with no defaults in the past*
***The Company has procedures in place to assess whether to enter into transactions with third parties, including mandatory credit checks.*

Moody's
- An Aa2 rating relates to a "High quality" credit standing, subject to "very low credit risk"
- A Baa3 rating relates to a "Moderate" credit standing. They are considered medium grade and as such may possess certain speculative characteristics.

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

9. Financial risk management (continued)

9.2 Credit risk (continued)

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

The credit quality of financial assets can be assessed by reference to historical information about counterparty default rates:

	2019 P	2018 P
Other financial assets at fair value through profit or loss		
STANLIB Botswana Money Market Fund not rated	**56,954**	54,739
STANLIB Botswana Management Prudential Fund - not rated	**21,040**	20,093
	77,994	**74,832**

Cash at bank	2019 P	2018 P
Absa Bank of Botswana Limited	**928,167**	818,850
Standard Chartered Bank Botswana Limited	**8,123**	2,628,909
BancABC Limited	**344,007**	3,220,707
Botswana Insurance Fund Management Limited	**164,707,122**	161,861,327
	165,987,419	**168,529,793**

The Company only deposits cash with major banks and unit trusts with high quality credit standing and limits exposure to any one counter-party. The Company has deposits with Absa Bank of Botswana Limited, Standard Chartered Bank Botswana Limited, BancABC Limited and BIFM Unit Trust. There are no credit ratings available in Botswana. The banks are listed companies and have reported sound financial results and continued compliance with minimum capital adequacy requirements. None of the financial assets that are fully performing have been re-negotiated during the year.

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

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

Long-term credit rating assigned to the bank by Moody's is Aa3 (high grade). Long-term credit rating assigned to the bank by Standard & Poor's is A (strong capacity to meet its financial commitments).

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

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no impairment identified.

9. Financial risk management (continued)

9.2 Credit risk (continued)

Expected credit loss on trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses an expected loss allowance for all trade receivables. In order to measure the expected credit losses, trade receivables were assessed individually. Management has therefore concluded that based on the historic data available, the lower end estimate of impairment of trade receivables was considered to be a reasonable approximation of loss rates for the trade receivables.

The expected loss rates are based on Loss Given Default (LGD) rate and Possibility of Default (PD) rate within this period.

In accordance with the requirements of IFRS 9, the following assumptions were used in the derivation of the upper and lower bound estimates of impairments:

- The LGD used when calculating our range of Expected Credit Loss (ECL) values used the generic unsecured LGD values from the Basel accord. This is due to the large variability in and lack of sovereign default loss information. The Unsecured LGD estimate for corporates, sovereigns and banks is 45% and was thus deemed appropriate for the purposes of this calculation;
- Since no interest is raised on outstanding trade receivables, the calculation makes no explicit allowance for the discounting of expected credit losses;
- The PDs used in the calculation have been sourced from an independent external data source. The outstanding debtors are all government institutions and invoices are issued in USD or Euro. Therefore, it was appropriate to use Sovereign Foreign Currency Credit Ratings as a proxy for the probability of default for each debtor. The only exception to this was where the debtor resides in Botswana, where the appropriate Local Currency Default Rate was used as a proxy.
- The 21% of the exposure as at 31 December 2019 was to Zimbabwe. This debtor is in default and thus a PD of 100% would apply. However, the monthly trade receivable data indicates that the debtors periodically pay a small portion of their outstanding debt. A PD of 100% is thus likely to be conservative and thus to determine a lower bound for impairments we used a more optimistic PD at one notch below default.
- For all other countries except Zimbabwe, lower and upper bounds of impairment were determined with reference to S&P, Fitch and Moody's comparative differences in outlook on the associated Sovereign Foreign Currency Credit Ratings for each country as at the reporting date.
- It also included a benchmark adjustment for the effect of forward looking macro-economic information in our calculations as required by IFRS 9. Given that Mozambique and Zambia each contribute 30% to the total exposure, the adjustment was derived by building a regression model based on average GDP of these two respective countries and external historical sovereign default data. This led to an upwards adjustment in ECL of 31.72% for Mozambique, and 18.62% for Zambia. The other countries' ECL was adjusted upwards by 25.17%, which is the average of the adjustments for Mozambique and Zambia.

9. Financial risk management (continued)

9.2 Credit risk (continued)

Expected credit loss on trade receivables (continued)

Exposure

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

As at 31 December 2019

Debtor country	Total Exposure (Pula)	Lower Bound ECL (Pula)	Upper Bound ECL (Pula)
Belgium	145,422	159	247
Cameroon	1,481,497	6,272	6,272
Malawi	423,097	3,324	3,324
Mozambique	25,173,279	799,011	1,067,277
Namibia	10,433,156	39,235	39,235
Zambia	25,198,548	720,269	962,098
Zimbabwe	17,718,058	4,262,745	9,979,962
Uganda	1,504,984	6,133	6,372
Botswana	1,178,306	2,995	3,260
Total	**83,256,349**	**5,840,143**	**12,068,048**

As at 31 December 2018

Debtor country	Total Exposure (Pula)	Lower Bound ECL (Pula)	Upper Bound ECL (Pula)
Belgium	306,373	326	326
Cameroon	187,192	772	772
Malawi	2,372,385	18,169	18,169
Mozambique	24,616,876	5,535,607	13,514,665
Namibia	22,115,254	77,690	77,690
Zambia	2,642,450	10,904	10,904
Zimbabwe	34,758,768	7,816,218	19,082,564
Botswana	1,234,913	-	-
Total	**88,234,211**	**13,459,686**	**32,705,090**

Individual receivables which are known to be uncollectible are written-off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. Receivables for which an impairment provision was recognised are written-off against the provision when there is no expectation of recovering additional cash.

9. Financial risk management (continued)

9.2 Credit risk (continued)

Expected credit loss on trade receivables (continued)

Loss allowances are recognised in profit or loss within administration expenses. Subsequent recoveries of amounts previously written-off are credited against administration expenses. The loss allowance on trade receivables is provided for as follows:

	Carrying amounts	
	2019 P	2018 P
Loss allowance	**5,840,143**	**14,257,011**

	2019 P	2018 P
At 1 January	**14,257,011**	741,510
Addition during the year	**-**	55,815
(Reversal) / provision as per IFRS 9	**(8,416,868)**	13,459,686
At 31 December	**5,840,143**	14,257,011

	2019 P	2018 P
Current	**14,383,835**	18,384,315
Between 31 to 90 days overdue	**5,587,896**	28,592,258
Between 91 and 180 days overdue	**-**	23,170,135
Over 180 days overdue	**63,284,616**	18,087,503
Total gross trade receivables	**83,256,347**	88,234,211
Expected credit loss	**5,840,143**	14,257,011
Net trade receivables	**77,416,204**	73,977,200

As at 31 December 2019, trade receivables of P 63,032,369 (2018: P 55,592,885) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of defaults.

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

9. Financial risk management (continued)

9.3 Liquidity risk

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

Surplus cash is invested in interest bearing call accounts, time deposits, and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Company held money market funds of P 77,994 (2018: P 74,832) and other liquid assets of P 165,987,433 (2018: P 168,530,025) 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 2019

Liabilities	Less than 6 months P	Between 6 and 12 months P	Between 1 and 2 years P	Total P
Borrowings	**15,383,831**	**3,901,171**	-	**19,285,002**
Trade and other payables	**3,650,841**	**38,458,378**	-	**42,109,219**
Financial guarantee	**2,500,000**	-	-	**2,500,000**
Total	**21,534,672**	**42,359,549**	-	**63,894,221**

As at 31 December 2019

Liabilities	Less than 6 months P	Between 6 and 12 months P	Between 1 and 2 years P	Total P
Borrowings	5,183,132	76,190	-	5,259,322
Trade and other payables	56,815,326	-	-	56,815,326
Financial guarantee	2,500,000	-	-	2,500,000
Total	64,498,458	76,190	-	64,574,648

10. Capital risk management

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

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

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

During 2019, the Company's strategy, which was unchanged from 2018, was to maintain a 0% to 10% gearing ratio. The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	2019 P	2018 P Restated
Total borrowings	**18,924,674**	5,259,322
Less – Cash and cash equivalents	**(165,987,433)**	(168,530,025)
Net borrowings	**(147,062,759)**	(163,270,703)
Total equity	**389,118,669**	403,907,516
Total capital	**242,055,910**	240,636,813
Gearing ratio	**Nil**	Nil

	2019 P	2018 P
11. Net debt reconciliation		
Cash and cash equivalent	**165,987,433**	168,530,025
Borrowings - repayable with in one year (including bank overdraft)	**(18,924,674)**	(5,183,132)
Borrowings - repayable after one year	**-**	(76,190)
Net debt	**147,062,759**	163,270,703
Cash and cash equivalent	**165,987,433**	168,530,025
Gross debt - fixed interest rate	**(18,924,674)**	(5,259,322)
	147,062,759	163,270,703

	Cash / bank overdraft P	Borrowings due with in 1 year P	Borrowings due after 1 year P	Total P
Net debt as at 1 January 2018	174,555,528	**(39,928,784)**	(132,574)	134,494,170
Cash flows	(11,161,313)	**39,881,462**	56,384	28,776,533
Net debt as at 31 December 2018	163,394,215	**(47,322)**	(76,190)	163,270,703
Cash flows	(4,945,170)	**(11,338,963)**	76,190	(16,207,943)
Net debt as at 31 December 2019	**158,449,044**	**(11,386,285)**	**-**	**147,062,759**

12. Contingent liabilities

All permanent employees of the Company are entitled to a loan to purchase motor vehicles and acquire a residential property under an agreed scheme with Botswana Savings Bank. The Company has provided a guarantee of P 2,500,000 to operate the above scheme. The total advances due by eligible employees to the scheme as at 31 December 2019 amounted to P 414,583 (2018: P 1,011,896).

Standard Chartered Bank	Bonds & guarantees	USD 9,234 EUR 78,516
Barclays Bank	Bank guarantees	P 29,500

13. Commitments

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

	2019 P	2018 P
Building	**4,907,153**	**5,804,111**

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

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

14. Events after reporting period

Management has carried out an assessment of the potential impact of COVID 19 on the business and believe there are no direct significant impact on its business in the foreseeable future. The Company engaged in the business of manufacture and distribute of veterinary vaccines and directors of the Company believe that there is no significant impact by the pandemic.

Except above, there were no other material events after the reporting date that require disclosures in or adjustments to these annual financial statements.

15. Related party transactions and balance

(i) Merial S.A.S., ("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:

	2019 P	2018 P
Purchase of goods	9,732,366	21,506,446
Technical fees charged	6,676,481	5,852,166
Export commission charged	6,158,671	15,653,174
Royalties charged	1,758,638	6,960,495
Other expenses	17,633	20,186
Balance payable to Merial at year-end is as follows.		
Export commission payable	5,210,236	10,073,639
Royalty payable	999,664	3,643,822
Trade payable	22,767,650	19,391,583
	28,977,550	33,109,044

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

Royalties and export commission

(a) *Royalties*
Royalties are charged on sale of FMD monovalent vaccine by Merial on the following basis;

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

(b) *Export commission*
Commission is charged on export sales of the monovalent vaccine by Merial based on the value of doses sold. Commission varies from 5% - 20% based on the agreement effective from 1 January 2015.

15. Related party transactions and balance (continued)

(i) Merial S.A.S., ("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.

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

	2019 P	2018 P
Salaries paid	**1,803,411**	**1,749,055**
Salaries and other allowance paid	**492,018**	**503,688**
Gratuity	**2,295,429**	**2,252,743**
Salary advances		
Salary advances outstanding at the year end	**-**	**13,334**

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:

	2019 P	2018 P
Directors' fees paid		
Ms. P. Makepe	18,900	16,380
Dr. A. Blackbeard (resigned)	-	4,770
Government of Botswana	7,560	2,520
Mr. L. Monare	39,060	27,720
Mr. S. Makuke	12,000	10,500
Mr. B. Maifala	37,800	10,080
Dr. K. Tlotleng	18,900	7,560
Mrs D. Gaolaolwe	12,600	5,040
	146,820	**84,570**
Board members expenses	**186,132**	**85,269**

(iv) Following transactions with Ministry of Agriculture:

Sale of vaccines	**14,673,821**	**22,264,029**
(Payable) / receivable from Ministry of Agriculture	**(1,391,517)**	**538,593**

16. Banking facilities

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

17. Summary of significant accounting policies (continued)

17.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC') applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ('IASB'). The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets at fair value through profit or loss.

The preparation of annual 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 annual 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 8.

(i) Standards, amendments to published standards and interpretations applicable for the current year

IFRS 16 – Leases (effective 1 January 2019)
This standard has no material impact to the Company.

(ii) Standards, amendments and interpretations to existing standards effective for the year but not applicable to the Company

Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures (effective 1 January 2019)

IFRIC 23, 'Uncertainty over income tax treatments' (Effective form 1 January 2019)

Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019)

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement (effective 1 January 2019)

(iii) Standards, amendments and interpretations to existing standards not yet effective

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material (effective date 1 January 2020)

IFRS 4, 'Insurance contracts (effective date 1 January 2022) – Not applicable to the Company

Amendment to IFRS 3, 'Business combinations' (effective date 1 January 2020) - Not applicable to the Company

17. Summary of significant accounting policies (continued)

17.2 Foreign currency translation

(i) *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.

(ii) *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 reporting date.

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

17.3 Revenue recognition – Sale of vaccines

The Company manufactures and distributes livestock vaccines. Revenue is recognised when control of the products has been transferred, being when the vaccines are delivered or collected by the customer. The Company has full discretion over the channel and price to sell the vaccines and as at year end there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the vaccines have been shipped to the specific location, the risks of expiry and loss have been transferred to the customer and either the customer has accepted the products in accordance with the terms and conditions negotiated at the time of agreeing on the sale or the Company has objective evidence that all criteria for acceptance have been satisfied. Revenue is shown net of value-added tax, returns, rebates and discounts. A receivable is recognized when the goods are delivered. The adoption of the revised IFRS 15 in the current financial year did not give rise to any change in revenue recognition.

17.4 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.

17. Summary of significant accounting policies (continued)

17.4 Impairment of non-financial assets (continued)

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.

17.5 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

17. Summary of significant accounting policies (continued)

17.6 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 5.1 for further information about the Company's accounting for trade receivables and note 9.2 for a description of the Company's impairment policies

17.7 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.

17.8 Financial assets and financial liabilities

(i) *Classification*

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss or other comprehensive income (OCI), and
- Those to be measured at amortised costs.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cashflows. Management determines the classification of its investments at initial recognition. For assets measured at fair value, gains and losses are recognised in the OCI.

(ii) *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated

17. Summary of significant accounting policies **(continued)**

17.8 Financial assets and financial liabilities (continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Company recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(iii) *Classification and subsequent measurement*

From 1 January 2018, the Company has applied IFRS 9 and classifies its financial assets as amortised cost and fair value through profit or loss.

The classification requirements for debt measured at amortised cost are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:
- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments as amortised cost as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the simplified expected loss model. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

17. Summary of significant accounting policies **(continued)**

17.8 Financial assets and financial liabilities (continued)

Debt instruments (continued)

Business model: the business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The re-classification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Financial liabilities

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

17. Summary of significant accounting policies (continued)

17.8 Financial assets and financial liabilities (continued)

(iv) *Expected credit loss on financial assets*

The Company recognises expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost which include, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using simplified ECL model based on the loss given default rates and possibility of default rates. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. Impairment testing of trade receivables is described in note 9.2.

(v) *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. If the Company enters into transaction whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, such transferred assets are not derecognised.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

17.9 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

17. Summary of significant accounting policies (continued)

17.10 Property, plant and equipment

The Company's accounting policy for land and buildings and residential properties is explained in note 6.1. All other assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increase in the carrying amount arising on revaluation of residential properties and land and buildings is credited to other comprehensive income and shown as revaluation reserve in the statement of changes in equity. Decreases that off-set previous increases of the same assets are charged against the 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.

The depreciation methods and useful lives used by the Company are disclosed in note 6.1.

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings

17.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

17. Summary of significant accounting policies (continued)

17.12 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. 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 reporting period.

17.13 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

17.14 Provisions

Provisions for legal claims, service warranties and make good obligations 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 can be 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

17. Summary of significant accounting policies (continued)

17.15 Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expect future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

The Company operates a defined contribution pension plan for its employees. The Company pays contributions to a privately administered pension insurance plan on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

18. Re-statement of property, plant and equipment

Following restatement adjustments have been made during the year in respect of property, plant and equipment.

Change of accounting policy from revaluation model to cost model

During the year, management changed its accounting policy for plant and machinery ("P&M") from revaluation model to cost model as the cost model was considered to be reliable and more relevant for the operations and stakeholders of the Company. Previous revaluation was made on 31 December 2017 and accordingly, the following adjustments have been made to reinstate the carrying value of P&M and reserve accounts.

	Plant and machinery P	Plant and machinery accumulated depreciation P	Other reserves P	Retained earnings P
At 31 December 2017				
As previously stated	247,171,800	-	171,538,730	117,560,763
Reversal of revaluation adjustments	(32,454,308)	154,848,672	(133,480,260)	(53,822,720)
Restated balance	**214,717,492**	**154,848,672**	**38,058,470**	**63,738,043**
At 31 December 2018				
As previously stated	254,046,389	11,973,917	171,538,730	148,951,433
Reversal of revaluation adjustments	(32,454,308)	154,848,672	(133,480,260)	(53,822,720)
Additional depreciation on policy change	-	7,626,668	-	(7,626,668)
Restated balance	**221,592,081**	**174,449,257**	**38,058,470**	**87,502,045**

The impact of the accounting policy change has been accounted for retrospectively as required by International Accounting Standards 8, Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8). The change in accounting policy affects the comparative information and has an impact on the beginning of the preceding period, thus a third statement of financial position is presented.

18. Re-statement of property, plant and equipment (continued)

Effects of the change in accounting policy on the statement of cash flows for the year ended 31 December 2018 are as follows. There is no impact on investing and financing cash flow activities.

	As previously stated P	Restatement adjustments P	Restated P
Cash flows from operating activities			
Operating profit	32,440,887	**(7,626,668)**	24,814,219
Adjustment for non cash items:			
Depreciation	14,903,589	7,626,668	22,530,257
Loss on disposal of property, plant and equipment	11,596	-	11,596
Unrealised gains on fair value	(2,318)	-	(2,318)
Changes in working capital			
Inventories	(17,371,728)	-	(17,371,728)
Trade and other receivables	(20,373,303)	-	(20,373,303)
Employee benefit obligations	930,522	-	930,522
Trade and other payables	22,621,718	-	22,621,718
Cash generated from operations	33,160,963	-	33,160,963
Interest paid	(2,431,842)	-	(2,431,842)
Net cash generated from operating activities	30,729,121	-	30,729,121

Botswana Vaccine Institute Limited

Detailed Income Statement

For the year ended 31 December 2019

Cash at bank	2019 P	2018 P
Revenue		
Domestic	**13,403,514**	22,290,486
Export	**64,901,295**	122,517,950
Agency	**3,592,357**	6,642,731
	81,897,166	151,451,167
Freight	**697,464**	1,164,656
	82,594,630	152,615,823
Cost of sales	**(95,869,729)**	(84,073,347)
Gross (loss) / profit	**(13,275,099)**	68,542,476
Other income	**935,781**	1,242,546
Other (losses) / gains	(535,221)	949,774
Distribution costs		
Advertising and travel	**(234,988)**	(287,267)
Custom freight and insurance	**(389,650)**	(796,548)
Export commission	**(6,158,671)**	(15,653,174)
	(6,783,309)	**(16,736,989)**
Reversal / (provision) of trade receivable impairment	**8,416,868**	**(7,706,988)**
Administrative expenses	**(18,380,455)**	**(21,476,594)**
Operating (loss) / profit	**(29,621,435)**	**24,814,224**

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

Notes