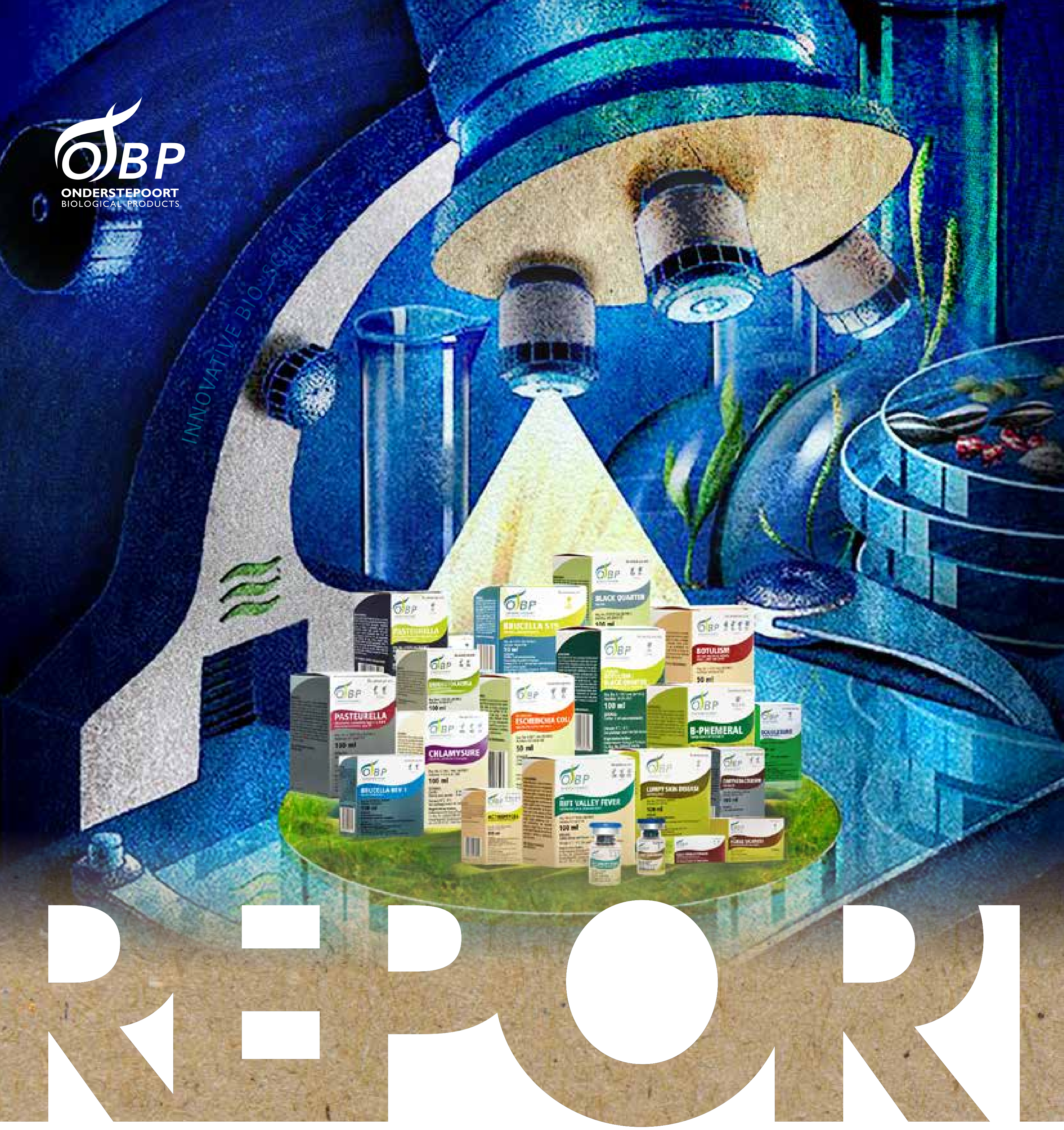
ONDERSTEPOORT
BIOLOGICAL PRODUCTS



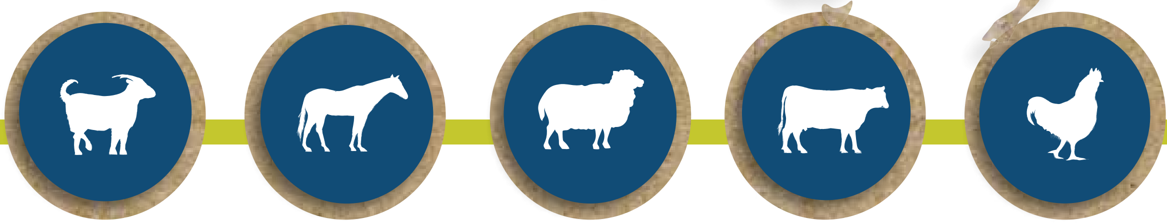
Integrated ANNUAL REPORT

Onderstepoort Biological Products SOC (Ltd)

2023 | 24

Innovative Bioscience

OBP
ONDERSTEPOORT
BIOLOGICAL PRODUCTS



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


Innovative
Bioscience

CONTENTS

Integrated Annual Report 2023|2024

1 SCOPE & BOUNDARY OF REPORT

This Integrated Annual Report, compiled by Onderstepoort Biological Products SOC Ltd (OBP) provides information relating to governance practices, stakeholder engagement, non-financial performance, and sustainability for the year starting 1 April 2023 to 31 March 2024.

The OBP Integrated Annual Report seeks to provide a concise and balanced account of the organisation's performance over the reporting period under review. The detailed approach was taken to identify and address the six (6) capitals of integrated reporting, namely the financial, manufacturing, intellectual, human, natural, as well as social and relationship capitals and risks, which could have a material impact on the long-term success of the organisation and its strategy going forward.

The organisation's approach to the management of the six (6) capitals is captured in the report that can be found on pages 16-17 of this Integrated Annual Report.

The report has been prepared following International Financial Reporting Standards (IFRS), the Public Finance Management Act (PFMA), the requirements of the South African Companies Act as amended, National Treasury Regulations, and recommendations of the South African Code of Corporate Practice and Conduct (King IV) .

Both financial and non-financial data are aligned to the specified financial reporting period, allowing for comparison of performance data, including any material matters, be it opportunities or risks, which may impact OBP's stakeholders. The summarised consolidated financial results published including the audited consolidated annual financial statements are made available on OBP's website at www.obpvaccines.co.za.

APPROVAL

The Board accepts responsibility for the integrity of OBP's Integrated Annual Report. As per King IV, the Board has delegated the responsibility of evaluating sustainability disclosure to the Audit, Risk & Information Technology Committee (AR&IT).

Upon recommendation of the AR&IT Committee, the Board oversees this integrated report's integrity, accuracy, and completeness. The board further confirms that it has reviewed the report's contents and has collectively considered the preparation and presentation of this report. In addition, the Board has appropriately considered the accuracy and completeness of the material matters and the reliability of the information presented in this report. The Board has sufficiently considered and materially presented these matters per the International Integrated Reporting Council (IIRC).

FUTURE OUTLOOK

This report may contain statements on the future-outlook of OBP's performance and prospects. Due to the above mentioned, the statements and forecasts may encompass risk and ambiguity, as they are dependent on situations and events potentially occurring and relating fully to the future. Therefore, no guarantees or predictions of future performance can be provided in this report.

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

MATERIALITY

The concept of materiality informs the content and relevance of this report. Materiality is defined as information about issues that have a meaningful and considerable impact on our ability to create value over the short, medium, and long term. Our Executive Management and Board have considered the matters that materially impact our performance and sustainability, and have evaluated them in the context of OBP's strategic objectives, stakeholder engagement, and the "six (6) capitals" (see p. 16-17). A detailed report on material issues is contained in the sections on OBP's programmes, governance, and economic performance.

ENVIRONMENTAL IMPACT

OBP also considered any factors in its external environment that substantially affect its ability to create value.

COMBINED ASSURANCE

OBP's combined assurance model recognises three lines of defence to maximise oversight, namely management review, internal and external assurance, and risk management and control. The Board and the Audit, Risk & IT Committee (AR&IT) rely on combined assurance to assess and form a view on the adequacy of the organisation's management and internal controls. A combined assurance approach has been adopted in the preparation of this report.

FEEDBACK

OBP welcomes feedback to ensure that the information that matters to you is included in future Integrated Annual Reports. Go to www.obpvaccines.co.za or email stakeholder@obpvaccines.co.za for the feedback form.

The Board approved the 2023/24 Integrated Annual Report on 26 August 2024.

Prof. P. Mabeta
Chairperson: OBP Board

Mr. R. Mahabeer
Chairperson: Audit, Risk and Information Technology Committee

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BOTULISM

Vaccine for Horses, Cattle, Sheep & Goats

2 MINISTER'S FOREWORD

The agriculture sector in South Africa continues to be a mainstay for Gross Domestic Product. Despite many challenges facing the sector, it continues to hold its own and continues to contribute to revenues, employment, and economic activity.

Biosecurity remains a significant challenge in South Africa as disease outbreaks in recent years have shown. This places OBP in a critical position if we are to grow the sector to its fullest potential. OBP has a proud record internationally and locally for its historic achievements over many years. However, the challenges in recent years have placed that reputation at risk.

Our agriculture sector needs a well-functioning, innovative, and dynamic OBP, now more than ever before. Enhanced biosecurity, with access to cutting-edge medicines, vaccines, and other treatments, is going to be essential to expanding the frontiers of the sector.

I look forward to working with the OBP Board in order to face the challenges head-on and restore OBP to its rightful position as the world leader in the production of biological products.

Mr. J.H. Steenhuisen (MP)
Minister of Agriculture

AFRICAN HORSE SICKNESS

Vaccine for Horses

3 STRATEGIC DIMENSIONS

Onderstepoort Biological Products (SOC) Ltd (OBP) was established in 2000, in terms of the Onderstepoort Biological Products Incorporation Act. Its primary objective is to create a favourable environment for the organisation to build capacity in manufacturing technologies, infrastructure, and the development of new products to make profits.

Our Vision

"TO BE THE FIRST CHOICE IN ANIMAL HEALTH SOLUTIONS."

Our Mission

"To develop, manufacture, source, and supply cost-effective innovative animal health solutions to our customers."

Our Mandate

Onderstepoort Biological Products SOC Ltd is a South African state-owned animal vaccine manufacturing organisation whose primary mandate is to manufacture animal vaccines to prevent and control animal diseases that impact food security, human health, and livelihoods. The mandate is delivered through the continued development of innovative products and efficient manufacturing, which ensures vaccine affordability and accessibility through varied distribution channels.

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

As a Schedule 3B public entity, the entity has 2 policy mandate roles, namely:

PUBLIC GOOD

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

PRIVATE GOOD

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

1 ONE OBP STRATEGY

ONDERSTEPOORT BIOLOGICAL PRODUCTS

OUR PURPOSE
To provide innovative and disruptive solutions for animal health

OUR VISION
To be the first choice in animal health solutions

OUR MISSION
To develop, manufacture, source, and supply cost-effective innovative animal health solutions to our customers

ONE | SET OF VALUES

PRIDE

- People first
- Respect
- Integrity
- Dedication
- Excellence

3X

Triple (3X) EBITDA in 5 years by being:

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

ONE | GOAL 3-5-1

CURRENT | RISKS

- Insufficient Research and Development Output
- Loss of Intellectual Property (registered and unregistered)
- Non-compliance with local and international standards & regulatory requirements
- Ineffective execution of strategic initiatives
- Inefficient business processes

SOCIETAL

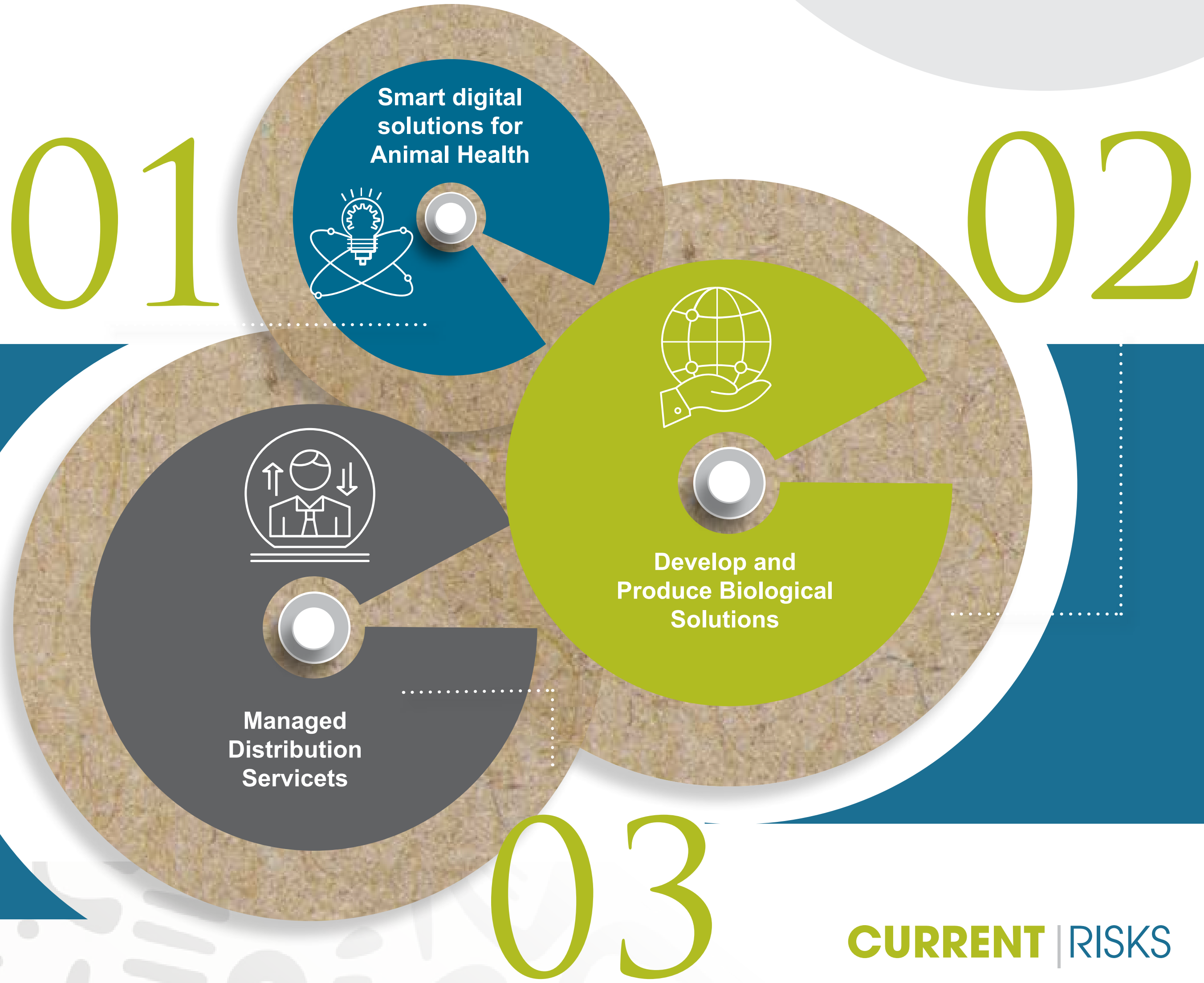
ANIMAL HEALTH | SKILLS DEVELOPMENT

OUR BUSINESS MODEL

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

ONE | SET OF OUTCOMES

- **Sustainable Financial Growth**
- **Optimised business processes**
- **Improved customer services**
- **Capable, ethical and developmental organisation**



CURRENT | RISKS

- Product unavailability
- Inadequate safeguarding of OBP as National Key Point
- Inadequate business continuity management capabilities
- Inadequate sustainability management (environmental, social) & governance
- Absence of comprehensive HR strategy
- Inefficient customer management
- Litigation exposure

IMPACT

ECONOMIC TRANSFORMATION	FOOD SECURITY

MANAGING THE 6 CAPITALS TO DELIVER VALUE

OBP's business model is to develop and produce vaccines for animal health through effective distribution solutions and thereby allowing the organisation to prevent and control animal diseases that affect food security, human health, and livelihood. The success, OBP is dependent on the six (6) main capitals.

NATURAL CAPITAL

OBP supports initiatives through good waste management practices, carbon reduction emissions, and continued wetland preservation.

OBP prides itself on its ongoing project to power its plant operations through alternative energy sources.

FINANCIAL CAPITAL

OBP defines its financial capital as the funds available for deployment into existing business and new business opportunities. OBP reinvests its financial capital to expand its organisational portfolios through organic opportunities. To contain costs, OBP has implemented austerity measures that, amongst others, include cost containment, strategic sourcing, and price negotiations with suppliers.

To maintain a healthy balance sheet, OBP monitors its key financial ratios of liquidity, solvency, and other key ratios indicating its financial health and sustainability. Cash in the bank is invested at rates that ensure an attractive return on investment while ensuring funds are liquid and accessible.

OBP's operational funding is derived from being a self-sufficient organisation that is reliant on its revenue for sustainability. The OBP's financial capital comprises of:

- healthy balance sheet for new investments & acquisitions;
- free cash flow; and
- retained earnings for reinvestment.

INTELLECTUAL CAPITAL

OBP strives to improve its competitiveness through investment in its intellectual capital in the form of appropriate skills, systems, knowledge, and strategic partnerships. The intellectual property of OBP includes the following:

- Research and Development Capabilities,
- OBP Brand and Products,
- Applicable Policies and Standards,
- Extensive experience in leadership roles (Management team and Board),
- Extensive Intellectual Capital in Frontline Operators, &
- Information Technology and Communication Systems.

HUMAN CAPITAL

OBP's human capital comprises of skilled, competent, and experienced employees. As of 31 March 2024, the staff complement was one hundred and seventy-four (174) employees. OBP conducted an organisational review process and salary benchmarking.

Critical positions to support OBP's strategy were identified for prioritisation. Strategic partners provided assistance to capacitate the organisation's research and development department. Positions in other organisational areas were supported through internships, learnerships, and post-graduate development programmes.

SOCIAL AND RELATIONSHIP CAPITAL

OBP participated in the Agriculture, and Agro-Processing Master Plan (AAMP) initiated by the government to promote inclusive growth, transformation, and food security. By participating in this Master Plan, OBP has trained small and emerging farmers on disease awareness and establishing biosecurity at their farms. The organisation donated vaccines to small and emerging farmers through OBP's corporate social investment.

OBP also established new distribution networks mainly in rural areas to make products easily accessible. In establishing such distribution channels, the entity identified small entrepreneurs trained them, and offered them products to distribute to rural areas.

MANUFACTURING CAPITAL

OBP's manufacturing capital is built on the equipment, technologies, site, property, and infrastructure used to create, manufacture, store, and distribute its products. OBP has procured new systems and equipment to improve operational efficiencies in line with the latest technologies and its investment plan.

4 ORGANISATIONAL STRUCTURE

5 LETTER TO THE MINISTER OF AGRICULTURE

The Honourable Minister Mr. J.H. Steenhuisen

Minister of Agriculture

Private Bag X100

Pretoria

0001

Dear Minister,

I have the honour of presenting to you the 2023/24 Integrated Annual Report of Onderstepoort Biological Products (SOC) Ltd, for submission to Parliament as required by Section 55 of the Public Finance Management Act 1999 (Act 1 of 1999).

The report covers the operations of Onderstepoort Biological Products SOC Ltd for the financial year that ended on the 31 March 2024.

Yours faithfully,

Prof. P. Mabeta
Onderstepoort Biological Products SOC Ltd | Board Chairperson

BLUE UDDER

Vaccine for Goats

6 CHAIRPERSON'S OVERVIEW

It is my pleasure to present this Integrated Annual Report for the 2023/24 fiscal year which reflects a review of the performance and achievements of the Onderstepoort Biological Products Soc Ltd (OBP) during the year under review. In the past few years, South Africa experienced outbreaks of infectious diseases, including Foot and Mouth Disease (FMD) and African Horse Sickness (AHS), and the impact continued in the first half of the year under review. As an organisation, the OBP faced immense challenges with the production of vaccines, and this affected product availability and the ability to be responsive to these outbreaks; however, the OBP has made progress in addressing the challenges in vaccine production during the past year and will continue to do so in future years.

There was an increase in the quantity of vaccines produced in the year under review compared to the previous year, however, due to ageing infrastructure and the reduced capacity of the current manufacturing equipment, annual targets could not be met. The company has embarked on mitigation measures which included procuring freeze-drying equipment and bringing an experienced maintenance staff on board. To augment the much-required technical expertise, training will be provided to the OBP's technical staff by the equipment manufacturers.

We confirm our commitment to promoting high standards of manufacturing to ensure that our products are safe, efficacious, and cost-effective. We remain committed to ensuring product accessibility to customers, and the fostering of an ethical environment. Concerning product performance, sales data analysis has shown that our viral products contributed about 85% of the revenue generated, while non-viral products contributed 15%. In terms of pursuing growth, 17 distribution points and channels were established during the 2023/24 reporting period; this will improve the accessibility of the OBP's products to our clients.

Overall, there is a continuing improvement in sales revenue, as evident from historical data which shows that the OBP grew by approximately 27% from 2021 to 2023/24. During the year in review, revenue increased from R204 million in the prior year to R236 million. The increase in revenue is mainly attributable to an increase in international sales. The year-to-date performance in the domestic market showed a decline against the budget and the 2023 fiscal year performance. In the same period, the OBP's exports were 60% above that achieved in the 2022/23 fiscal year.

The organisation recognises that its sustainability is dependent on its relationships with its customer base and is also cognizant of the importance of customer satisfaction if it is to expand its market share. The results on brand perception show the OBP as a supplier of choice. The OBP continues with its endeavours to be more customer-centric and to improve its services. The organisation is committed to the enhancement of its communication channels, as well as to the provision of information to its customers and other stakeholders in an open, timely, and transparent manner.

The OBP is conscious of the value of strategic partnerships in its pursuit of animal health and food security. To this end, the organisation has partnered with Institutions of Higher Learning, Government entities, and other stakeholders in the same sector both locally and internationally. The Service Level Agreement between the Department of Agriculture, Land Reform and Rural Development (DALRRD) and the OBP on the provision of Biosecurity solutions which included the procurement and provision of the FMD vaccine was pivotal in curtailing the FMD outbreak. The continued partnership with DALLRD continues to be central to the organisation's delivery of its mandate.

Through the Department of Science and Innovation, the OBP is participating in the Vaccine Innovation and Manufacturing Strategy programme geared towards employing innovative platforms to develop vaccines for the local and international markets. The OBP has also continued to work in close collaboration with farmer associations and Provincial Departments of Veterinary Services; in the year under review, the OBP was able to train 618 farmers.

We are unwavering in our commitment to develop, manufacture, and distribute high-quality animal health products. Through strategic collaborations with our partners and stakeholders, we endeavour to contribute to the ongoing safeguarding of the health and well-being of animals, as well as sustained food security.

I thank the interim CEO for the strategic guidance he has provided to the OBP team, and the staff for their hard work and commitment to the success, growth, and development of the OBP during the past year.

I express my appreciation on behalf of the Board and Management of the OBP to the Honourable Minister Ms. A.T. Didiza, the Deputy Ministers, the Director-General, and the staff of the Department of Agriculture, Land Reform and Rural Development; the Agricultural Research Council (ARC) as well as the Sector for the continued support.

Prof. P. Mabeta

Onderstepoort Biological Products SOC Ltd

Board Chairperson

7 BOARD OF DIRECTORS

Prof.
Peaceful
Mabeta

Mr.
Mokutule
Kgobokoe

Mr.
Rajesh
Mahabeer

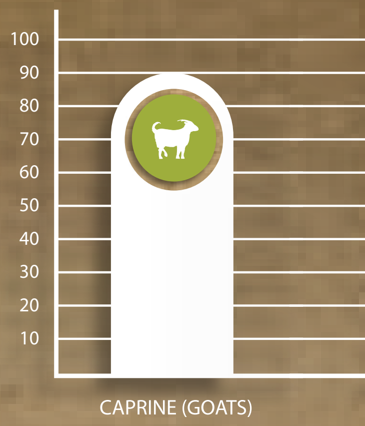
Dr.
Natalie Skeepers

Dr.
Deenadayalen
Konar

Dr.
Linda
Makuleni

Ms.
Sinovuyo Matai
(Ntiyantiya)

CHIEF EXECUTIVE SUM



OBP remains a key player in supporting the animal and livestock subsector to provide opportunities for growth and prosperity for everyone.

STRATEGIC PARTNER

OBP served as a vaccine bank for DALRRD on the FMD vaccines, a responsibility that OBP executed with distinction, particularly as it pertained to vaccine distribution to regions affected by the disease outbreaks.

From R204 million in the prior year, to R232 million. 16% growth in sales

MARY

STAFF, MANAGEMENT, AND CUSTOMERS

When duty called, staff and management operated on a 24-hour 7-day shifts approach in response to customer demand. This hard work exhibited by the OBP staff resulted in increased customer satisfaction feedback.

Innovation, Research, and Development

OBP has made a huge investment in the state-of-the-art Vector Protected Facility to be accessible nationally as an animal clinical research centre.

no.1

Loadshedding and aged infrastructure affected organisational performance

no.2

Construction of the GMP Project will resume

PLANT UPTIME

OBP is in full-scale implementation of the rolling 7-year capital investment plan

OBP has procured a state-of- the-art production equipment with enhanced production capacity, and the equipment will be delivered in the 2024/25 financial year

02

PRODUCTION EQUIPMENT

BOTULISM

Vaccine for Horses, Cattle, Sheep & Goats

8 CHIEF EXECUTIVE OFFICER'S REPORT

The agriculture sector continues to play a significant role in the South African economy and OBP remains a key player in supporting the animal and livestock subsector to provide opportunities for growth and prosperity for everyone. This subsector continues to be a provider of animal protein and to contribute to livelihoods and most importantly, food security for South Africans. The livestock industry in the country remains under pressure due to the continued threat of incursions of animal diseases. We have in recent times seen outbreaks of Foot and Mouth Disease, African Swine Fever, and Avian Influenza amongst others. Despite this, significant progress has been made as several outbreaks have been resolved and new solutions configured to improve the preparedness of all role players. Biosecurity is everyone's responsibility and as a provider of animal vaccines, OBP continues to work in earnest to ensure the timeliness of access to our products.

Service Level Agreement with DALRRD

In the year under review, OBP concluded an SLA with DALRRD. This is premised on OBP's mission to be the provider of Animal Health solutions that incorporate procurement and provision of the foot and mouth disease vaccine to ensure animal biosecurity. OBP served as a vaccine bank for DALRRD on the FMD vaccines, a responsibility that OBP executed with distinction, particularly as it pertained to vaccine distribution to regions affected by the disease outbreaks. Lessons learnt from this collaboration brought to bear clarity on the role that OBP can play in being a strategic partner to DALRRD in ensuring overall animal biosecurity solutions for the livestock industry in South Africa. Significant is the clarity in the role that OBP can play in partnering with DALRRD in its pursuit of the goals and objectives of AAPMP programmes.

Plant Uptime

OBP is in full-scale implementation of the rolling 7-year capital investment plan with 35% targets achieved as at the end of the fiscal year. This plan will ensure that the organisation reinvigorates its infrastructure, machinery, and equipment while continuing to provide clients with vaccines to protect their livestock against animal diseases. OBP has made significant progress in its strides to have modern production equipment based on new technologies. To this end, OBP has procured state-of-the-art production equipment with enhanced production capacity, and the equipment will be delivered in the 2024/25 fiscal year. OBP is proceeded with the procurement of computerised maintenance management systems, to improve predictive maintenance, thereby reducing breakdowns and improving machinery and equipment uptime.

Innovation, Research, and Development

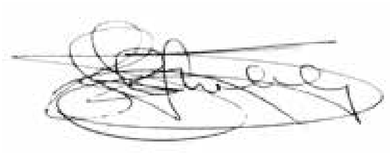
OBP has made a huge investment in the state-of-the-art Vector Protected Facility to be accessible nationally as an animal clinical research centre. The commissioning of the facility will fast-track the development of new vaccines against prevalent and emerging animal diseases.

Financial Performance

Despite not achieving the sales revenue target set, there was a 16% growth in sales, from R204 million in the prior year, to R232 million. OBP continues to pursue markets beyond the African continent, and efforts are underway to ensure that key account management to reinforce international organisation markets is strengthened. The financial results come against a headwind made up of a challenging economic environment in South Africa and bouts of debilitating loadshedding.

Change in Leadership

A new OBP Board was appointed in the year under review. To this end, OBP is thankful to the DALRRD team as led by the Honourable Minister Ms. A.T. Didiza, who ensured that board members commence duties on 1 November 2023. A board induction was successfully facilitated, and new committees were expeditiously appointed. OBP looks forward to the strategic guidance and leadership from the new board of directors.



Dr. Boitshoko Ntshabele
Onderstepoort Biological Products SOC Ltd

Interim CEO

Staff, Management, and Customers

Sincere gratitude is expressed to the OBP staff and management for their determination and dedication in executing operations that continue to sustain the organisation financially. When duty called, staff and management operated on a 24-hour 7-day shifts approach in response to customer demand. This hard work exhibited by the OBP staff resulted in increased customer satisfaction feedback.

9 EXECUTIVE COMMITTEE

Dr. Boitshoko Ntshabele
Interim Chief Executive Officer

Mr. Collin Manickum
Chief Operations Officer

Ms. Welekazi Dukuza
Interim Head of Legal & Company Secretary

Dr. Jacob Modumo
Marketing, Sales & Business Development Officer

Ms. Charlene Sheraton
Corporate Services Executive

Ms. Elspeth Govender
Chief Financial Officer

Dr. Bethuel Nthangeni
Chief Scientific Officer

10 REPORT OF THE CHIEF FINANCIAL OFFICER

Introduction

OBP achieved favourable results closing the year with an operating profit of R31 million and a net asset position of R366 million. This performance is the outcome of sustained performance measures implemented that aligned with its approved budget. The cost management initiative yielded positive results with a minimal increase in expenses, and in turn, an increase in the overall profit margins in comparison to the prior year.

Finance

The Finance Department oversees OBP's financial management, payroll, and supply chain management. The department works for effective and efficient financial administration, as well as strong internal controls that are in line with the organisation's strategic objectives.

The department is guided by the following statutes in the execution of its duties and reporting:

- Public Finance Management Act no.1 of 1999.
- National Treasury regulations and guidelines.
- Preferential Procurement Policy Framework.
- Income Tax Act 58 of 1962.
- VAT Act 89 of 1991.
- International Financial Reporting Standards.

Financial Management

The Finance department is responsible for establishing and maintaining effective financial management systems and controls, as well as ensuring compliance with all applicable legislation. Financial administration, cost and management accounting, treasury management, and reporting are all essential activities.

Supply Chain Management

Procurement, distribution, and logistics are the primary emphasis areas of the SCM department. The department provides support to all OBP departments while pursuing commercial objectives as a Schedule 3B State organisation. The department's primary responsibility is to provide an integrated supply chain function by effectively planning, procuring, distributing, and delivering OBP products. The procurement function relies heavily on compliance with appropriate National Treasury regulations. To this purpose, the OBP board of directors updates and approves procurement policies on an annual basis, and this year is no exception. During the year under review, the National Treasury played an important role in training OBP officials on essential PFMA rules and regulations to improve and strengthen the compliance environment. OBP spent an average of 46% of its procurement budget on Black-owned individuals/organisations and 14% on Black women-owned individuals/organisations.

Compliance Reporting

a) Reconciliation of irregular expenditure

Description	2023/24	2022/23
	R'000	R'000
Opening balance	-	-
Adjustment to opening balance	-	-
Opening balance as restated	-	-
Add: Irregular expenditure confirmed	3 152 694	-
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recoverable and written off	-	-
Closing balance	3 152 694	-

The Irregular expenditure relates to non-compliance with prescribed legislation in the procurement process.

Reconciling notes

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure that was under assessment	-	-
Irregular expenditure that relates to the prior year and identified in the current year	-	-
Irregular expenditure for the current year	3 152 694	-
Total	3 152 694	-

b) Details of irregular expenditure (under assessment, determination, and investigation)

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
Total	-	-

c) Details of irregular expenditure condoned

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure condoned	-	-
Total	-	-

d) Details of irregular expenditure removed - (not condoned)

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure NOT condoned and removed	-	-
Total	-	-

e) Details of irregular expenditure recoverable

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure recoverable	-	-
Total	-	-

f) Details of irregular expenditure written off (irrecoverable)

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure written off	-	-
Total	-	-

Additional disclosure relating to Inter-Institutional Arrangements

g) Details of non-compliance cases where an institution is involved in an inter-institutionalarrangement (where such institution is not responsible for the non-compliance)

Description
N/A

h) Details of irregular expenditure where an institution is involved in an inter-institutionalarrangement (where such institution is responsible for the non-compliance)

Description	2023/24	2022/23
	R'000	R'000
N/A		

i) Details of disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken
None

Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Description	2023/24	2022/23
	R'000	R'000
Opening balance	8	-
Adjustment to opening balance	-	-
Opening balance as restated	-	-
Add: Fruitless and wasteful expenditure confirmed	-	8
Less: Fruitless and wasteful expenditure recoverable	-	-
Less: Fruitless and wasteful expenditure not recoverable and written off	-	-
Closing balance	8	8

The fruitless and wasteful expenditure relates to penalty that was imposed in the prior financial year.

Reconciling notes

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment	-	-
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	-	-
Fruitless and wasteful expenditure for the current year	-	8
Total	8	8

b) Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	-	-

c) Details of fruitless and wasteful expenditure recoverable

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure recoverable	-	-
Total	-	-

d) Details of fruitless and wasteful expenditure not recoverable and written off

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure written off	-	-
Total	-	-

e) Details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken
None

Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii)

a) Details of material losses through criminal conduct

Material losses through criminal conduct	2023/24	2022/23
	R'000	R'000
Theft	-	-
Other material losses	-	-
Less: Recoverable	-	-
Less: Not recoverable and written off	-	-
Total	-	-

b) Details of other material losses

Nature of other material losses	2023/24	2022/23
	R'000	R'000
N/A		

c) Other material losses recoverable

Nature of losses	2023/24	2022/23
	R'000	R'000
N/A		

d) Other material losses not recoverable and written-off

Nature of losses	2023/24	2022/23
	R'000	R'000
N/A		

Results from Operations

The financial performance of the organisation has improved in comparison to the prior year's performance from an operational profit perspective, considering the revenue and expenditure, depicted in the Table here below.

	2024	% Change	2023
Revenue	232 313 405	16%	200 895 504
Expenditure	159 206 353	12%	141 528 099
Property, Plant & Equipment	381 332 190	-0,9%	384 931 811
Cash Equivalents	458 531 091	23%	373 370 884

GROSS REVENUE

Revenue increased from R200 million in the prior year to R232 million during the year under review. The increase in revenue is mainly attributable to the favourable market conditions internationally, and the rand devaluation against major trading partner currencies.

GROSS MARGIN

A gross margin of 87% was realised in comparison to the gross profit of 74% during the same period last year. The gross profit margin is realised mainly due to deliberate product mix and diligent costing between public and private good vaccine products.

OTHER INCOME

Other income amounted to R16.7 million having decreased by R10.2 million in comparison to the prior year. Included in other income are rental costs, forex gains, and any other income that is not part of the primary source of income, which is the sale of vaccines.

OPERATING AND ADMINISTRATIVE EXPENSES

The overall organisation expenditure increased by 11% during the year under review in comparison to the prior year.

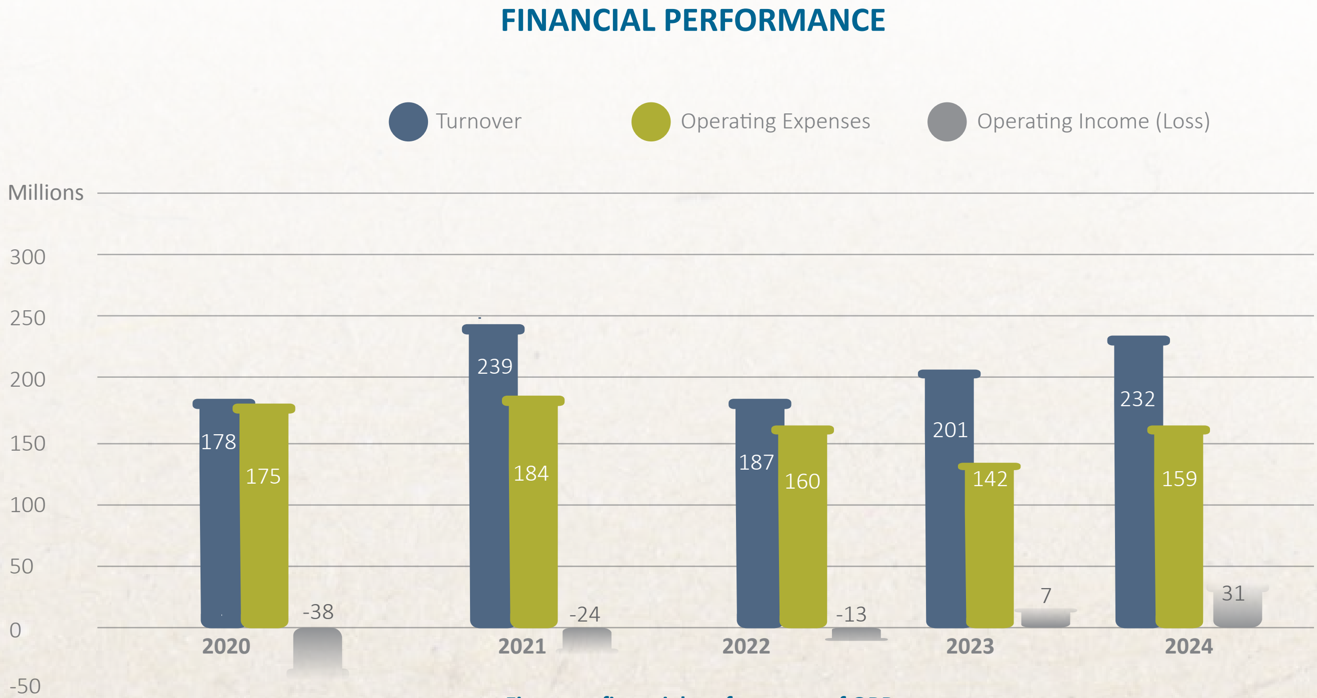
INVESTMENT INCOME

Investment income increased to R33.4 million in the year under review when compared to R20.5 million reported in the prior year.

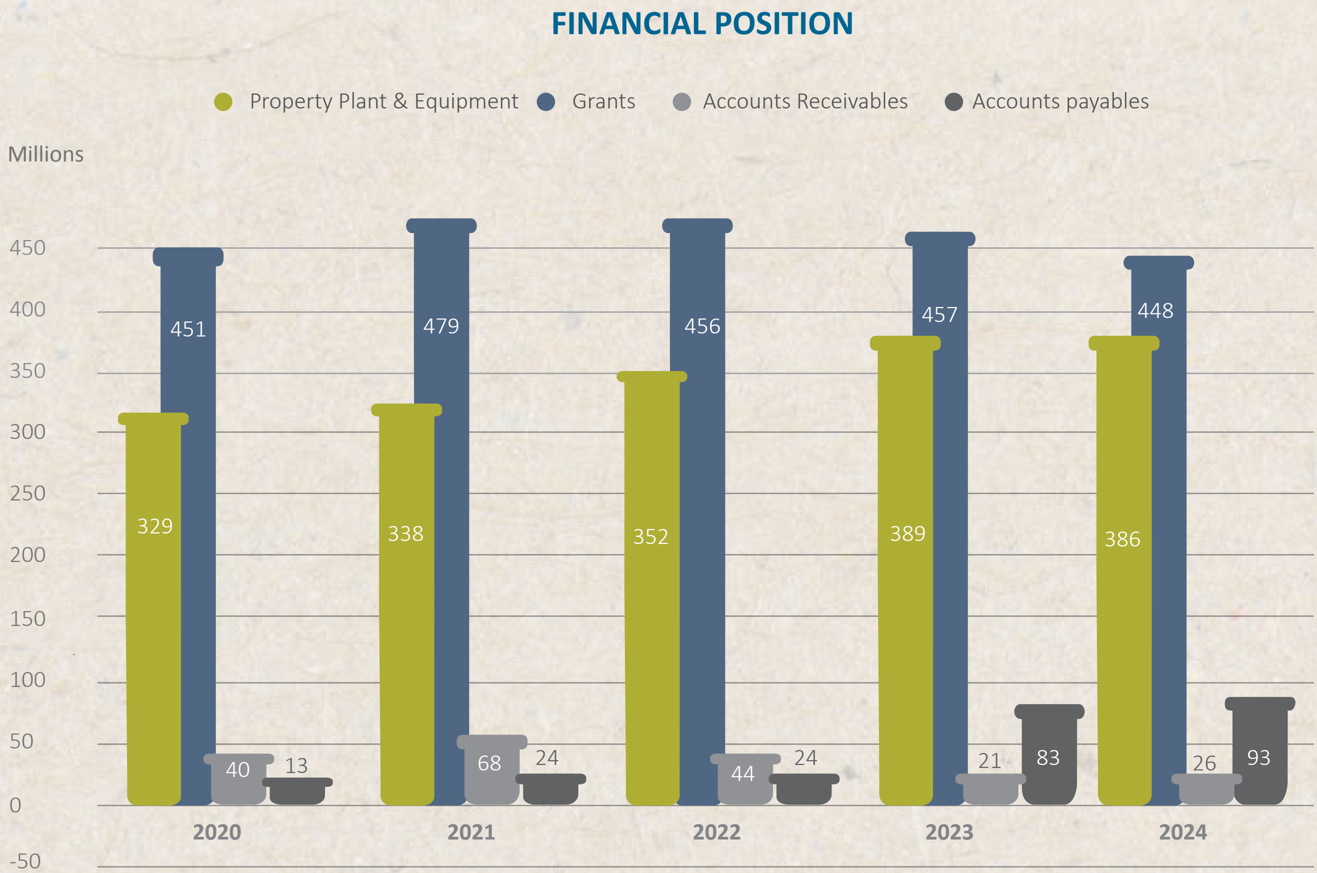
Innovative Bioscience

Organisational Performance

The organisational financial performance over the 5-year period is summarised in the graphs below.

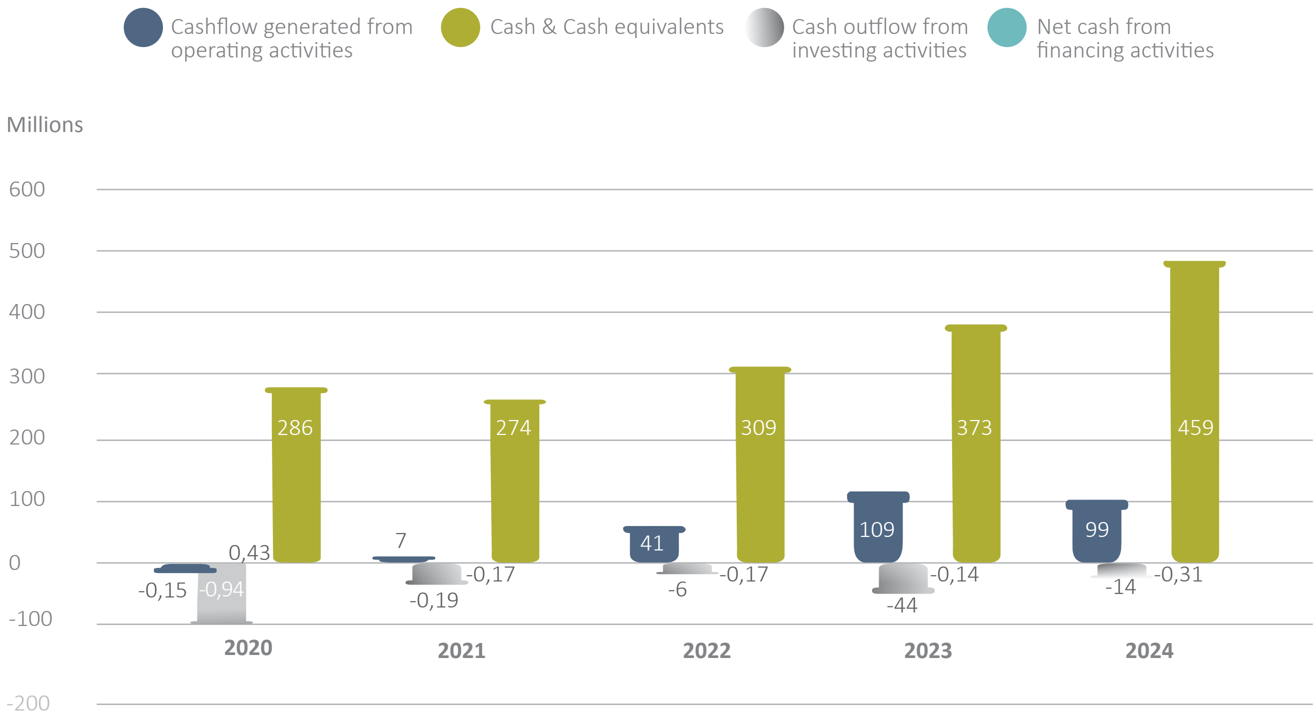


Five-year financial performance of OBP



Five-year financial position of OBP

CASH FLOWS AND CASH RESERVES



Five-year Cash Flows and Cash Reserves of OBP

FINANCIAL POSITION

The organisation's financial position has shown improvement over the past five years primarily due to the cash injection by the shareholder for the plant recapitalisation programme, cost management strategies, and opportunistic vaccine sales attributed to sporadic animal disease outbreaks. A net cash balance on 31 March 2024 of R459 million represents an increase of R86 million over the period under review.

DELIVERING VALUE TO STAKEHOLDERS

Value is returned to the shareholder by ensuring that government priorities are met, especially by alleviating poverty through food security and improved animal health within South Africa, SADC, Africa, and the world at large.

OUTLOOK

The organisation remains cognisant of the need to deliver continually to its stakeholders by improving operational performance, efficiencies, revenue maximisation, cost management, and affordable pricing of products.

KEY FINANCIAL RISKS

A significant number of machinery acquisitions from overseas suppliers is envisaged over the Medium-Term Expenditure Framework (MTEF). Exchange rate risk is being managed through awareness of currency risk-related transactions. The organisation has a formal foreign exchange policy that guides currency risk management. Currency risks are partially hedged through the set-off effects of foreign currency current assets.


Innovative
Bioscience

11 CORPORATE GOVERNANCE REPORT

OVERVIEW

The Board recognises the need to adhere to the organisation's sound corporate governance standards, conduct the affairs of OBP with integrity to ensure that all organisation's decisions at each level, are made with reasonable care, skill, and transparency, and increase public confidence. As part of the Board governing policy, the Board ensures that the organisation is managed ethically and within managed identified risk parameters whilst ensuring that sound governance structures and processes are in place as these are critical to achieving the organisation's long-term success.

As part of its obligation, the Board concurrently ensures that the organisation examines its complete impact within the social and environmental contexts in which it operates. As a result, the Board continues to provide effective leadership based on sound ethical organisation al principles. The Board considers the organisation's appropriate implementation of King IV as a fundamental aspect of how the organisation conducts itself as a responsible corporate citizen.

Ultimately, the directors are responsible for the internal controls of the organisation. The systems and controls include correct delegation of responsibilities within a clearly defined framework, effective accounting procedures, and suitable division of roles. Ensuring that sufficient system and control monitoring is in place throughout the organisation is crucial for conveying confidence to the Board about the control environment's adequacy and efficacy.

The AR&IT Committee section of the report provides more information on these systems and controls, as well as how the organisation's internal audit role operates. Accounting policies supported by judgements, estimates, and assumptions per the IFRS are applied with the assumption that the organisation will continue to operate as a going concern.

The Board monitors and evaluates the success of the combined control approach through the AR&IT Committee. This ensures that the scope of the integrated control approach is influenced by key risks and opportunities that have a significant impact on the organisation's ability to create value. Assurance disciplines, which include the many departments of the organisation, internal and external Assurance providers, and finally the board, are collectively responsible for implementing and reporting on a single mandate in a coordinated way to ensure its effectiveness.

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

The Board has a reasonable expectation that the organisation has adequate resources to continue operating as a going concern.

BOARD MANDATE

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

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

BOARD CHARTER

Key Roles and Responsibilities

The Memorandum of Incorporation confers general authority to the Board and its directors. The Board's terms of reference are outlined in its charter, which is revised annually and gives a clear and succinct summary of the Board members' roles, responsibilities, and authority. The updated charter is available upon request from the OBP's Company Secretariat.

The powers and responsibilities of the Board include:

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

THE ROLE OF THE CHAIRPERSON

The Chairperson of the Board:

- provides leadership and firm guidance to the Board while encouraging proper deliberations.
- is the link between the Board and Management.
- Is the main contact between the Board and the organisation's Shareholder.

Non-executive directors are persons who objectively bring a diverse variety of industry skills, expertise, and experience to the Board, who remains uninvolved in the organisation's daily operations. Non-executive directors have the right to meet with external auditors and obtain independent professional or expert advice on any OBP-related issues at the expense of the organisation. The Board meets at least once per quarter; however, due to numerous circumstances that necessitated board decisions, 14 board sessions were held this year.

MANAGEMENT REPORTING TO THE BOARD

The Board has a responsibility to regularly review and approve management reports, including annual budgets and strategies. OBP has adhered to all the legislative reporting requirements for the year under review.

The OBP Board is comprised of the 7 non-executive members. Below is a list of these members:

BOARD OF DIRECTORS

- Prof. Peaceful Mabeta (Independent Non-executive Chairperson),
- Dr. Linda Makuleni,
- Ms. Sinovuyo Matai (Ntiyantiya),
- Dr. Natalie Skeepers,
- Mr. Rajesh Mahabeer,
- Dr. Deenadayalen Konar, and
- Mr. Mokutule Kgobokoe.

BOARD SUB-COMMITTEES

Following the Board appointment, these Board Sub-Committees where formed.

AUDIT, RISK, AND INFORMATION TECHNOLOGY COMMITTEE (AR&IT)

- Mr. Rajesh Mahabeer (Chairperson)
- Dr. Linda Makuleni
- Dr. Deenadayalen Konar
- Dr. Natalie Skeepers

RESEARCH AND DEVELOPMENT COMMITTEE (R&D)

- Dr. Linda Makuleni (Chairperson)
- Ms. Sinovuyo Matai (Ntiyantiya)
- Prof. Peaceful Mabeta
- Dr. Natalie Skeepers

OPERATIONS COMMITTEE (OPSCOM)

- Dr. Deenadayalen Konar (Chairperson)
- Ms. Sinovuyo Matai (Ntiyantiya)
- Dr. Natalie Skeepers
- Mr. Mokutule Kgobokoe

HUMAN RESOURCES, REMUNERATION AND ETHICS COMMITTEE (REMCO)

- Mr. Mokutule Kgobokoe (Chairperson)
- Dr. Deenadayalen Konar
- Prof. Peaceful Mabeta
- Mr. Rajesh Mahabeer

BOARD SUB-COMMITTEES

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

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

The AR&IT, REMCO, R&D, and OPSCOM Committees are established sub-committees that assist the Board in performing its duties. The combined roles and responsibilities of the sub-committees are imperative in enhancing good corporate governance and improving internal controls, thus assisting in the sustainable performance of OBP.

Various responsibilities of the Board sub-committees are detailed below:

AUDIT, RISK & INFORMATION TECHNOLOGY COMMITTEE

The AR&IT Committee has an independent role as a separate statutory committee with accountability to both the Board and OBP's shareholder. The Committee, chaired by an independent non-executive director, Mr. Rajesh Mahabeer accompanied by 3 independent non-executive directors, and the Interim CEO. Committee members are assessed in terms of their qualifications, experience, and independence in line with their required duties in compliance with corporate best practices and the Companies Act. The Committee members are recommended to the Board for approval on an annual basis and will be presented for shareholder election at the annual general meeting.

The Committee meets at least 4 times annually, but more often where necessary. During the reporting period, the Committee met 10 times.

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

The responsibilities of the Committee per its charter, state the following:

- Overseeing all risks that may impact the integrity of the Integrated Annual Report (IAR). Interim and annual results are reviewed to ensure that the financial results are valid, accurate, and fairly represent OBP's performance.
- Assisting the Board with all financial reporting and reviews of the annual financial statements, as well as the preliminary announcements and interim financial information.
- Providing a level of assurance to the Board on sustainability reporting in addition to the financial reporting.
- Providing the Board with its views on a bi-annual assessment of the going concern status of OBP, and regularly reviewing the appropriateness of the capital structure.
- Assessing internal controls governing accounting, auditing, and financial reporting.
- Reviewing and recommending the Integrated Annual Report (IAR) to the Board for approval.
- Reviewing and monitoring the structure, performance, and activities of the Internal Audit function, the external auditors, and the adoption of internal control procedures including accounting policies, legislative compliance, regulatory matters, and governance.

- Nominating the external auditors for appointment, approving the terms of engagement and remuneration for the external audit engagement, and monitoring and reporting on the independence of the external auditors in the annual financial statements.
- Setting the criteria for recommending the engagement of external auditors for non-audit services.
- It approves the internal audit plan and oversees the external audit process.
- Overseeing financial reporting risks, internal financial controls, fraud, and IT risks, related to financial reporting.
- Advising and updating the Board on issues ranging from accounting standards to published financial information.
- Approves and monitors OBP's whistle-blowing systems and processes.
- Considers the findings by the external auditors arising from their annual statutory audit when tabled, following the audit.
- Endorses action plans for management to mitigate risks.
- Has access to the organisation's records, facilities, employees, and other resources necessary to effectively discharge its responsibilities.

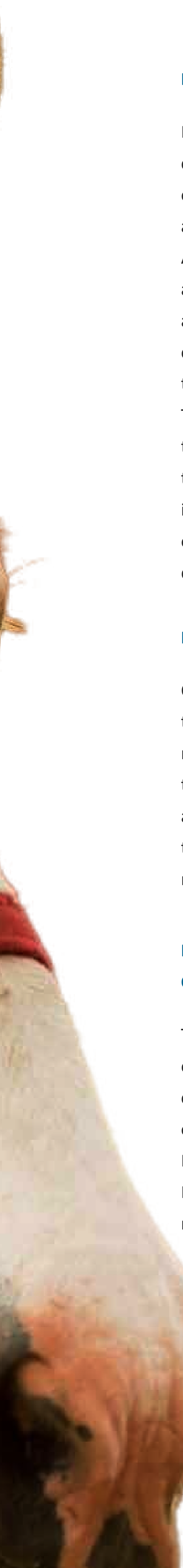
The CEO reports to the AR&IT Committee on the effectiveness of internal controls.

The AR&IT Committee has considered and is satisfied with the expertise and experience of OBP's Chief Financial Officer and has considered and is satisfied with the independence of the external auditors and the effectiveness of OBP's internal audit function.

The Audit, Risk and IT Committee recommended the Integrated Annual Report (IAR) to the Board for approval.

TETANUS

Vaccine for Horses, Cattle, Sheep & Goats



INTERNAL CONTROL SYSTEMS

Management is responsible for systems of internal control. Such systems are designed to assist in achieving organisation goals and safeguard assets. They also play a key role in preventing and detecting fraud and error. An effective internal control system provides reasonable assurance concerning financial statement preparation and safeguarding of assets. The effectiveness of internal control systems can change with circumstances and for this reason, these are reviewed and updated regularly. The systems presently in place are suitably aligned with the monitoring requirements and nothing has come to the attention of the directors, or internal auditors, to indicate that any material breakdown in the functioning of OBP's key internal controls and systems occurred during the 2023/24 fiscal year.

INTERNAL AUDIT

OBP has an outsourced internal audit function awarded to Nexia SAB&T. OBP's internal audit function employs a risk-based approach in developing its internal audit plan that is approved by the AR&IT Committee. The internal audit function independently executed their plan with the support of OBP's employees and management, reporting to AR&IT and the Board.

REMUNERATION, HUMAN RESOURCES AND ETHICS COMMITTEE

The Committee is responsible for ensuring that OBP's executive directors and management are adequately compensated for their individual contributions to the organisation's overall performance objectives. Mr. Mokutule Kgobokoe served as the Chairperson of the Remuneration Committee for the fiscal year under review. The committee consists of the Chairperson, three independent non-executive directors, and the interim CEO. The Committee meets at least four times per year, but more frequently when necessary. Throughout the reporting period, the Committee met seven times.

REMUNERATION POLICY

OBP operates in a highly competitive market in which key skills and technical know-how are critical to its success. OBP strives to compensate employees fairly and per the market in related industries.

In cooperation with the CEO and management, the Remuneration Committee oversees and recommends to the ,Board wage increases and employee perks. OBP remunerates its executive directors using credible benchmarked data and strives to achieve market-related cost-to-employer packages, which are a combination of basic salary augmented by incentives, if OBP achieves specified asset returns. The CEO's performance is evaluated annually by the Chairperson of the Remuneration Committee to decide his salary package for the coming year. Similarly, the CEO conducts an annual performance evaluation of all management executives.

The remuneration of these executives and other executive directors is detailed in the annual financial statements (refer pages 165 to 166).

The Human Resources, Remuneration, and Ethics Committee is also responsible for OBP's Social, Ethics, and Transformation function, which assists the Board in ensuring that OBP continues to be a good and responsible corporate citizen, as well as performing the statutory functions required of a Social and Ethics Committee under the Companies Act and King IV.

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

Policy review

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

Monitoring sustainable development performance:

The Committee performs a monitoring role concerning the sustainable development performance of OBP, specifically relating to:

- stakeholder engagement.
- health and public safety - which includes occupational health and safety.
- broad-based black economic empowerment and transformation.
- employee relations and working conditions.
- training and skills development of employees.
- management of OBP's environmental impacts.
- ethics and compliance.
- corporate social investment.

Included in its responsibilities, the Committee also reviews relevant legislation and prevailing codes of best practice, particularly in the areas of social and economic development, good corporate citizenship, environmental management, health and safety, consumer relationships, and labour and employment practices.

With regards to the following:

- Material sustainability issues: The Committee is responsible for annually revising or determining, in conjunction with senior management and through effective stakeholder engagement processes, OBP's material sustainability issues.
- Public reporting and assurance: The Committee is responsible for reviewing and approving the annual sustainability content, as far as it relates to social, ethical, and transformation issues included in the Integrated Annual Report (AIR) and published on the organisation's website, as well as making recommendations on external assurance of OBP's public reporting on sustainable development performance.

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

For a more detailed review of sustainability, refer to pages 56 to 57 of this report.

OPERATIONS, SALES, AND MARKETING COMMITTEE

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

- Advises management on the mobilisation of resources and oversees the establishment of processes for the support of the core mandate of the organisation.
- Has an oversight role on consumer relations, including the organisation's advertising, public relations activities, and compliance with consumer protection laws.

The Chairperson of the Operations Committee for the year under review was Dr. Deenadayalen Konar. The Committee consists of the Chairperson, three independent non-executive directors, and the Interim CEO. The Committee met quarterly and held 4 meetings during the year.

RESEARCH AND DEVELOPMENT COMMITTEE

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

- Advises management on the mobilisation of resources.
- Oversees the establishment of processes for the support of the core mandate of the organisation.
- Facilitate collaborations and partnerships concerning the functions of the organisation as well as the development of the research agenda for it.
- Ensure that all intellectual property is managed per the Intellectual Property Policy of the organisation.

The Chairperson of the Research and Development Committee for the year under review was Dr. Linda Makuleni. The Committee consists of the Chairperson, 3 independent non-executive directors, and the Interim CEO. The Committee meets quarterly and holds 4 meetings during the year.

BOARD MEMBER'S MEETING ATTENDANCE

Name	Board	Special Board	Audit Risk & IT	Special Audit Risk & IT	Operations Sales & Marketing	Research & Devel-opment	Human Resources Remuneration & Ethics	Special Human Resources Remuneration & Ethics
Total Meetings Held	3	8	4	3	3	3	3	0
Board Member's Meeting Attendance								
Board member's appointed 01 August 2017								
* Ms. R. Kenosi	3	8	-	-	3	-	3	0
** Ms. N. Sonjani	3	8	4	3	-	3	-	0
*** Ms. N. Naidoo	3	8	4	3	-	-	3	0
**** Prof. K. Nephawe	3	7	4	3	-	3	-	0
***** Mr. L. Nematswerani	3	8	-	-	3	-	3	0
+ Dr. B. Ntshabele	3	8	3	3	3	3	-	0
++ Mr. L. Mabombo	3	8	3	3	3	3	3	0

LEGEND:

+ Minister's Representative

++ Interim CEO (from November 2022)

Name	Board	Special Board	Audit Risk & ItT	Special Audit Risk & IT	Operations Sales & Marketing	Research & Devel-opment	Human Resources Remuneration & Ethics	Special Human Resources Remuneration & Ethics
Total Meetings Held	1	2	1	2	1	1	1	3
Board Member's Meeting Attendance								
New Board appointed on 01 November 2023 for a term of three (3) years								
* Prof. P. Mabeta	1	2	-	-	-	1	1	3
** Mr. R. Mahabeer	1	2	1	2	-	-	1	3
*** Mr. M. Kgobokoe	1	2	-	-	1	-	1	3
**** Dr. L. Makuleni	1	2	1	2	-	1	-	-
***** Dr. L. Konar	1	2	1	1	1	-	1	3
Ms. S. Matai (Ntiyantiya)	1	2	-	-	1	1	-	-
Dr. N. Skeepers	1	2	1	2	1	1	-	-

LEGEND:

* Board Chairperson

** AR&IT Committee Chairperson

*** Remco Chairperson

**** R&D Chairperson

***** OPSCOM Chairperson

The table above indicates the attendance of Board members at scheduled board and sub-committee meetings during the period 1 April 2023 to 31 March 2024.

ONDERSTEPOORT BIOLOGICAL PRODUCTS

INNOVATIVE BIO-SCIENCE

BLACK QUARTER

Vaccine for Cattle & Goats

REGULATORY COMPLIANCE

Based on the principal laws and regulations effective during the year, there were no known material areas of non-compliance within OBP; nonetheless, opportunities for improvement were identified, and action plans were monitored through the AR&IT Committee. There were no significant fines imposed, nor were the organisation or its directors prosecuted for failing to comply with any applicable legislation.

CONFLICTS OF INTEREST

The Board acknowledges the significance of acting in OBP's best interests while also preserving its stakeholders' legitimate interests and expectations. The Board regularly applies the Companies Act's procedures in disclosing and preventing conflicts of interest. All directors have declared their interests per the Companies Act.

INFORMATION & COMMUNICATION TECHNOLOGY

The Board understands the importance of the Information and Communication Technology (ICT) function in the organisation of OBP to support its sustainability and growth. They have been instrumental in capacitating the function by ensuring the relevant resources are available to support the organisation strategy.

HUMAN RIGHTS

OBP's dedication to fundamental human rights, as expressed in the South African Constitution's Bill of Rights, is central to the company's everyday operations and its goal of becoming a model global corporate citizen. OBP's commitment to human rights demands all workers to understand and regularly carry out their responsibilities following the company's code of ethics and principles.

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

FRAUD AND ETHICS MANAGEMENT

OBP has a zero-tolerance policy on fraud and corruption. OBP expects its employees, organisation partners, contractors, and associates to act with the utmost integrity and per the OBP code of ethics and fraud and corruption policy. A thorough code of ethics commits OBP and its employees to the highest ethical and professional standards, and it is fully supported by the Board and CEO.

This code has been effectively communicated to all OBP employees and is applied to all connections between OBP, its directors, executives, management, and employees, both internally and with external stakeholders such as customers, suppliers, shareholders, and society at large.

The code of ethics serves as the cornerstone for OBP's fraud policy, helping to foster a strong and healthy ethical culture. Both rules are in complete compliance with the Prevention and Combating of Corrupt Activities Act. The organisation's fraud policy requires that all reported allegations be investigated.

WHISTLE-BLOWING

As part of its efforts to enforce the code of conduct, and to ensure zero-tolerance towards fraud and corruption OBP has established a 24-hour, Whistle Blowers Hotline.

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

LEGISLATIVE COMPLIANCE

The Board is ultimately responsible for ensuring that OBP complies with applicable laws, regulations, codes, and standards. The obligation to implement an effective compliance structure and processes as anticipated by King IV has been entrusted to management, with the Head of Legal and Company Secretariat appointed as OBP's compliance officer. In this capacity, OBP assures the Board that it is following applicable rules and regulations, and corrects steps as needed.

OBP's Compliance Officer's functions include:

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

Based on the principal legislation in effect during the year, there were no known material areas of noncompliance within OBP; nonetheless, opportunities for improvement were identified, and action plans were monitored by the AR&IT Committee. There were no significant fines imposed, nor were the organisation or its directors prosecuted for failing to comply with any applicable legislation.

THE ROLE OF THE CEO

The year under review has brought a measure of stability insofar as it relates to the senior leadership of OBP. Dr. Boitshoko Ntshabele, the interim CEO has been at the helm of OBP since November 2023 appointed by the Minister for a period of six months.

The responsibilities of OBP's CEO as determined by the Board include amongst others:

- Lead OBP and the management team.
- Be responsible for the day-to-day operations of OBP in order to implement and achieve the strategic goals set by the Board through the OBP Executive Committee, which is chaired by the CEO.
- Principal spokesperson for OBP.

THE ROLE OF THE COMPANY SECRETARY

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

- Guiding the Board members in their duties and responsibilities.
- Providing Board members with all necessary information sufficiently ahead of the scheduled Board meetings to enable effective discharge of their responsibilities.
- Making Board members aware of any law and governance best practice that is relevant to the organisation.
- Reporting to the Board any failure by the organisation or Board members to comply with the Memorandum of Incorporation,

the Companies Act, the PFMA, Treasury Regulations, etc.

- Ensuring that all shareholders' meetings, board meetings, and sub-committee meetings are properly recorded.
- Certifying that the organisation has filed the required returns and notices appear to be true, correct, and up to date.
- Ensuring that a copy of the OBP's annual financial statements is distributed to relevant stakeholders.
- Coordinating a formal induction programme for new Board members.
- Oversees the induction of new directors and the ongoing education of current directors.

EXECUTIVE MANAGEMENT

Dr. Boitshoko Ntshabele
Interim CEO

Ms. Elspeth Govender
Chief Financial Officer

Dr. Jacob Modumo
Sales, Marketing and Business Development Officer

Dr. Bethuel Nthangeni
Chief Scientific Officer

Mr. Collin Manickum
Chief Operations Officer

Ms. Charlene Sheraton
Corporate Services Executive

Ms. Welekazi Dukuza
Interim Head of Legal and Company Secretariat

NOTE ON OBP'S FINANCIAL REPORTING

For more information on OBP's financial strength and sustainability, please refer to the Chief Financial Officer's report on page 31 to 44 as well as the Annual Financial Statements on page 135.

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

12 RISK MANAGEMENT & SUSTAINABILITY

MANAGING RISKS

OBP's Board of Directors monitors risk through the AR& IT Committee. The Committee plays an oversight role to ensure that there is an effective risk management process and system within the organisation. This approach provides technical assistance to the OBP's Board to exercise its role in ensuring that an adequate and effective risk management system and processes are in place. In terms of the Board Charter and its legislative framework, the Board is expected to exercise the duty of care, skill, and diligence in identifying, assessing, and monitoring risks as presented by the AR&IT Committee. This Committee recommends to the Board risk strategies and policies that need to be set, implemented, and monitored.

Risks are assessed regularly during the annual planning process and all identified risks are described clearly and classified according to defined risk areas. Monitoring of the implementation and execution of the risk treatment actions is ongoing throughout the fiscal year. A risk register is developed and evaluated quarterly by management, the AR&IT Committee, and the Board.

SUSTAINABILITY REPORT

This sustainability report provides a comprehensive assessment of OBP's social and environmental performance for the fiscal year ended, 31 March 2024. OBP seeks to present a balanced, intelligible, and comparable perspective by providing a candid overview of its sustainability activities and challenges.

In preparing this report, OBP acknowledges the legislation, guidelines, and recommendations of international sustainability best reporting practices, such as King IV in South Africa and the Global Reporting Initiative (GRI), which is regarded internationally as the benchmark for sustainability reporting. OBP agrees that there is still work to be done in terms of harmonising reporting systems with the GRI. However, in line with the GRI's goal, OBP will gradually strengthen non-financial reporting systems based on the values of accountability and openness.

The organisation's vision is to contribute positively towards previously disadvantaged communities mainly small and emerging farmers, and more importantly, create employment through establishing new distribution channels in rural areas. The organisation is committed to preserving and investing more in the natural environment to reduce its carbon footprint.

In sustaining its business continuity, OBP invests in its employees through employee development programmes, environmental stewardship, and social development. The most important factor in OBP's long-term success is maintaining a committed, talented, and diverse workforce. Employees will continue to play an important role in OBP's long-term growth strategy. OBP has dedicated divisions, such as Human Resources (HR), that support its continual people emphasis.

Socio-Economic Development

OBP prioritises projects which have a positive social impact. The organisation understands that addressing Socio-Economic Development (SED) issues forms an integral component of its identity. OBP continues to see the value of giving back to the communities it serves, particularly the most rural and disadvantaged areas. OBP's primary goal is to enhance knowledge and skills while also supporting developmental, social, and environmental projects, either financially or in kind.

Environmental initiatives and awareness

Implementing an OBP-wide environmental programme within a dispersed organisation is not without difficulties. However, there are clear prospects for innovative product creation, notably in technology offerings, improving existing procurement techniques, and implementing a data collection plan, which will have positive impacts on the environment.

OBP is at the forefront of technology adoption, introducing essential technologies from around the world while at the same time preserving its own existing wetlands to protect the environment. OBP influences the environment since it uses natural resources such as energy and water.

The organisation implemented initiatives to enhance its environmental awareness, such as procedures aimed at lowering its carbon emissions, as a good corporate citizen. OBP is committed to preserving environmental integrity and to continuously improving its compliance with environmental management legislation, regulations, and standards.

Because the infrastructure is located at the OBP plant, technical infrastructure and production operations generate hazardous waste that, if not handled appropriately, might affect the environment. OBP recognises the importance of acting responsibly to reduce the environmental impact of its operations and ensure its preservation for current and future generations.

Per the National Environmental Management Act (No. 107 of 1998) (NEMA), OBP has Environmental Impact Management guidelines in place. It provides a framework for gradually reducing the organisation's carbon footprint, encouraging good environmental hygiene, and consistently improving waste management methods. It also enables a controlled operating environment and sound materials usage procedures to minimise human exposure to health hazards, reduce pollution during operations, and protect the environment.

OBP consistently strives to improve its environmental management practices and did not record any significant environmental incidents during the year under review.

PASTEURELLA

Vaccine for Cattle

13 STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT

OBP recognises that stakeholders are critical to its value chain, continued sustainability, and ultimately value creation. OBP will continue to implement a stakeholder-inclusive approach to strengthen communication channels, as well as provide accurate and relevant information to these stakeholders.

Stakeholders are encouraged to interact with OBP to gain a better understanding of the organisation and to make suggestions on ways to improve its product and service offerings, using the following channels:

- direct contact with the customer;
- the independently monitored Tip-Offs, Anonymous hotline;
- the Company Secretary who also provides access to publicly available corporate information;
- product information and literature;
- direct communication with interest groups by the CEO; and
- performance feedback to the shareholder and portfolio committee periodically.

The Company Secretary handles requests in terms of the Promotion of Access to Information Act and also acts as an Information Officer.

OBP utilises communication and marketing strategy to communicate its strategic direction and plans so that stakeholders are fully apprised of its expectations and requirements. Through its annual market survey, OBP receives valuable feedback from its customers and suppliers, regarding its products and services. Any improvements from the feedback, is considered in the products and service development plans. OBP participates in both domestic and international events to showcase its products and services and to also strengthen stakeholder relationships.

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

During the period under review, the interim CEO conducted numerous stakeholder engagements with industry partners, the media, and the Shareholder.

14 PRODUCT RANGE

- Actinomyces (Corynebacterium) Pyogenes
- African Horse Sickness
- Anaplasmosis (Frozen)(Tick-Borne Gallsickness)
- Anthrax Spore
- Black Quarter
- Bluetongue
- Blue Udder
- Botulism
- Botulism/ Black Quarter (Combined)
- B-Phemeral
- Brucella Rev.1
- Brucella S19
- Calf Paratyphoid (Inactivated Polyvalent)
- Calf Paratyphoid (Live)
- Campylobacter (Vibrio) Fetus
- Chlamysure
- Clostridium Septicum
- Corynebacterium ovis
- Coryzaplus
- Elephant Skin Disease
- Enterotoxaemia (Alum-Precipitated)
- Enterotoxaemia (Oil-emision)
- Escherichia coli (Oil-emision)
- Fowl Pox
- Fowl Typhoid
- Gasgangrene
- Heartwater - Infective Blood
- Lamb Dysentery
- Leukopast
- Leukopast 3
- Lumpy Skin Disease
- Orf (Freeze-Dried)
- Pasteurella (Cattle)
- Pasteurella (Sheep & Goats)
- Redwater African (Frozen)
- Redwater Asiatic (Frozen)
- RVF Clone 13
- Rift Valley Fever (Inactivated)
- Rift Valley Fever (Live)
- Swelled Head
- Tetanus
- Wesselbron Disease

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CAPRINE (GOATS)	EQUINE (HORSES)	OVINE (SHEEP)	BOVINE (CATTLE)	AVIAN (POULTRY)
●		●	●	
	●			
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15 HOLISTIC ORGANISATIONAL OVERVIEW

MANUFACTURING AND PRODUCTION

While there was an increase in the quantity of vaccines produced in the year under review versus the previous year, continuing challenges were experienced in vaccine production, which impacted vaccine availability. Some limitations were identified that affected OBP's production output amongst others were equipment breakdowns and aged infrastructure in South Africa to maintain the specialised equipment required for vaccine production. Technical skills to maintain critical equipment are being improved by the appointment of qualified maintenance staff.

The short-term maintenance plan continued in the year under review, and the long-term capital expenditure was updated to 2030. Capital expenditure for organisation-critical equipment and upgrades progressed steadily in the year under review.

The site security upgrade project remains one of the priorities to ensure that the site adheres to all requirements of the National Key Point Act and has been included in the Capital Expenditure Plan.

The operations department has continued to focus on implementing world-class techniques for improved communication, monitoring, and productivity. It is anticipated that the physical work on the project will resume in 2024/25.

SALES, MARKETING AND BUSINESS DEVELOPMENT

The South African livestock sector continues to be negatively impacted by disease outbreaks such as the Foot and Mouth Disease (FMD). These disease outbreaks affect the industry's economic trade of livestock both nationally and internationally. During the year under review, there were restrictions on livestock movement, and this impacted negatively on the free trade for livestock at auctions. The outbreaks also affected the export market for livestock products. These two factors affected farmer's potential income.

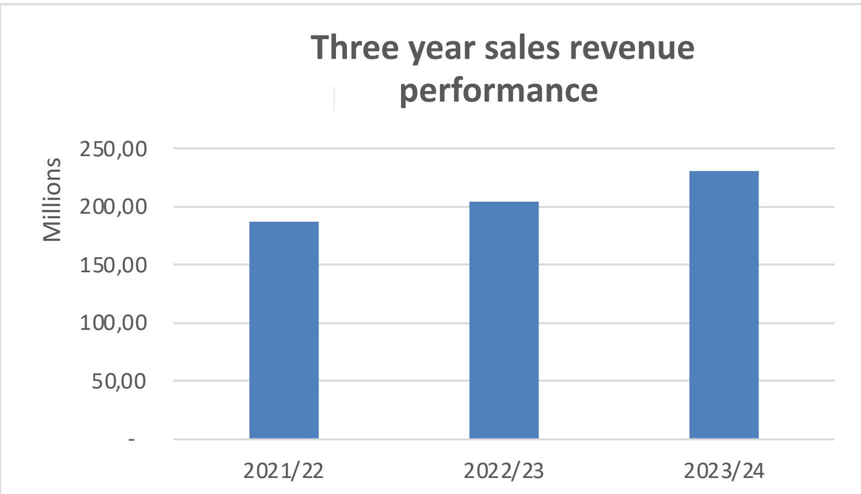
OBP's year-to-date overall sales performance indicated a growth year on year. However, the organisation did not achieve its sales revenue target for the year. The 3-year sales revenue historical data indicates an upward trajectory for OBP by almost 27% from 2021 to 2023/24 fiscal year, with a 16% increase from 2022 to 2023/24 fiscal year (for details see below).

Product performance

Product performance analysis showed that viral vaccine products continue to be the most popular products preferred by most farmers. This can be attributed to favourable weather conditions experienced in the past two years. OBP increased its annual doses sold by 23% which was inclusive of both national and international sales. This demand resulted in growth in market share within the viral segment.

Customer service and support

A customer perception survey was conducted during the year under review. The survey revealed that clients are satisfied with OBP's products and services. The survey further confirmed that OBP's corporate brand is associated with livestock vaccines and most clients perceive it as the provider of good quality products. OBP trained over 1165 livestock farmers via its farmers' days initiatives, in collaboration with farmer associations and provincial veterinary services. A total of 17 distribution points and channels were established during the year under review to improve the accessibility of OBP's products, particularly to smallholders and emerging farmers. OBP promoted its products and services at both national and international congresses and conferences through exhibitions.



RESEARCH AND DEVELOPMENT

OBP recognises the Innovation, Research and Development (IR&D) department as the cornerstone for the latest vaccine technologies and innovation to expand the product portfolio and introduce new production and quality control technologies. The objective of the IR&D is to cultivate and pursue scientific excellence through investing in staff development, publishing scientific outputs on peer-reviewed platforms, and active participation in scientific forums.

The key output of the department is to translate and advance proof of concept technologies and product development innovations to commercialisation. In addition, the IR&D department provides troubleshooting activities to improve production output. Some of the deliverables for the IR&D department are new product dossiers, improved production processes, and the development and implementation of cost-effective analytical methods, new to OBP.

Collaborations

OBP relies on its national and international network of collaborators to source new vaccine antigen candidates or diagnostic agents. The IR&D department plays a critical role in the upscaling, validation, and adoption of new products and technologies, provided pre-set performance criteria and potential market opportunities are fulfilled. For the year under review, OBP benefited from collaborations on vaccine development projects with the Agricultural Research Council (ARC), Council for Scientific and Industrial Research (CSIR), and Universities of Pretoria (UP), Johannesburg (UJ), North-West (NWU), Kwazulu-Natal (UKZN), the Free State (UFS) and Tshwane University of Technology (TUT).

Human capacity building

Continued learning initiatives through the IR&D department resulted in some staff members registering for post-graduate degrees at various levels. OBP views learning and development as part of its ongoing initiatives to remain relevant and competitive in the market. OBP further provided training to post-doctoral fellows and post-graduate internship programmes.

Community engagement

Researchers engaged with national delegations and provided training on different diseases and prevention strategies.

Research facilities

OBP completed the construction of the Vector Protected Bio-Secure Facility (VPF) during the year under review. The VPF will enable animal clinical trials to be conducted as new and improved vaccines against transmittable diseases upon development. Access to the VPF will be available nationally and internationally, for candidate vaccine research.

OBP complies with international regulatory standards according to an audit facilitated by the United Kingdom (UK). The IR&D department obtained a BSL 2 level for its laboratories following an audit by the DALRRD.

Funding opportunities

National funding opportunities were successfully sourced from the National Research Foundation and the Technology Innovation Agency. These funding sources were augmented by OBP research budget.

The IR&D was further awarded the NRF and Chan Soon-Shiong Family Foundation (CSSFF)-South African Medical Research Council (SAMRC) scholarship towards research and tuition fees for the MSc student hosted at OBP.

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HUMAN RESOURCES

Introduction

The Board requires the Human Resources (HR) Department to give an account in the Integrated Annual Report on how it has provided strategic, transformed, and value-adding human resource services within the organisation, through the development of strategies and plans, employee engagement, and people empowerment practices.

To achieve this, available resources were dedicated to ensuring that the organisation achieves the planned deliverables, manages risks and challenges, and ensures optimal service delivery. Compliance with applicable legislation and regulatory frameworks on people management forms the foundation for the HR report.

OBP seeks human capital sustainability through:

- specialised training and education for talent,
- wellness programmes to ensure health and well-being,
- implementation of Human Resources policies and procedures,
- ensuring safe working conditions,
- fair remuneration and reward,
- stimulating career opportunities; and
- retention of talent that can perform in a manner consistent with OBP's culture and values.

Human Resources priorities

The strategic objectives of OBP's Corporate Plan for 2024/27 remain the roadmap for the HR Department in enabling the organisation to attain its mission. The HR drivers for the year under review were as follows:

- ensuring congruence between strategy and organisational culture,
- building a high-performing organisation driven by service excellence, attraction, development, and the retention of the best talent, and
- technology-inspired human resource strategies and practices.

Employment and vacancies

In the year under review, the recruitment plan identified critical positions to ensure business continuity as well as growing a capable and ethical workforce to deliver on strategic objectives. The organisational structure of OBP as of 31 March 2024 comprised of a total of 265 positions of which 174 were filled and 91 vacant. The vacancy rate for 2023/24 financial year was 34.4%

The tables below summarises the employment and vacancies per department.

Employment and vacancies per department

Division	Number of posts on approved structure	Number of posts filled	Number of vacant posts
Office of the Chief Executive Officer	15	8	7
Chief Scientific Officer	72	51	21
Operations	101	66	35
Corporate Services	36	22	14
Marketing, Sales and Business Development	14	11	3
Chief Financial Officer	27	16	11
Total	**265**	**174**	**91**

Reward and recognition

The process of building a high-performance organisation in which OBP continues to strive to create a value-driven culture where employees find alignment between their personal values and its organisational values to create a motivated and engaged workforce remains the cornerstone for organisational performance. OBP adopts the approach of an integrated performance management system in which the goals of the individual, respective departments, and the organisation are interlinked. The strategic objectives as outlined in OBP's Corporate Plan and Annual Performance Plan are cascaded down into Departmental Operational Plans and the individual Performance Agreements of staff.

The integrated performance management approach aims to promote management and employee service excellence and accountability in that employees are individually and collectively responsible for the attainment of organisational objectives. The performance management system and business objectives are designed as a total management system that supports service excellence through the linking of recognition and reward to performance.

Management embarked on a process of alignment of the organisational structure with the strategic mandate of the organisation. As a result, each position on the organisational structure is supported by a benchmarked job profile for purposes of attraction and retention. Benchmarking of salaries against similar organisations in the industry including manufacturing, academia, and regulatory bodies resulted in market-related salaries to ensure internal and external parity in line with OBP's remuneration policy and philosophy which is to encourage long sustainable performance.

Occupational Health and Safety

Ensuring suitable working conditions, the well-being, and the health and safety of employees, remains a priority that OBP continues to embrace, due to its fundamental role in stabilising the workplace.

The Human Resources department, and the Occupational Health and Safety Officer (OHS), work diligently to ensure the best possible measures for a suitable workplace. During the year under review, the OHS function was stabilised through the review of policies and procedures, the institutionalisation of monthly OHS meetings, the training of OHS representatives, and quarterly evacuation drills together with the fire department. No major safety incidents were reported by the OHS department. OBP continues to fully embrace strict adherence to the Occupational Health and Safety Act for both permanent and temporary employees as well as suppliers. This encourages a safety-conscious workforce that adheres to rigorous safety standards through constant education and training. OBP also will be on-boarding an Employee Assistance Programme service provider, which will assist with ensuring the mental well-being of all employees.

Learning and Development

OBP remains committed to building a skilled workforce and ensuring the skills gap is addressed in these initiatives. The Workplace Skills Plan, together with the job grading and benchmarking exercise, aims to address the skills deficiencies that will be monitored and oversee the alignment of skills development, strategic objectives, and business continuity of OBP. Furthermore, the introduction of an internship programme as well as a succession planning framework is envisaged to be rolled out in the 2024/25 fiscal year.

Learning and Development within OBP continues to play an integral part in enabling business growth and performance. GMP training initiatives remain key to the continuous improvement of skills and production. Technical staff were trained in areas with a specific emphasis on good laboratory practices that are aligned with the standard operating procedures within the operations area. The skills developed in this area will enhance the technical capabilities of technical staff, thus reducing the error margin in the production and manufacturing of vaccines. Supply Chain Management training on inventory management as well as annual forklift training for certification. This training was aimed at improving the understanding and skill set of overall supply chain functions to ensure improved efficiencies in the SCM environment. Research and Development training focused on cell culture training, practical microbiology, fermentation bioprocessing, Lean Management, Six Sigma, pharmaceutical QMS, research ethics, and good clinical and laboratory practices. Furthermore, several conferences were attended by staff in the R&D department namely the African Biomanufacturing Regional Plant Biotechnology Forum, the 8th Annual RVF Partners' and Stakeholders' Meeting, visits to Makerere University in Uganda on the Knowledge, Interchange and Collaboration (KIC) funding instrument and the RUVASA conference. The organisation embarked on a full-scale computer training program to enable staff to improve the internal quality of report writing. General workers and cleaning staff formed part of this initiative intending to make available 'computer kiosks' thereby ensuring all staff within OBP have access to emails. In addition to planned training initiatives on-the-job training included SOP writing, ISO standards, GMP, QMS as well as on-the-job induction.

In total 139 staff, mainly in the skilled and semi-skilled occupations, attended training interventions for the period under review. The table below reflects the different occupational groups in this regard. The total expenditure on training for the 2023/24 fiscal year was R88 748.

Employee training for the period 1 April 2023 to 31 March 2024

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	0	0	0	0	0	0	0	0	0
Executive management	1	0	1	0	0	2	0	0	4
Management	6	2	1	3	3	0	1	0	16
Skilled employees	22	1	0	0	23	0	0	1	47
Semi-skilled employees	22	0	0	1	18	0	0	2	43
Basic – skilled employees	11	0	0	0	14	0	0	0	25
TOTAL PERMANENT	62	3	2	4	58	2	1	3	135
Temporary employees	1	0	0	0	3	0	0	0	4
GRAND TOTAL	63	3	2	4	61	2	1	3	139

Employment Equity

OBP's goal is to achieve equal representation across all levels through equal employment opportunities, skills development and equitable representation at all occupational levels.

OBP is dedicated to upholding an inclusive culture that embraces the enablement of 50% women representativity in senior and middle management as well as the recruitment of persons with disabilities. The table below depicts OBP's employment equity profile as of 31 March 2024 with 50% female representativity at senior management. The deficiency of female representativity at middle management level is being addressed through a management development programme to equip managers with the necessary organisational skills for promotion into higher-level positions. The employment equity statistics reflect that 87% of staff in the organisation are black and 47% are females. At senior management level, there is an even distribution of African, Indian, and Coloured, as well as 50% female representation. The people with disability rate is 0.57%. Transformational strategies are planned for the 2024/25 fiscal year to ensure national imperatives in terms of employment equity, are addressed.

Employment equity statistics as of 31 March 2024

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	1	0	1	0	0	1	0	0	0	1	4
Professionally qualified and experienced specialists and mid-management	6	2	1	3	4	0	1	0	1	0	18
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	30	1	0	0	33	0	0	3	0	1	68
Semi-skilled and discretionary decision making	28	0	0	4	19	0	0	3	0	0	54
Unskilled and defined decision making	14	0	0	0	15	0	0	0	0	0	29
Disabled employees	0	0	0	0	1	0	0	0	0	0	1
TOTAL PERMANENT	79	3	2	7	72	1	1	6	1	2	174

Reasons for employees leaving

OBP's staff turnover rate for 2023/24 fiscal year was 9.2% comprising of 5% voluntary exits and 4.2% mandated terminations, including retirements, dismissals, and deaths. The table below reflects the details of employees who exited the employ during the period under review.

Staff exits for the period 01 April 2023 to 31 March 2024

Termination type	Number
Death	1
Resignation	9
Retirement	6
Dismissal operational changes	0
Dismissal misconduct	0
Dismissal inefficiency	0
Discharge because of ill health	0
Total	**16**

EMPLOYEE AGE PROFILE

The profile of OBP employees is as follows, as at 31 March 2024. A total of 29.31 % of OBP's staff are within the 50 to 59 years age bracket and may opt to retire, which is deemed a risk in terms of the loss of intellectual capital. The organisation has embarked on a project to automate the process of document and knowledge management to mitigate this risk of loss of information capital. The knowledge harvesting will also form part of the succession planning process.

Age Category	Total
Below Age 30	16
30 to 39	59
40 to 49	47
50 to 54	30
55 to 59	21
60 and over	1
Total	**174**

Labour Relations

OBP is committed to building a sustainable and harmonious working relationship with organised labour for purposes of improved productivity to ensure the achievement of our strategic objectives. OBP always facilitates accessible and effective communication between employees, management, and organised labour. A well-functioning bargaining forum allows for labour to discuss and negotiate issues with management. Quarterly staff meetings have been institutionalised through an employee engagement plan developed specifically to address employee concerns and ensure employees are updated on business initiatives and financials. OBP strives to foster sound labour peace and will continue on this trajectory by addressing issues with labour through education and training on policies with labour and the empowering of managers to ensure effective management of employee counselling, development, and discipline within their respective departments.

In fostering an ethical culture, OBP has adopted zero tolerance towards fraud and corruption and continues to ensure controls are in place to eliminate unethical business conduct.

Injury on duty

The following table provides basic information on injury on duty. No major injury on duties reported for the period under review.

Nature of Injury on duty	Number	% of total
Required basic medical attention only	1	100
Temporary total disablement	0	0
Permanent disablement	0	0
Fatal	0	0
Total	1	100

HUMAN RESOURCE POLICIES AND BEST PRACTICE APPROACH

Policies and practices are developed and monitored at a corporate level, with specialists overseeing remuneration, transformation, performance management, labour relations, and training, while managing people is a designated line function. New employees go through an induction programme where emphasis is placed on the various policies within OBP. OBP's intention is to guide staff to ensure that their conduct and actions reflect OBP's organisational values and philosophies.

OBP's aim as an employer is to offer stimulating careers and career progression to employees, in line with the strategic mandate of the organisation, to retain key staff, and to comply with the relevant legislation.

The performance of management and supervisory employees is evaluated against predetermined targets, and performance appraisals determine annual performance-based incentives and career development opportunities, subject to company performance. Performance appraisals are conducted quarterly during which key performance areas are reviewed and consensus reached on achievement of the final outcomes.

CODE OF ETHICAL CONDUCT

OBP is committed to conducting healthy business practices with honesty and integrity that not only ensures a stable employment environment for everyone but also ensures the continued future success of OBP.

In addition to the requirements and obligations of formal governance codes and legal requirements as set out in the King IV Report on Corporate Governance Principles and the Companies Act, OBP abides by their stated values and code of good corporate citizenship which reinforces the importance of ethics and integrity, encouraging innovation, healthy competition, a safe and healthy work environment, a well-trained workforce, and adherence to legislative and regulatory requirements. OBP recognises that fraud, abuse of power, or the acceptance of bribes, is an increasing problem in South Africa. Too often, it is undetected and goes unreported, resulting in financial losses to entities, eventually to the detriment of all its stakeholders. For this reason, OBP subscribes to a service that will enable all stakeholders, but most specifically its employees, customers, and suppliers, to report anonymously any wrongdoing/dishonesty. This facility involves the professional services of an audit firm and is therefore an independent, anonymous ethics line that is managed by the Audit, Risk and IT Committee and controlled by the Board. OBP has a Code of Ethical Conduct which continues to be communicated to staff and strategic suppliers across all business units.

Annual Performance Report

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

April 2023 – March 2024

2023/24 ANNUAL PERFORMANCE REPORT

CONTENTS

Integrated Annual Report 2023|24

1 EXECUTIVE SUMMARY

The profit-before-tax for the financial year amounts to R73,5 million against the prior year of R38,5 and against a budget of R12,5 million. The performance was achieved by a gross profit of R201 million against the prior year of R149,4 million and against a budget of R172,8 million. Revenue is at R232 million against the prior year of R200,9 million against a budget of R280 million. The Net profit for the year is R42 million.

2 ANNUAL FINANCIAL PERFORMANCE

FOR FINANCIAL YEAR 2023/24

Statement of Financial Performance for the period ending 31 March 2024. Please refer to the Annual Financial Statements attached.

3 BRIEF FINANCIAL ANALYSIS OF REVENUE

3.1 Revenue

For the year under review, the gross vaccine sales were R236.5 million.

3.1.1 Revenue Breakdown

Category	Match 2023/24 YTD	March 2022/23 YTD	Percentage %
Vaccines	236,505	204,202	97%
Distribution income	4,874	3,508	1%
Dry ice	417	368	0%
Other income	993	2,180	1%
Total	242,789	210,258	99%

3.1.2 Vaccine Sales Per Market

Category	March 2023/24 YTD	March 2022/23 YTD	Percentage %
Local	92,746.00	113,715.00	39%
Export	129,648.00	81,151.00	55%
Government	14,111.00	9336.00	6%
Total	236,505.00	204,202.00	100%

Reconciliation of Revenue to the Statement of Profit or Loss

Reconciliation:	2024	2023
Vaccines gross sale	**236,505.00**	**204,202.00**
Less: Discount granted	-9,482.00	-7,182.00
Net Sales Plus:	227,023.00 5,291.00	197,020.00 3,876.00
Distribution income Dry ice	4,874.00 417.00	3,508.00 368.00
As per the AR report	232,314.00	200,896.00

The Local market sales equate to 39% of the total sales for the period ended March 2024, while the export market equates to 56%. The government sales contributed 6%. There is increased competition internationally in the products that are also offered by OBP, however OBP managed to retain some markets.

4 ANNUAL PROGRAMME TARGETS 2023/24

4.1 Measuring Our Outcomes

4.1.1 Programme: Financial Sustainability

Purpose: To increase revenue and profitability

Out come	Outputs	Output Indicator	Annual Targets	Actual YTD Performance	Variance	Reason for Variance	Action Plan
Suitable financial growth	Increased Sales Revenue	Increased sales revenue (R) annually	R280m increased sales revenue	R236 504 947	-R45 408 926 underachieved for the financial year	Production challenges and breakdown in machinery resulted in insufficient vaccines produced for sale	Plans to replace the machines are underway as well as the freeze dryer which is on consignment for delivery in August 2024
	New products	Number of new products dossiers submitted to Registrar of Act 36 of 1947 for registration annually	4 new products dossiers submitted to Registrar of Act 36 of 1947 for registration	2	-2 underachieved for the financial year	Inspection authorities declared the OBP animal facilities non-compliant for use in animal clinical studies. Data on new vaccine candidates could therefore not be generated due to non-compliant animal facilities, consequently dossier on new products could not be generated to finality for submission to Act 36 for registration purposes	Resolve non-conformances as per the issued animal facilities inspection report which will be completed in Q1 of 2024/25 financial year
	Improved technological processes	Number of improved technological processes developed annually	4 improved technological processes developed	4	0 Target for financial year successfully achieved	The target as planned was achieved for the year under review	Continue with the development of technological processes in the new financial year to ensure adaptation of OBP in line with technological developments

Out come	Outputs	Output Indicator	Annual Targets	Actual YTD Performance	Variance	Reason for Variance	Action Plan
Suitable financial growth	Product dossier submitted to new markets	Number of product dossiers submitted to new markets annually as informed by new potential international markets	8 product dossiers submitted to new potential international markets	9	+1 overachieved for the financial year	An opportunistic international market was realized by the Sales team which led to the over achievement of the number of product dossiers submitted to international markets	Continue with aggressive marketing strategy to allow for further opportunistic markets to come on board
	Increased EBITDA	Increased EBITDA (%) annually	6% Increase from FYE 2023	82%	+76% overachieved for the financial year	Cost saving measures and negotiation of discounts from suppliers resulted in positive yields	The company will continue to cautiously monitor costs and pursue savings where possible
	Increase vaccines sold	(%) increase in top 20 vaccine doses sold annually	15% vaccine doses sold annually	23%	+8% overachieved for the financial year	Back orders that were processed during the year resulted in additional doses sold	The company will continue to sustain and grow its market share

ACTINOMYCES

Vaccine for Sheep, Goats & Calves

4.1.2 Programme: Continuous Improvement of Business Processes

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

Out come	Outputs	Output indicator	Annual Targets	Actual YTD Performance	Variance	Reason for variance	Action Plan
Optimised business processes	Production efficiency index	(%) production efficiency improved annually	83% production efficiency improved	87.56%	+4.56% over-achieved for the financial year	Although equipment breakdowns resulted in decreased sales the production of Interi-mediates and antigen batches during the period increased the total number of batch-es produced thereby improving production efficiencies	The company will expedite the commis-sioning of the freeze dryer and implement its maintenance plan to ensure improved focus on production of planned vaccine batches for market availability
	Percentage of achieved progress on action items against the Good Manufac-turing Processes (GMP) roadmap	Progress (%) on implemented action items against the GMP roadmap annually	35% of GMP roadmap achieved	17%	-18% underachieved for the finan-cial year.	Limited resources (vacant positions), non-compliant GMP facility as well as equipment and util-ities not functioning optimally contributed to the poor perfor-mance in this area	Undertake recruitment processes to ensure critical positions are filled. Furthermore, ensure maintenance and calibration of equipment and utili-ties, timely
	ICT Enterprise Architecture (EA) Plan	Implementation of board approved Enterprise Architecture Plan to inform ICT strategy	Implement phase 2 of the approved EA plan.	100%	0 Target for financial year successfully achieved	The 8 scheduled de-liverables as outlined in the EA plan for the 2023/2024 financial year was finalised and implemented	Continue with the IT projects for 2024/2025 as outlined in the EA plan
	Vector protect-ed facility (VPF)	Completed vector protected facility	Validation by QA and approval of facility by DALRRD	Validation by QA and approval of facility by DALRRD was not achieved	Delayed finalisation of test and quality man-agement doc-uments due to capacity constraints	Test data on facility performance required by DALRRD to ensure compliance with standards	The generation of performance validation test data of the facility will be finalised in Q2 of the 2024/2025 financial year (for submission to DALRRD to review, approve and sign-off as a compliant VPF.)
	Good Manufac-turing Processes (GMP) facility	Improved facilities to achieve GMP certification	GMP facility as per imple-mentation plan	GMP facility as per imple-mentation plan was not achieved	Underachieved for the finan-cial year	Bid specification committee lacked the technical expertise to develop specifications for the appointment of a specialist advisor	A recommendation from the bid specifi-cation committee was submitted to EXCO and OPSCOM requesting deviation from SCM policy so as to appoint a designated special-ist advisor who will provide the necessary expertise in the bid specifications required

Out come	Outputs	Output indicator	Annual Targets	Actual YTD Performance	Variance	Reason for variance	Action Plan
Optimised business processes	Top 20 products produced	Improved (%) output of top 20 products annually	85% output of top 20 products	63.12%	-21.88% underachieved for the financial year.	Capacity of the R&D freeze drier produces vaccines at a third of what was previously produced which resulted in reduced numbers of vaccines produced.	The continuation of the 7-day production cycle which was implemented to ensure an increase in vaccine availability as well as the procurement of a system for managing preventative maintenance to reduce equipment breakdowns whilst a freeze drier is being commissioned
	Improved distribution efficiency	Inventory turnover (%) maintained	New indicator Inventory in distribution should be maintained between 30-40% of the total revenue	Inventory in distribution was maintained at 5% of total revenue	(-25%) and (-35%) underachieved for the financial year respectively	Not enough stock was transferred to Distribution to ensure the inventory distribution is maintained at 30%-40% of the total revenue	Regular production and sales operational meetings to ensure continuous transfer of products from packaging to distribution to maintain stock required stock levels
		Number of operations Standard Operation Procedures (SOP) reviewed and approved	New indicator 20 SOPs reviewed and approved	31 SOPs reviewed. 23 SOPs approved	+3 SOP approvals overachieved for the financial year.	Increased Quality Assurance and mastering of the SOPs resulted in the overachievement of the approvals planned	The continuous reviewing and approval of SOPs will continue in the new financial year to ensure all SOPs are updated
		(%) relevant staff trained in reviewed and approved operations SOPs	New indicator 50% of relevant staff trained in approved operations SOPs	55.56%	+5.56% overachieved for the financial year	Given the downtime with machinery breakdowns relevant staff were able to review additional SOPs and training in terms of these SOPS	The continuous review and training of SOPs will continue in the new financial year and more so with the planned shutdown period
	Improved business efficiencies	(%) effectiveness of assessments carried out on operations SOPs	New indicator 50% effectiveness of assessments carried out on operations	54.17%	+4.17% overachieved for the financial year.	Given the downtime with machinery breakdowns relevant staff were able to review additional SOPs and training in terms of these SOPS	The continuous review and training of SOPs will continue in the new financial year and more so with the planned shutdown period

Out come	Outputs	Output indicator	Annual Targets	Actual YTD Performance	Variance	Reason for variance	Action Plan
	Improved site infrastructure maintenance plan	(%) maintenance and site infra-structure upgrade plan completed annually	New indicator 60% main-tenance and site infrastructure upgrade plan completed	35.8%	-24.2% under-achieved for the financial year.	Project manager appointed in January 2024 and prioritised mitigation infrastruc-ture upgrade projects (security, electricity, water) during Q4; Backlog from Q1 to Q3 was too great for all projects to be addressed.	CAPEX plan updated for 2024/2025 finan-cial year with critical projects identified and prioritised. The inten-tion is to strengthen the capacity in the project office in the new financial year.

4.1.3 Programme: Customer Service

Purpose: To provide excellent customer service

Out come	Outputs	Output indicator	Annual Targets	Actual YTD Performance	Variance	Reason for variance	Action Plan
Improved Customer Services	Satisfied customers	Improved (%) of customer satisfaction annually	Customer and stakeholder survey completed	Survey conducted as planned.	0 Analysis of survey results was completed, and report received	The annual target was successfully met in the financial year.	Survey outcomes will be implemented in the new financial year.
		Proportion (%) of customer complaints resolved annually	80% of customer complaints resolved	88.9%	+8.9% overachieved for the f inancial year	8 out of 9 customer complaints were successfully resolved within the required timelines.	The company will continue striving to resolve customer complaints within the stipulated timelines.
	Top 20 customers retained	Proportion (%) of top 20 customers retained annually	80% of top 20 customers retained	95%.	+15% overachieved for the financial year.	Continuous stakeholder engagements with existing customers resulted in loyalty of customers to OBP brand and products. The company was able to supply key customer with the back orders which resulted in increased consumer confidence.	The sales team will continue with their marketing strategy to ensure sustained customer loyalty to brand.
	New distribution channels and access to OBP products	Number of new distribution channels established annually	6 new distribution channels established	11	+ 5 overachieved for the financial year	Active campaigning on recruiting distributors as well as opening cash account for clients to accommodate for client discounts.	Continue with active campaigning of recruiting new distributors.
		Number of new distribution points established annually	10 new distribution points established	6	-4 underachieved in the financial year	Identified clients did not qualify in terms of BBEEE requirements which meant agreements as distributors could not be finalised with them.	Identify new clients with BBEEE credentials and ensure early detection of non-compliant clients to increase distribution points for the company.
	Trained farmers	Number of farmers trained annually	1800 farmers trained annually	1165	-635 underachieved for the financial year.	Limited invitations received from farmer associations to provide them with training. Furthermore, the new product launch preparations restricted travel time of marketing team.	An engagement plan will be developed to ensure improved engagements with national and regional farmer associations in order to increase scheduled farmer training.
	Stakeholder Communication	Number of media publications disseminated via different media channels to external stakeholders	18 of media publications disseminated via different media channels to external stakeholders	13	-5 underachieved for the financial year	More publications would need to be disseminated as planned.	Publications will be disseminated as per future set targets to ensure that the stakeholders are always informed.

4.1.4 Programme: Governance and Leadership

Purpose: To drive an ethical and accountable corporate culture

Out come	Outputs	Output indicator	Annual Targets	Actual YTD Performance	Variance	Reason for variance	Action Plan
Capable, ethical and developmental organisation	Staff Retention	Staff turnover maintained at <5%	Staff turnover maintained at <5%	<5% for each quarter of the financial year	0 Target successfully achieved for the financial year	Improved employee relations and targeted staff building initiatives implemented in the financial year	Continue with staff retention initiatives planned for the new financial year.
	Report with recommendations from the culture survey	(%) implemented recommendations emanating from the culture survey report	100% implementation of recommendations and outcomes as per implementation plan	61.5%	-38.5% underachieved for the financial year.	Lack of HR resources to successfully drive the planned deliverables as outlined in the employee engagement plan	Strengthen the HR capacity in the new financial year through the review of the HR structure to ensure resources are available to deliver on the planned activities
	Trained staff as per WSP	(%) training interventions achieved against the WSP	80% planned training interventions as per WSP achieved	6.11%	- 73.89% underachieved for the financial year.	Lack of proper planning in terms of planned training initiatives	A more focussed approach to ensure improvement through monthly monitoring and reporting of training initiatives
	Corporate policies	(%) corporate policies reviewed annually	New indicator 100% of corporate policies (as per provisions of corporate policy framework) reviewed annually	13%	-87% underachieved for the financial year	Most policies are under review and not approved due to delays in discussions with Labour forums	Continuous engagements with labour to ensure finalisation of policies for approval
	Enhanced leadership capacity	Leadership development programme developed and implemented	New indicator Leadership development programme developed and approved	Leadership development programme rolled out with first module completed	0 Target was successfully achieved in the financial year	Tight project management in terms of deliverables resulted in timely onboarding of service provider for the programme	The programme is scheduled for 12 months so implementation will continue in the new financial year
	Capable and ethical workplace	Approved governance and ethics framework	New indicator Governance and ethics framework developed and approved	Governance and ethics framework developed and approved	0 Target successfully met and achieved in the financial year	The alignment of the framework to that of organisational objectives resulted in finalisation	Implementation of Governance and Ethics Framework in the 2024/2025 financial year

7. GUARANTEES AND BORROWINGS

Nil

8. CAPITAL INVESTMENT PROJECTS

GMP – Continued efforts underway to ensure continuation of the project

9. NON-CORE ASSET/BUSINESS ACQUISITION OR DISPOSALS

Nil

10. OCCUPATIONAL HEALTH AND SAFETY

REPORTING PER QUARTER	NUMBER OF INCIDENCES	CLASSIFICATION	STATUS
Q1	1	Health - Major	Active
Q2	3	Minor	2 Closed, 1 Active
Q3	0	-	-
Q4	3	Minor	3 Active

7 RISK MANAGEMENT

Strategic Risk Register and Action Plan 2023/2024

Strategic Risk No	1	Description	SR1: Insufficient Research & Development output
Strategic Objective	Financial Sustainability and Growth		
Root Cause	• Unavailability of compliant infrastructure to carry out research. • Delay in the VPF project completion. • Loss of critical research staff • Lack of funding (funding for pilot infrastructure, but not for projects per se)		
Consequances/ Impact	• Loss of Market share • Revenue decline over time		
Inherent Risk	25	Residual Risk Exposure	20
Risk Owner	CSO	Current Controls	• Use of third-party facilities where possible. • Use human resources funded by third parties, also use as potential project successors. • Piggyback on the GMP facility construction
Action Plan	Develop and Implement HR strategies i.e., succession plan and retention to reduce the impact of disruptions in project completion).		
Comments	March 2024 • The construction of VPF facility completed. The operational plan of the VPF facility has been developed and is under execution. Preparations are at advanced stage to lauch the VPF facility. • Recruitment of Specialist Scientist (1), and Scientists(2) completed. Candidates identified as part of the Recruitment process of Associate Scientist have been conducted, candidate identified. Recruitment of Senior Scientist is on hold. • Repairs on main animal stables is underway following SCM process for the service provider. This will allow additional capacity to conduct animal research. • Funds being sourced from external funders for possible upgrade of small animal facility, awaiting feedback.		
Action Owner(s)	CSO	Date	Q4, 2024

Strategic Risk No	2	Description	SR2: Loss of IP (Registered and unregistered)	
Strategic Objective	Financial Sustainability and Growth			
Root Cause	• Loss of SOPs & materials to competitors • Inadequate access controls • Loss of key personnel			
Consequances/Im-pact	• Organisational failure • Loss of market share • Revenue decline over time			
Inherent Risk	25		Residual Risk Exposure	20
Risk Owner	HLCS	Current Controls	• QA Manual • Limited access to R&D dossiers • Signed Confidentiality Agreements with all staff • Strict Access Control to Seed Stock • Monitoring and Maintenance of Seed Stock • Service Level Agreement is inplace for off-site stock storage.	
Action Plan				
Comments	March 2024 1. Report on OBP IP portfolio finalized by Kirsch attorneys. The report has been reviewed by EXCO for strategic actions (Q4), and shall be table at the R&D committee of the Board in Q1 of 2024/25. 2. Off-site storage premises has been identified for masterseed storage and SLA is under development (Q4)			
Action Owner(s)	CEO,CSO,COO, HLCS, CSE,QAM		Date	End Q4,2024

Strategic Risk No	3	Description	SR3: Non Compliance with International Standards and Regulatory Requirements.
Strategic Objective	Financial & Sustainable Growth		
Root Cause	• Regulatory approval delays (Product dossiers do not have enough data) • OBP production and quality processes not GMP and GCP complaint		
Consequances/Impact	• Regulatory censures • Inability to enter new markets resulting in loss of market share • Revenue decline over time		
Inherent Risk	20	Residual Risk Exposure	10
Risk Owner	CSO	Current Controls	• Generation of data missing on product • dossiers. • Compliance action plan implementation
Action Plan	1. Submission of product dossiers new or updated as per APP targets (CSO) Product variation dossier and new dossier on new OBP Blu-Sure vaccine were submitted to Act 36 in Q4. 2. Project plan for the operationalization of the Vector Protected facility to comply with GCP and DALLRRD requirement of VPF are under implementation (CSO) 3. Develop a compliance action plan to meet regulation requirement of small animal facility with respect to ventilation impacting sect 20 application (COO).		
Comments	March 2024 1. Majority of small animal facility ventilation issues addressed. HVAC and ventilation system working. 2. Product registration dossier (1) submitted to Korea (Lumpy Skin disease vaccine) 3. Final stage of ventilation upgrade (installation of HVAC automated controls) for small animal facility underway. Comments COO 100424 1. Ventilation upgrade completed, integration of control systems still to be done		
Action Owner(s)	CSO	Date	Ongoing

Strategic Risk No	4	Description	SR4: Ineffective execution of strategic initiatives	
Strategic Objective	1. Financial sustainability and growth; 2. Optimised business process; 3. Improved customer service; 4. Capable, ethical &developm ent leadership.			
Root Cause	• Unavailability of key Infrastructure to support strategy implementation • Poor project management & execution e.g., GMP accreditation project • Inadequate knowledge management systems • High staff turnover			
Consequances/Impact	• Organisational failure • Loss of market share • Revenue decline over time			
Inherent Risk	20		Residual Risk Exposure	10
Risk Owner	CEO	Current Controls	• Implementation of OBP strategic plan; • GMP upgrade; • Exit interviews conducted. • Strategic Review meetingstake place • quarterly. • Staff communication meetings.	
Action Plan	1. Draft GMP change management strategy, by Q4 (COO & CSE) 2. Draft and finalise knowledge management policy for Exco approval by Q4, for Board approval, Q4, (CSE & Legal). 3. Performance Management policy to be reviewed prior to culture change initiatives			
Comments	1. Policy to be finalised in Q1 of 2024/ 2025 delays due to legal capacity and backlog 2. Policy in the process of being reviewed. Policy currently under review 3. Policy to be finalised inon review session with all policies 4. Policy Reviewed and updated. Consultation with labour underway.			
Action Owner(s)	EXCO		Date	Ongoing

Strategic Risk No	5	Description	SR5: Inefficient business processes.
Strategic Objective	1. Financial sustainability and growth; 2. Optimised business process; 3. Improved customer service; 4. Capable, ethical &development leadership		
Root Cause	• Inadequate review of SOPs to align with an agile environment i.e., onerous processes • Business value chain not efficient (misalignment of key departmentsn i.e., EMU, Production, SCM, Sales)		
Consequances/Impact	• Organisational failure • Loss of market share • Revenue decline over time		
Inherent Risk	20	Residual Risk Exposure	10
Risk Owner		Current Controls	• QA list with Policy/SOPdue dates. • SOP and Policy Review process is monitored • by departments. • Creditors policy implemented and • monitored for adherence.
Action Plan	1. Update All SOPs due for annual review as per QA listing and reporting done quarterly (QA & ALL) 2. Conduct training on the SOPs and ensuring adherence through observation. (QA & ALL)		
Comments	1. 7 operations received from QA 2. Efficient supply chain management process has been implemented and is being monitored. COO Comments 100424: 1. Operations SOPs reviewed, 19 Operations SOPs approved. Operations SOP schedule for 2024/25 being updated. 2. 55% of approved SOPs trained, 54% of SOP assessments completed		
Action Owner(s)	EXCO	Date	Ongoing

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Strategic Risk No	6		Description	SR6: Product unavailability	
Strategic Objective	Financial & Sustainable Growth				
Root Cause	• Underinvestment in critical infrastructure. • Inadequate performance of small animal facility HVAC. • Inadequate funding to implement the developed strategy. • Unavailability of utilities,critical equipment, and raw material (water, steam & electricity). • Shortage of skills of the production process and know how.				
consequence/Impact	• Organisational failure • Loss of market share • Revenue decline over time. • Failute to gain entry into new market due to product unavailability.				
Inherent Risk	25			Residual Risk Exposure	20
Risk Owner	COO	Current Controls		• Capital expenditure and upgrade strategy in place. • Business Continuity arrangements e.g., power generators and water tanks	

Action Plan	1. New business strategic approach development underway. 2. Implement a Contract manufacturing business continuity strategy. 3. Identify and implement alternative strategies for energy and water e.g., solar panels, borehole. 4. Implement a developed 5-year capital expenditure strategy for replacement of critical production equipment.		
4	March 2024 1. Capital expenditure and upgrade strategy in place and integrated with procurement- and maintenance plan. 1.1. In the process of being investigated. 1.2 Solar tender already initiated 1.3 In process of being developed. 2. Completion rate of capital expenditure plan at 26.4%, 20% increase in quarter 2 3. Contract Manufacturing Startegies being pursued. 4. Capital Expenditure Plan being executed.		
Action Owner(s)	BDO,CEO	Date	Q4,2024

Strategic Risk No	7	Description	SR7: Inadequate BusinessContinuity Management capabilities (Cybersecurity,Succession Planning & Pandemic response & Security Management, Biosecurity	
Strategic Objective	Financial & Sustainable Growth			
Root Cause	• Absence of Disaster Recovery Framework, Policy (i.e., site) • Poor response to BCM events e.g.,Covid, Disaster			
Consequances/Impact	Organisational failure			
Inherent Risk	20		Residual Risk Exposure	10
Risk Owner	CEO	Current Controls	• IT disaster recovery policy. • Business Recovery framework in place. • Short term maintenance plan in place and monitored. • Capital expenditure and upgrade in place • and monitored for prioritisation.	
Action Plan	1. Finalise Disaster recovery framework by Q4. 2. Establish the IT disaster recovery site. 3. Implement contingency plans and BCP to ensure product availability.			
Comments	March 2024 1. Disaster Recovery framework has been drafted,in process of review and approval. 2. The DR site has been established. Fibre installation complete with firewalls being tested. Matter finalised			
Action Owner(s)	CEO,CSE		Date	Q4,2023/4-Ongoing

Strategic Risk No	8	Description	SR8: Poor Customer management	
Strategic Objective	1. Financial sustainability and growth; 2. Optimised business process 3. Improved customer service 4. Capable, ethical & development leadership.			
Root Cause	• Failure to supply on time • Lack of customer relation strategy • Slow response to queries and complaints related to products; • Internal collaborations			
Consequances/Impact	• Dissatisfied clients. • Loss of market share • Revenue decline over time • Reputation risk to the organisation			
Inherent Risk	16		Residual Risk Exposure	8
Risk Owner		Current Controls	• Monthly statement sent to clients • use of sales forecast as a guide • technical department follow-up on queries	
Action Plan	Implement customer survey recommendations and customer complaints procedure.			
Comments	March 2024 1. First round of customer survey is completed. Comments from SMBDO 1. Customer survey completed and report current compiled to be sumitted in April 2024. 2. Stakeholder management matrix to be reveiwed in Q1 of 2024 3. Review marketing strategy under review and submit in Q1 of 2024			
Action Owner(s)	BDO		Date	Q4-2024

Strategic Risk No	9	Description	SR9: Absence of comprehensive HR strategy
Strategic Objective	Capable, Ethical and development Leadership		
Root Cause	• Poor organisational culture • Lack of accountability • Failure to implement the succession plan • Low staff morale • Outdated HR policies & procedures • Manual HR information management • Instability in HR management positions		
Consequances/Impact	• Loss of corporate knowledge • Increased costs to the organisation • Production inefficiencies & delays in execution of key tasks		
Inherent Risk	25	Residual Risk Exposure	13
Risk Owner		Current Controls	• Employee Engagement Surveys & implementation of • the succession plan. • Policies are reviewed as and when is required; • Several policies are currently being reviewed. • HRIS not fully utilised.
Action Plan	1. Finalise HR Strategy by Q4 2. Address employer engagement surveys recommendation to improve morale – 3. Review HR policies as per APP to include framework for policy advocacy 4. Develop Succession Planning Policy/ strategy, Retention strategy in conjunction with Performance Management Policy. 5. Implement HRIS to Automate HR employee filing and PMS. 6. Ensure adherence to policies to reduce high labour turnover and increase retention rate.		
Comments	March 2024 1. Draft strategy to be reviewed 2. Implementation action plan developed and implemented – reported in APP. – matter finalised 3. Policy review process underway – policies to be consulted with labour. 4. Succession planning framework approved by Board 5. Service provider onboarded. System roll out underway. 6. policy reviews concluded – currently validation and consultation underway		
Action Owner(s)	CSE	Date	Q4 2024

Strategic Risk No	10	Description	SR10: Inadequate sustainability management (environment and social- HS, governance)	
Strategic Objective	Capable, Ethical and development Leadership			
Root Cause	• Ineffective fraud and corruption awareness • Failure to provide timely reports to key stakeholders internally and externally • Unethical culture • Poor investigation on whistleblowing reports. • Lack of safety culture and constant safety communication • Ineffective environmental controls and awareness			
Consequances/Impact	• Organisational decay • Low staff morale • Increased costs to the organisation. • Injuries due to inadequate attention given to tasks • Fines arising from breaches of environmental regulations • Negative impact on OBP brand resulting from non complianc e to safety and environmental legislation			
Inherent Risk	16		Residual Risk Exposure	8
Risk Owner	CSE	Current Controls	• Fraud and corruption policy • Regular reports submission to the • Board, National Treasury and DALRRD	
Action Plan	1. Fraud and corruption awareness workshops conducted across OBP. 2. Provide regular feedback to internal stakeholders(employees) to improve morale. 3. Review applicability of relevant safety and environmental legislation to ensure com pliance. 4. Formulate and implement safety and environmental awareness strategy.			
Comments	March 2024 1. A formalized combined assurance plan in place. 2. Feedback once plan finalised. 3. Draft OHS policy reviewed by Labour and returned to Board for approval in Q4.			
Action Owner(s)	CEO,HLCS,CSE		Date	Q4,2023

<table>
<tr><td>Strategic Risk No</td><td>11</td><td>Description</td><td colspan="2">SR11: Inadequate safeguarding of OBP as an NKP</td></tr>
<tr><td>Strategic Objective</td><td colspan="4">• Financial sustainability and growth;
• Optimised business process;
• Improved customer service;
• Capable, ethical & development leadership.</td></tr>
<tr><td>Root Cause</td><td colspan="4">• Lack of maintenance of the facility with increased potential to proliferation.
• Bypass security access control. (Covid).
• Old infrastructure.
• GMP project - fire risk and safety.
• Environmental impact - pollution, damage on the IT cables during construction.
• Working contractors, clients, and public on site unsupervised.
• Lack of investment on IT resources and technology and security.
• Inadequate security to handle labour unrest breaches.</td></tr>
<tr><td>Consequances/Impact</td><td colspan="4">• Loss of life.
• Loss of infrastructure.
• Loss of assets e.g., GMP material stored.
• Loss of IP (master seed, documents, research project information).
• Significant fines for non- compliance of NKP Act , OHSA, NEMA and other critical
• legislation and bylaws, legislation or breaches.
• Reputational damage.</td></tr>
<tr><td>Inherent Risk</td><td colspan="2">16</td><td>Residual Risk Exposure</td><td>8</td></tr>
<tr><td>Risk Owner</td><td>CEO</td><td>Current Controls</td><td colspan="2">• NKP compliant security company onsite.
• Induction of security company to guide security checks of all cars entering and exiting OBP.
• weekly meetings with security supervisor take place.
• Annual security assessments are conducted by the
• NKP police.
• Approved Enterprise architecture initiatives to address the inadequacies within the business.
• Fire detector and suppression system available.
• There is master seed security - accesscontrolled and only a few staff members having access.
• Written authority to remove
• any property, passout system.</td></tr>
<tr><td>Action Plan</td><td colspan="4">1. RFQ to be sent out for the servicing of Firefighting equipment and fire detectors (CSE& SHE).
2. Fire risk assessments to be conducted with focus on the critical areas for safeguarding by the specialised service provider (CSE&SHE)
3. Setting up of the IT disaster recovery is underway (CSE&IT Manager</td></tr>
</table>

Comments	March 2024 1. Complete – equipment serviced. 2. Complete – fire risk assessments conducted. 3. A service provider has been appointed to install the data line between OBP and the DARLLD datacentre. The data line will be used for data replication between the disaster recovery site at DALRRD, and OBP for backup purposes 4. DR site finalised. Fibre installed and firewalls being tested.				
Action Owner(s)	CSE (SHE Officer; IT Manager; Security Manager)		Date		End of Q4, 2023

Strategic Risk No	12		Description	SR12: Litigation exposure	
Strategic Objective	1. Financial Sustainability and Growth. 2. Capable, Ethical and Developmental Leadership				
Root Cause	Poor contract management, inadequate compliance framework				
Consequances/Impact	Financial Losses, Reputational Damage, Loss of IP				
Inherent Risk	20			Residual Risk Exposure	10
Risk Owner	HLCSE	Current Controls	Each litigation threat is managed individually.		
Action Plan	Litigation exposure will be reduced with the implementation and strict management of the following: 1. Contract Management Framework and Policy. 2. Compliance Management Framework and Policy. 3. Operational Governance Framework and Policy.				
Comments	March 2024 1. Governance Framework drafted and approved by the Committee 2. Contract Management Framework not yet finalised 3. Compliance Management Framework and Policy not done yet.				
Action Owner(s)	HLCS			Date	Q4,2023


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Annual Financial Statements

Auditor-General of South Africa (AGSA)
Registered Auditors
31 July 2024

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Annexure Auditor-General to Parliament

The reports and statements set out below comprise the annual financial statements presented to the shareholder: pages 135-179 forms part of the annual financial statements subject to IFRS.

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Vaccine Production
Registered office	100 Soutpan Road Onderstepoort 0110
Business address	100 Soutpan Road Onderstepoort 0110
Postal address	Private Bag X07 Onderstepoort Pretoria Gauteng 0110
Telephone Number	+27 12 522 1500
Facsimile	+27 12 522 1591
Email	info@obpvaccines.co.za stakeholder@obpvaccines.co.za
Website	www.obpvaccines.co.za
Bankers	First National Bank Standard Bank (SA)
Bankers Address	Standard Bank: 33 Baker Street, Rosebank FNB: 134 Aramist Ave, Waterkloof Glen, Pretoria
Auditors	Auditor-General of South Africa (AGSA) Registered Auditors
Auditors Address	4 Daventry Street, Aurecon Centre Lynwood Bridge Office Park, Lynnwood Manor Pretoria, 0001
Secretary	Ms Welekazi Dukuza
Tax reference number	9558103140
Published	31 July 2024

Audit, Risk and IT Commitee Report

This report is provided by the Audit, Risk and IT committee appointed in respect of the 2024 financial year of Onderstepoort Biological Products SOC Ltd.

1. Members of the Audit, Risk and IT Committee

The members of the Audit, Risk and IT committee are all independent non-executive directors of the entity and include:

Name	Appointed	End of term
Ms. N. Sonjani (Chairperson)	01 November 2020	31 October 2023
Ms. K. Naidoo	01 November 2020	31 October 2023
Prof. K. Nephawe	01 November 2020	31 October 2023
*Dr. B. Ntshabele (Minister`s representative)	01 November 2020	31 October 2023
Mr. R. Mahabeer (Chairperson)	01 November 2023	31 October 2026
Dr. L. Makuleni	01 November 2023	31 October 2026
Dr. D. Konar	01 November 2023	31 October 2026
Dr. N. Skeepers	01 November 2023	31 October 2026

Schedule of attendance at Audit, Risk and IT Committee meetings ending 31 October 2023 - Old Committee

	20 April 2023	24 July 2023	27 July 2023	23 October 2023
Ms. N. Sonjani (Chairperson)	Yes	Yes	Yes	Yes
Ms. K. Naidoo	Yes	Yes	Yes	Yes
Prof. K. Nephawe	Yes	Yes	Yes	Yes
*Dr. B. Ntshabele (Minister's representative)	Yes	Yes	Yes	Yes
Mr. L. Mabombo	Yes	Yes	Yes	Yes

Schedule of attendance at Special Audit, Risk and IT Committee meetings ending 31 October 2023 - Old Committee

	25 May 2023	30 May 2023	24 July 2023
Ms. N. Sonjani (Chairperson)	Yes	Yes	Yes
Ms. K. Naidoo	Yes	Yes	Yes
Prof. K. Nephawe	Yes	Yes	Yes
Mr. L. Mabombo	Yes	Yes	Yes
*Dr. B. Ntshabele (Minister`s representative)	Yes	Yes	Yes

Schedule of attendance at Audit, Risk and IT Committee meetings ending 31 March 2024 - New Committee

	22 January 2024
Mr. R. Mahabeer (Chairperson)	Yes
Dr. L. Makuleni	Yes
Dr. D. Konar	Yes
Dr. N. Skeepers	Yes

Schedule of attendance at Special Audit, Risk and IT Committee meetings - ending 31 March 2024 - New Committee

	29 January 2024
Mr. R. Mahabeer	Yes
Dr. L. Makuleni	Yes
Dr. D. Konar	Yes
Dr. N. Skeepers	Yes

*Dr B Ntshabele was appointed as interim CEO from 1 November 2023 to 30 April 2024.

The Committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act 71 of 2008 of South Africa and Regulation 42 of the Companies Regulation, 2011.

The ART&IT Committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 of South Africa by regularly holding meetings with the key role players and by the unrestricted access granted to the external auditors.

The ART&IT Committee has an independent role from management with accountability to the Board and the Shareholder. The Audit, Risk and IT Committee comprised of four non-executive directors. The ART&IT Committee should meet at least four times per annum as per its approved Charter. During the current year (2023/24) the ART&IT Committee met nine times with attendance as noted above.

2. Effectiveness of Internal Control

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

3. Internal Audit

The Internal audit function of OBP was outsourced to Nexia SAB&T (Pty) Ltd for the period ending 31 March 2024. During the current financial year, the function was fully operational.

4. Risk Management

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

5. Evaluation of Financial Statements

The ART&IT Committee has evaluated the Annual Financial Statements of OBP for the year ended 31 March 2024, and based on the information provided to the Committee, considers that it complies in all material respects with the requirements of the applicable legislation, regulations and standards governing disclosure and reporting on the Annual Financial Statements.

6. The Audit, Risk and IT Committee has:

- Reviewed the audited Annual Financial Statements and recommended for Board approval.
- Reviewed the Auditor-General of South Africa's audit report and recommendations thereto.
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto.
- Reviewed changes in accounting policies and practices.
- Considered the risk management policy and plan, reviewed the effectiveness of the risk management activities, and identified key risks facing the entity.
- Reviewed the entity's compliance with legal and regulatory provisions.

The ART&IT Committee concurs with and accepts the Auditor-General of South Africa's report of the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and be read together with the report of the Auditor-General of South Africa.

The audit committee will monitor the Audit action plan as compiled by management and progress thereto.

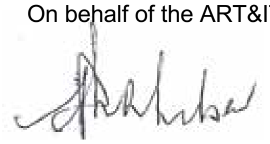
7. Level of Assurance

OBP applies a combined assurance model to provide assurance obtained from management and from internal and external assurance service providers. The Auditor-General of South Africa audited the Annual Financial Statements for the 2023/24 financial year. OBP’s financial, operating, compliance and risk management controls are assessed by the entity's management team, reviewed by internal audit on a risk basis and the process is overseen by the ART& IT Committee.

The ART&IT Committee discharged all functions delegated to them in terms of their mandate and section 94(7) of the Companies Act 71 of 2008.

OBP has been audited in terms of the requirements of Regulation 28(1)(2) and 30(2) of the Companies Regulations of the Companies Act 71 of 2008 which provides that, in addition to public companies and state-owned companies (SOC), where the audit of any other company is desirable in the public interest, as indicated by prescribed criteria in any particular financial year, the Annual Financial Statements (AFS) of that company must be audited.

On behalf of the ART&IT Committee



Chairperson of the Audit, Risk and IT Committee
Mr. Rajesh Mahabeer

31 July 2024

Accounting Authority's Responsibilities and Approval

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

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

The Accounting Authority, represented by the Board, acknowledges that they are ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing, and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2025 and, in light of this review and the current financial position, they are satisfied that the entity has or had access to adequate resources to continue in operational existence for the foreseeable future.

The Auditor-General of South Africa are the auditors and are responsible for independently auditing and reporting on the company's Annual Financial Statements. The Auditor-General of South Africa as the external auditor was given unrestricted access to all financial records and related data to facilitate an independent review and report on the entity's Annual Financial Statements and to express an independent opinion.

The Annual Financial Statements set out on pages 131 to 180, which have been prepared on a going concern basis, were approved by the Accounting Authority on 31 May 2024 and were signed on its behalf by:

Approval of financial statements, on behalf of the Board of Directors:

Chairperson of the Board Committee
Prof Peaceful Mabeta

31 July 2024

Annual Financial Statement for the year ended 31 March 2024

Company Secretary's Certification

In my opinion as Company Secretary, I hereby confirm, in terms of Section 88(2)(e) of the Companies Act 71 of 2008 of South Africa, as amended for the year ended 31 March 2024, that the company has lodged with the Commissioner of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

Ms Welekazi Dukuza
Head of Legal and Company Secretary
31 July 2024

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Onderstepoort Biological Products SOC Limited set out on pages 135 to 179, which comprise the statement of financial position as at 31 March 2024, statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including material accounting policy information.

2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Onderstepoort Biological Products SOC Limited as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008.

Basis for qualified opinion

Cost of sales and inventories

3. I was unable to obtain sufficient appropriate audit evidence to substantiate the amount recognised as cost of sales and inventories in relation to raw materials, intermediate and finished goods, as the public entity did not implement effective systems of internal control to maintain reliable accounting records and information to support the amounts disclosed in the financial statements. I could not confirm the amount for cost of sales and inventories by alternative means as the public entity's records did not permit the application of alternative audit procedures.

4. In addition, inventories carried in the statement of financial position at R68 792 605 were not stated at the lower of cost and net realisable value but solely at cost, which constitutes a departure from IAS 2, *Inventories.* Had the inventories been stated at the lower of cost and net realisable value, an amount of R3 241 619 would have been required to write the inventories down to their net realisable value.

5. Consequently, I was unable to determine any adjustments relating to inventories stated at R68 792 605 (2023: R52 076 192) and cost of sales stated at R30 418 845 (2023: R51 494 797) in notes 5 and 18 to the financial statements were necessary. This also has an impact on the surplus for the period and on the accumulated surplus.

Depreciation of property, plant and equipment

6. The public entity did not correctly account for depreciation of assets in accordance with IAS 16, Property, Plant and Equipment. The public entity did not have adequate systems of internal control for calculating the depreciation. Consequently, the depreciation included in note 20 was overstated by R4 319 431 and property, plant and equipment included in note 3 is understated by the same amount. This also has an impact on the surplus for the period and on the accumulated surplus.

Appreciation deferred government grants

7. Appreciation of deferred government grants were not accounted for as required by IAS 20, *Government Grants.* The public entity did not have adequate systems of internal control for calculating the appreciation. Consequently, the appreciation of deferred grants amortised included in notes 13, 14 and 15 were overstated by R2 542 556 and deferred grants understated by the same amount. This also has an impact on the surplus for the period and on the accumulated surplus.

Operating expenses

8. The public entity did not correctly account for the forex losses (realised and unrealised) in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates.* This was due to the incorrect daily exchange rates used to calculate the foreign exchange losses. Consequently, the forex losses (realised and unrealised) were overstated by R15 412 034 and revenue understated by the same amount. This also has an impact on the surplus for the period and on the accumulated surplus.

Other income

9. The public entity did not correctly account for the forex gains in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates.* This was due to the incorrect daily exchange rates used to calculate the foreign exchange gains. Consequently, the forex gains included in the note 19 were understated by R1 925 691 and revenue overstated by the same amount. This also has an impact on the surplus for the period and on the accumulated surplus.

Statement of changes in net assets

10. The public entity did not account for the statement of changes in net assets in terms of IAS 1, *Presentation of Financial Statements,* the public entity did not accurately include the net effect of the prior year adjustments in the statement of changes in net assets. Consequently, the closing balance as disclosed on the statement of changes in net assets was overstated by R 3 558 025.

Statement of cash flows

11. The statement of cash flows was not correctly prepared and disclosed as required Standards of IAS 07, *Statement of Cash flows.* This was due to multiple errors in determining cash flows from operating activities and incorrect disclosure of foreign gains and losses. I was not able to determine the full extent of the errors in the statement of cash flows, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to the statement of cash flows were necessary.

Context for opinion

12. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

13. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

14. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

16. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2023 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2024.

Responsibilities of the accounting authority for the financial statements

17. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

18. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

20. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 129, forms part of our auditor's report.

Report on the audit of the annual performance report

21. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

22. I selected the following material performance indicators presented in the annual performance report for the year ended 31 March 2024. I selected indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- Increased sales revenue (R) annually
- Number of new products dossiers submitted to Registrar of Act 36 of 1947 for registration annually
- Number of product dossiers submitted to new markets annually as informed by new potential international markets
- (%) production efficiency improved annually
- Progress (%) on implemented action items against the GMP roadmap annually
- Completed vector protected facility
- Improved facilities to achieve GMP certification
- Inventory turnover (%) maintained
- (%) maintenance and site infrastructure upgrade plan completed annually
- Number of new distribution channels established annually
- Number of new distribution points established annually
- Number of farmers trained annually

23. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

24. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets

25. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

26. The material findings on the reported performance information for the selected material indicators are as follows:

Various Indicators

27. Some supporting evidence was not provided for auditing, or, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
Improved facilities to achieve GMP certification	GMP facility as per implementation plan	69%
Progress (%) on implemented action items against the GMP roadmap annually	35% of GMP roadmap achieved	17%
(%) maintenance and site infrastructure upgrade plan completed annually	60% maintenance and site infrastructure upgrade plan completed	35,80%
Increased sales revenue(R) annually	R280 000 000	R236 504 947

Inventory turnover (%) maintained

28. An achievement of 5% of total revenue was reported against a target of 30-40% of the total revenue. However, the target had not been clearly defined during the planning process. The target set by management on the annual performance plan was not aligned to the definition of the indicator as the indicator related to inventory turnover, which measures how often goods are sold and replaced, however the target set for the indicator related to maintaining 30-40% of total revenue. Furthermore, the target set for the indicator was not specific to the required level of performance desired. Consequently, the target is not useful for measuring and reporting on progress against the public entity's planned objectives.

29. An achievement of 5% of total revenue was reported against a target of 30-40% of the total revenue but the audit evidence showed the actual achievement to be 6%. The achievement against the target was better than reported.

Other matters

30. I draw attention to the matters below.

Achievement of planned targets

31. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under-achievements. This information should be considered in the context of the material findings on the reported performance information.

32. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 85 to 92.

Programme 4.1.1: Financial sustainability

Targets achieved: 67%		
Key indicator not achieved	**Planned target**	**Reported achievement**
Increased sales revenue (R) annually	R280m increased sales revenue	R236 504 947
Number of new products dossiers submitted to Registrar of Act 36 of 1947 for registration annually	4 new products dossiers submitted to Registrar of Act 36 of 1947 for registration	2

Programme 4.1.2: Continuous improvement of business processes

Targets achieved: 45%		
Key indicator not achieved	**Planned target**	**Reported achievement**
Progress (%) on implemented action items against the GMP roadmap annually	35% of GMP roadmap achieved	17%
Completed vector protected facility.	Validation by QA and approval of facility by DALRRD	Validation by QA and approval of facility by DALRRD was not achieved.
Improved facilities to achieve GMP certification.	GMP facility as per implementation plan	GMP facility as per implementation plan was not achieved.
Inventory turnover (%) maintained	Inventory in distribution should be maintained between 30-40% of the total revenue	Inventory in distribution was maintained at 5% of total revenue.
(%) maintenance and site infrastructure upgrade plan completed annually	60% maintenance and site infrastructure upgrade plan completed	35.8%

Programme 4.1.3: Customer service

Targets achieved: 57%		
Key indicator not achieved	**Planned target**	**Reported achievement**
Number of new distribution points established annually	10 new distribution points established	6
Number of farmers trained annually	1800 farmers trained annually	1165

Material misstatements

33. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for development, manufacturing, and distribution of animal vaccines to the market through advanced and innovative technological solutions. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

34. In accordance with the PAA and the general notice issued in terms thereof, **I** must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

35. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, **I** do not express an assurance opinion or conclusion.

36. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

37. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual Financial Statements

38. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

39. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided, which resulted in the financial statements receiving a qualified opinion.

Expenditure Management

40. Prepayments were made before goods were received, in contravention of treasury regulation 31.1.2(c).

Annexure - Auditor-general's responsibility for the audit

Procurement and contract management

41. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1) (a) (iii) of the PFMA.

42. Some of the quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1) (f) of PPPFA and Preferential Procurement Regulation 2022.

Other information in the annual report

43. The accounting authority is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

44. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

45. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

47. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

48. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

Annexure - Auditor-general's responsibility for the audit

49. The public entity developed an audit action plan to address internal control deficiencies, however, the plan was not adequately monitored to ensure that corrective measures were effectively implemented. As a result, there were recurring findings with similar root causes as those previously reported.

50. The public entity did not implement proper record keeping to ensure that complete, relevant and accurate information was accessible and available in a timely manner to support financial and performance information and compliance processes.

51. The public entity did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

52. The public entity did not implement controls over daily and monthly processing and reconciling of transactions.

53. The public entity did not adequately review and monitor compliance with applicable laws and regulations, which resulted in non-compliance with legislation being identified during the audit.

Auditor - General

Pretoria

31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build *public* confidence

Annexure - Auditor-general's responsibility for the audit

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

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

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation — selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management act 1 of 1999 (PFMA)	Section 50(3)(a); Section 50(3)(b) Section 51(1)(a)(iii); Section 57(b)
Treasury Instruction Note 11 of 2020/21 par 3.1	Paragraph 3.1; 3.4 (b) and 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; Section 2(1)(a); Section 2(1)(b); Section 2(1)(f)
Preferential procurement regulation of 2017 (PPR)	Regulation 4(1); Regulation 4(2) Regulation 5(1); Regulation 5(3); Regulation 5(6); Regulation 5(7) Regulation 6(8) Regulation 7(8) Regulation 8(2); Regulation 8(5) Regulation 9(1); Regulation 10(1); Regulation 10(2) Regulation 11(1); Regulation 11(2)
Preferential procurement regulation of 2011 (PPR)	Regulation 9(1)
Preferential procurement regulation of 2022 (PPR)	Regulation 4(4) Regulation 5(4)
National Treasury SCM Instruction 4 of 2015/16	Paragraph 4.1
National Treasury SCM Instruction Note 05 2020/21	Paragraph 1; 2; 4.8; 4.9 & 5.3
National Treasury SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.3; 4.4 & 4.4(d)
National Treasury instruction note 4 of 2015/16	Paragraph 3.4
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	Regulation 17& 25(7A)
Companies Act 71 of 2008	Section 27; Section 28; Section 29; Section 30; Section 31
Second amendment NT Instruction No 5 of 2020/21	Paragraph 1
Erratum NT Instruction note No 5 of 2020/21	Paragraph 2

Annual Financial Statement for the year ended 31 March 2024

Director's Report

The Directors have pleasure in submitting their report on the Annual Financial Statements of Onderstepoort Biological Products SOC Ltd for the period ended 31 March 2024.

1. Nature of business and domicile

Onderstepoort Biological Products SOC Ltd was incorporated in South Africa with interests in the bio-technical manufacturing industry. The entity operates in South Africa.

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

The domicile and registered address of Onderstepoort Biological Products SOC Ltd is:
100 Old Soutpan Road
Onderstepoort
0110

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

2. Review of financial results and activities

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

Full details of the financial position, results of operations, and cash flows of the entity are set out in these Annual Financial Statements.

3. Dividends

Given the current state of the global economic environment, the Directors deem it appropriate for the entity to conserve cash and maintain adequate reserves to ensure that the entity is best placed to withstand any prolonged adverse economic conditions. Therefore, the Directors have resolved not to declare a dividend for the financial period ending 31 March 2024.

4. Share capital

The authorised and issued share capital is 1000 ordinary shares of R1 each. There has been no change in the authorised and issued share capital during the year under review R1 000 (2023: R 1 000).

5. Ownership

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

6. Secretary

The company secretary is Ms Welekazi Dukuza contracted externally.

Postal address:	Private Bag X07 Onderstepoort 0110
Business address:	100 Old Soutpan Road Onderstepoort 0110

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

Directors	Designation	Appointed	Term end date
Prof. P.L. Mabeta	Chairperson and Independent Non-Executive	01 November 2023	31 October 2026
Dr. D. Konar	Independent Non-Executive	01 November 2023	31 October 2026
Dr. N. Skeepers	Independent Non-Executive	01 November 2023	31 October 2026
Mr. R. Mahabeer	Independent Non-Executive	01 November 2023	31 October 2026
Mr. M.J. Kgobokoe	Independent Non-Executive	01 November 2023	31 October 2026
Ms. S. Ntiyantiya (Matai)	Independent Non-Executive	01 November 2023	31 October 2026
Dr. L. Makuleni	Independent Non-Executive	01 November 2023	31 October 2026
Ms. R. Kenosi (Chairperson of the	Independent Non-Board) Executive	01 November 2020	31 October 2023
Ms. N. Sonjani	Independent Non-Executive	01 November 2020	31 October 2023
Ms. K. Naidoo	Independent Non-Executive	01 November 2020	31 October 2023
*Mr. L. Mabombo	Independent Non-Executive	01 November 2020	31 October 2023
Mr. L. Nematswerane	Independent Non-Executive	01 November 2020	31 October 2023
Prof. K. Nephawe	Independent Non-Executive	01 November 2020	31 October 2023
		01 November 2020	31 October 2023
**Dr. B. Ntshabele (Minister's representative)	Independent Non-Executive	01 November 2020	31 October 2023

*Mr. L. Mabombo was appointed as interim CEO from 9 November 2021 to 31 October 2023.

**Dr. B. Ntshabele was appointed as interim CEO from 1 November 2023 to 30 April 2024.

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

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

The new board term commenced on 1 November 2023, and expires on 31 October 2026.

Details of Directors' remuneration is set out in Note 27 of the Annual Financial Statements.

8. Conflict of Interest

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

9. Special resolutions

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

10. Amendment of articles of association

The Memorandum of Incorporation (MOI) was lodged with CIPC to comply with the Companies Act 71 of 2008.

Director's Report

8. Events after the reporting period

Expected credit losses

After 31 March 2024, one of the major customers who was owed more than R11,196,202 for longer than 6 months, subsequently made payment on 31 May 2024.

VAT adjustments

Subsequent to 31 March 2024, OBP was made aware of the result of the VAT refund of R9 965 286 being objected to by SARS and an amount of R3,001,400 VAT being liable to SARS as at end of March 2024.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

9. Going concern

The Annual Financial Statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations, and commitments will occur in the ordinary course of business.

The Directors believe that the entity has adequate financial resources to continue in operation for the foreseeable future and accordingly, the Annual Financial Statements have been prepared on a going concern basis. The Directors have satisfied themselves that the entity is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the entity. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the entity.

We draw attention to the fact that on 31 March 2024, the entity had retained earnings of R 366,550,708 and that the entity's total assets exceeded its total liabilities by R 366,551,708. The difference of R 1 000 between the accumulated profits and net assets is the share capital.

10. Audit, Risk and IT Committee

The Audit, Risk and IT Committee met nine times during the year and has, in accordance with its adopted Charter, reviewed the internal and external audit reports for the previous and current financial years and the Annual Financial Statements as at 31 March 2024.

11. Auditors

Auditor-General of South Africa (AGSA) continued in office as external auditors for the entity for 2024 in accordance with Section 84(4) and 85(1) of the Companies Act 71 of 2008 and the Public Audit Act of 2004.

12. Materiality Framework

The value of material transactions and balances for the period ended 31 March 2024 represents any amount exceeding R14.9 million (2023: R13.5 million) per occurrence for the purpose of material, unauthorised, irregular, or fruitless and wasteful expenditure as defined in the Treasury Regulations. Materiality is based on the average of 1% to 5% of Revenue, 1% to 2% of Total assets, and 2% to 5% of Net profit after tax of the current financial year. This principle is in line with Treasury Regulations.

13. Funding

The entity generates funds from the sales of vaccines to meet operational requirements and receives no funding for normal operations. The construction of the GMP facility commenced in December 2017. The funding for the GMP facility was received from National Treasury in 2013/14. The construction of the GMP facility has not been completed.

Figures in Rand	Note(s)	2024	2023 Restated *

14. Environment, health and safety

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

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

18. National Key Point

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

Annual Financial Statement for the year ended 31 March 2024

Statement of Financial Position as at 31 March 2024

Figures in Rand	Note(s)	2024	2023 Restated *
Assets			
Non-Current Assets			
Property, plant and equipment	3	381,332,190	384,931,811
Intangible assets	4	4,264,615	3,682,912
		385,596,805	**388,614,723**
Current Assets			
Inventories	5	68,792,605	52,076,192
Trade and other receivables	6	25,878,583	21,710,772
Tax prepayments	7	572,694	31,083,354
Cash and cash equivalents	8	458,531,091	373,370,884
		553,774,973	**478,241,202**
Total Assets		**939,371,778**	**866,855,925**
Equity and Liabilities			
Equity			
Share capital	9	1,000	1,000
Retained income		366,550,708	320,596,341
		366,551,708	**320,597,341**
Liabilities			
Non-Current Liabilities			
Lease liabilities	10	-	-
Deferred Recapitalisation Grant	13	421,968,843	427,842,944
Deferred tax liability	12	14,067,154	6,405,010
Deferred Government Grant - Corporatisation of OBP SOC Ltd	14	376,233	2,469,284
Deferred Research and Development Grant	15	16,732,532	17,847,899
		453,144,762	**454,565,137**
Current Liabilities			
Trade and other payables	16	92,903,423	82,736,312
Lease liabilities	10	288,474	-
Deferred Recapitalisation Grant	13	5,452,698	5,031,295
Current tax payable	29	17,379,276	-
Deferred Government Grant - Corporatisation of OBP SOC Ltd	14	2,172,463	2,251,875
Deferred Research and Development Grant	15	1,478,974	1,673,965
		119,675,308	**91,693,447**
Total Liabilities		**572,820,070**	**546,258,584**
Total Equity and Liabilities		**939,371,778**	**866,855,925**

* See Note 32

Annual Financial Statement for the year ended 31 March 2024

Statement of Profit or Loss

Figures in Rand		2024	2023
Revenue	17	232,313,405	200,895,504
Cost of sales	18	(30,418,845)	(51,494,797)
Gross profit		**201,894,560**	**149,400,707**
Other income	19	16,746,488	26,906,835
Credit loss allowance	6	(305,168)	-
Operating expenses	20	(159,206,353)	(141,528,099)
Administrative expenses	20	(27,987,170)	(27,383,123)
Operating profit (loss)		**31,142,357**	**7,396,320**
Investment income	21	33,351,131	20,540,254
Finance costs	31	(48,439)	(6,274)
Appreciation deferred government grants	11&13&14&15	9,104,135	10,590,279
Profit before taxation		**73,549,184**	**38,520,579**
Taxation	22	(30,807,275)	(11,127,982)
Net profit for the year		**42,741,909**	**27,392,597**

* See Note 32

Annual Financial Statement for the year ended 31 March 2024

Statement of Changes in Equity

Figures in Rand	Share Capital	Retained income	Total Equity
Opening balance as previously reported	1,000	296,948,561	296,949,561
Adjustments			
Prior period error	-	(5,938,306)	(5,938,306)
Restated* Balance at 01 April 2022 as restated	**1,000**	**291,010,255**	**291,011,255**
Profit for the year	-	27,392,597	27,392,597
Total comprehensive income for the year	**-**	**27,392,597**	**27,392,597**
Opening balance as previously reported	1,000	318,402,852	318,403,852
Adjustments			
Prior period errors	-	1,847,922	1,847,922
Difference in Opening Retained Income	-	3,558,025	3,558,025
Balance at 01 April 2023 as restated	**1,000**	**323,808,799**	**323,809,799**
Profit for the year	-	42,741,909	42,741,909
Total comprehensive income for the year	**-**	**42,741,909**	**42,741,909**
Balance at 31 March 2024	**1,000**	**366,550,708**	**366,551,708**
Note	9		

Annual Financial Statement for the year ended 31 March 2024

Statement of Cash Flows

Figures in Rand	Note(s)	2024	2023 Restated *
Cash flows from operating activities			
Cash receipts from customers		251,716,487	314,581,558
Cash paid to suppliers and employees		(208,819,002)	(225,991,074)
Cash generated from operations	23	42,897,485	88,590,484
Investment income	21	33,351,131	20,540,254
Finance costs	31	-	-
Tax received	7	22,703,810	-
Net cash from operating activities		**98,952,426**	**109,130,738**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(13,033,865)	(44,393,414)
Purchases of intangible assets	4	(452,000)	-
Net cash from investing activities		**(13,485,865)**	**(44,393,414)**
Cash flows from financing activities			
Repayments on lease liabilities	10	(257,915)	(137,823)
Finance costs on lease payments	31	(48,439)	(6,274)
Net cash from financing activities		**(306,354)**	**(144,097)**
Total cash movement for the year		**85,160,207**	**64,593,227**
Cash and cash equivalents at the beginning of the year		373,370,884	308,777,657
Cash and cash equivalents at the end of the year	8	**458,531,091**	**373,370,884**

Annual Financial Statement for the year ended 31 March 2024

Accounting Policies

1. Material accounting policies

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies that are considered material have been applied in the preparation of these annual financial statements and are set out below:

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these annual financial statements, including any interpretations and directives issued by the International Accounting Standards Board and the Companies Act 71 of 2008 of South Africa as amended, the Treasury Regulations and the Public Finance Management Act 1 of 1999 (PFMA).

The annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the material accounting policies set out below. They are presented in Rands, which is the company's functional currency, and rounded to the nearest Rand.

The preparation of financial statements is in conformity with IFRS which requires management to exercise its judgement and make certain estimates and assumptions in the process of applying the entity’s accounting policies to reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to estimates are recognised in the period in which the estimate is revised and if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Changes in accounting estimates result from new information or new developments and accordingly, are not corrections of errors.

These accounting policies are consistent with the previous period.

Key accounting estimates and assumptions

Indirect Production Costs (IPCs)

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

1.1 Basis of preparation (continued)

Allowances for doubtful trade receivables

Onderstepoort Biological Products (SOC) Ltd maintains allowances for doubtful trade receivables in anticipation of estimated losses resulting from the subsequent inability of customers to make required payments. If the financial circumstances of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances could be required in future periods. Management analyses trade receivables and examines historical bad debt, customer concentration, customer creditworthiness, current economic trends, and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful trade receivables.

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

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

Deferred tax assets and liabilities

Onderstepoort Biological Products (SOC) Ltd recognises deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management has considered future taxable income in assessing whether deferred tax assets should be recognised.

Useful lifes, residual values, and assessment for impairment of assets.

Disclosure is included in Accounting Policy 1.2 property, plant and equipment.

1.2 Property, plant and equipment

Property, Plant and Equipment are tangible assets that the entity holds for its use or for rental to others and which are expected to be used for more than one year.
An item of Property, Plant and Equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

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

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

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

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and impairment losses except for land which is not depreciated.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Group	Depreciation method	Average useful life
Land Buildings	Not depreciated	

1.2 Property, plant and equipment (continued)

-Own improvements	Straight line	5 to 27 years
-Demountable partitions	Straight line	6 to 7 years
Furniture and fixtures	Straight line	3 to 6 years
Motor Vehicles		
-Company vehicles	Straight line	3 to 7 years
IT equipment		
-Computers and electronic equipment	Straight line	2 to 7 years
-Network servers	Straight line	2 to 7 years
-Security control systems	Straight line	10 to 27 years
Leased assets		
-Printers	Straight line	2 to 5 years
Manufacturing equipment		
-Equipment acquired after 1 March 2002	Straight line	2 to 27 years
-Equipment used in the plant	Straight line	2 to 27 years
-Digital Equipment	Straight line	3 to 7 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. No material changes were made. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in the accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. Impairment tests are performed on Property, Plant and Equipment when there is an indicator that they may be impaired. When the carrying amount of an item of Property, Plant and Equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

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

There were no indicators of impairment for property, plant and equipment.

1.3 Intangible assets

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

Intangible assets are initially recognised at cost.

Patents and licences

Patents and licences, including acquired patents and licences for in-process research and development projects, are carried at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives. Estimated useful life is the shorter of the legal duration and the economic useful life. The estimated useful life of intangible assets is regularly reviewed. The amortisation of patents and licenses begins after regulatory approval has been obtained, which is the point in time from which the intangible asset is available for use in the production of the product.

When assessing whether an internally generated intangible asset qualifies for recognition, it is required that the related internal development project is at a sufficiently advanced stage and that the project is economically viable. Amortisation is calculated using the straight-line method over the estimated useful life of 2 to 11 years. The amortisation commences when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management

No internally generated intangible assets.

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

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

Item	Depreciation method	Average useful life
Patents	Straight line	3 years
Trademarks	Straight line	10 years
Computer software	Straight line	2 to 11 years

The useful life and amortisation method of intangible assets are reviewed at the end of each reporting period. No material changes were made.

There were no indicators of impairment for intangible assets.

1.4 Financial instruments

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

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

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

Financial assets which are debt instruments:

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

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

Note 28 Financial instruments and risk management presents the financial instruments held by the entity based on their specific classifications.

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

The material accounting policies for each type of financial instrument held by the company are presented below:

1.4 Financial instruments (continued)

Trade and other receivables

Trade and other receivables, excluding, when applicable, VAT and prepayments, are measured, subsequent to initial recognition, at amortised cost.

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Trade and other receivables denominated in foreign currencies

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

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

Impairment of financial assets (expected credit losses)

The entity measures the loss allowance for on-trade and other receivables, excluding VAT and prepayments at an amount equal to lifetime expected credit losses (ECL). The amount of expected credit losses is updated at each reporting date.

IFRS 9 (Financial Instruments) requires the entity to recognise expected credit losses on financial assets that are measured at amortised cost (loans, trade receivables, other receivables, and cash and cash equivalents) or at fair value through other comprehensive income, on a lease receivable and on a contract asset, either on a 12-month or lifetime basis.

The entity has elected the simplified approach to recognise expected losses for its trade receivables and lease receivables as permitted by IFRS 9. The historical loss rates are adjusted when their impact is material to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the financial asset.

For trade receivables, impairment losses calculated using the simplified approach are calculated using a provision matrix. The provision matrix is a probability-weighted model which applies an expected loss percentage, based on the net write-off history experienced on receivables, to each ageing category of receivables at the end of each month in order to calculate the total provision to be raised on the receivable balances.

Trade receivables have been grouped based on similar credit characteristics. Following the adoption of IFRS 9, the entity implemented a process whereby trade receivable balances are only written off at the point where there is no longer any probable recovery on a trade receivable balance.

1.4 Financial instruments (continued)

Trade and other payables

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

Recognition and measurement

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

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

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

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

Trade and other payables denominated in foreign currencies

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

Cash and cash equivalents

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

Cash and cash equivalents comprise of cash on hand, deposits held at calls with banks, and investment deposits managed by different banks maturing within 12 months and readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are disclosed at fair value. Movement in the fair value of deposits is recognised in the Statement of Financial Performance.

1.5 Tax

Current tax assets and liabilities

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

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

1.5 Tax (continued)

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used for taxation purposes.

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

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

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

Tax expenses

The income tax expense consists of current and deferred tax and is recognised in profit or loss.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income,

The tax on profit or loss for the period comprises current and deferred tax including adjustments to previous years. Tax is recognised in the Statement of profit or loss, except to the extent that it relates to items recognised directly in the statement of changes in net assets.

1.6 Leases

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

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

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

OBP as lessee

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

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

Lease liability

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

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

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

Right-of-use assets

Right-of-use assets are presented within the PPE line item on the Statement of Financial Position, and disclosure made in note 11.

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

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

1.6 Leases (continued)

OBP as lessor

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

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

Operating leases

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

1.7 Inventories

Inventories are measured at cost initially.

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

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

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

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

Cost is calculated using the weighted average cost method. The net realisable value represents the estimated selling price less all estimated costs of completion such as

- Raw material costs per unit
- Packaging costs per unit
- Marketing costs
- Depreciation costs
- Staff costs and;
- Other overhead costs

Write-downs and reversals of write-downs of inventories are included as part of the cost of goods sold.

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

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

All normal or abnormal wastage costs are expenses within the cost of sales and all vaccines that failed quality control at different testing stages are disposed of and accounted for as expenses.

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

There were no inventories held at year-end pledged as security for liabilities.

1.8 Research and development

All internal research costs are expensed in the Statement of Financial Performance as incurred.

Due to the long duration and significant uncertainties relating to the development of new products, including risks associated with clinical trials and regulatory approval, it is concluded that the entity's internal development costs in general do not meet the capitalisation criteria. This is because the technical feasibility criteria are not considered to be fulfilled until a high probability of regulatory approval can be determined. Hence, internal research and development costs are expensed in the Statement of Financial Performance as incurred.

The same principles are used for Property, Plant and Equipment with no alternative use developed as part of a research and development project. However, Property, Plant and Equipment with alternative use or used for general research and development purposes are capitalised and depreciated over their estimated useful lives.

For acquired in-process research and development projects, the effect of probability is reflected in the cost of the asset, and the probability recognition criteria are therefore always considered satisfied. As the cost of acquired in-process research and development projects can often be measured reliably, these projects fulfil the capitalisation criteria as intangible assets upon acquisition. However, further internal development costs subsequent to acquisition are treated in the same way as other internal development costs.

1.9 Impairment of assets

Management assesses, at the end of each reporting period, whether there is any indication that property, plant and equipment, and intangible assets on the cost model may be impaired. If any such indication exists, then the recoverable amount of the asset is determined.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount cannot be determined for an individual asset, then it is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. Intangible assets with an indefinite useful life and intangible assets not yet available for use are not subject to amortisation and are tested annually for impairment irrespective of whether there is any indication that they may be impaired.

Assets that are subject to amortisation, such as intangible assets in use (with definite useful life) and other non-current assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors considered material by the company that could trigger an impairment test include the following:
- Development of a competing vaccine;
- Changes in the legal framework covering patents, rights or licences;
- Advances in vaccine and/or technology that affect the vaccine treatments on animals;
- Lower-than-predicted sales;
- Adverse impact on reputation and/or brand names;
- Changes in the economic lives of similar assets;
- Relationship with other intangible or tangible assets;
- Changes or anticipated changes in participation rates or reimbursement policies.

If the carrying amount of intangible assets or other non-current assets exceeds the recoverable amount based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on discounted projected cash flows.

Impairment losses are recognised immediately in profit or loss.

1.10 Share capital and equity

Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

1.11 Employee benefits

Short-term employee benefits

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

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

Bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plan

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

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

1.12 Provisions and contingencies

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

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

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

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

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are not recognised unless they are probable. Contingencies are disclosed in the notes to the financial statements.

1.13 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attached to them if any; and

- the grants will be received.

The government grants are accounted for as per IAS 20.24- grant relating to assets; recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. All grants presented on the Annual Financial Statements are grants relating to assets.

A grant relating to assets may be presented in one of two ways: [IAS 20.24]

- as deferred income,
- or by deducting the grant from the asset's carrying amount.

1.13.1 Government grant - Recapitalisation

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

1.13.2 Government grant – Small-Animal Building

The government grant was received in 2001 was utilised to build the small-animal facility. The grant is amortised over the same period as the useful life of the asset (small-animal facility). The government grant is presented in the Statement of Profit or Loss by setting up the grant as deferred income. The deferred income is recognised as income on a systematic and rational basis over the useful life of the asset.

With the completion of the erection of the small-animal facility, the condition for the grant is viewed as being met.

1.13.3 Government grant – Corporatisation of OBP

The grant arose from the transfer of assets and the passing of the liabilities from the Department of Agriculture, Land Reform and Rural Development to the entity at inception. The land and buildings that the entity occupies were transferred from the Department of Public Works to the entity during the 2006 financial year.

The government grant is presented in the Statement of Financial Profit or Loss by setting up the grant as deferred income. The deferred income is recognised as income on a systematic and rational basis over the useful life of the asset.

1.13.4 Government grant - Research and Development

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

1.14 Revenue

The entity recognises revenue from the following major sources:

- Sales of animal vaccines

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognises revenue when it transfers control of a product or service to a customer.

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

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

The entity entered into a major contract with the Department of Agriculture, Land Reform and Rural Development for the supply of the Foot and Mouth Disease (FMD) vaccine following the outbreak of the FMD disease in South Africa in April 2022.

Sale of animal vaccines

For sales of vaccine goods to the market, revenue is recognised when control of the goods has transferred, being when the goods have been collected or shipped to the specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods, and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the company when the goods are collected or delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made with a credit term as agreed, which is consistent with market practice.

1.15 Revenue and Investment income

Investment income

Interest is recognised as revenue using the effective interest method.

Other income

Other income comprises of discounts received from early settlement, rental arising from rental income property and other recurring or non-recurring income. These incomes are recognised on an accrual or cash basis in accordance with the terms and the substance of the relevant agreement.

1.16 Cost of sales

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

The related cost of providing services recognised as revenue in the current period is included in the cost of sales.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. The net realisable value represents the estimated selling price less all estimated costs of completion.

Write-downs and reversals of write-downs of inventories are included as part of the cost of goods sold.

1.17 Translation of foreign currencies

Foreign currency transactions

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

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

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

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

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

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

1.18 Comparatives

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

1.19 Irregular or fruitless and wasteful expenditure

Irregular expenditure relates to expenditure incurred in contravention of, or not in accordance with Section 55(2)(b)(i) of the PFMA Act 1 of 1999 and published Treasury Regulations. Fruitless and wasteful expenditure relates to expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular, fruitless and wasteful expenditure is charged against income in the period it was incurred.

Figures in Rand	2024	2023

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

The entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

International tax reform - Pillar two model rules - amendments to IAS 12

The amendments incorporate into IAS 12, taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. As an exception, deferred tax assets and liabilities shall not be recognised, nor information about them disclosed related to Pillar Two income taxes. Disclosures about applying this exception to deferred tax are required. Any current tax income or expense related to Pillar Two income taxes is required to be disclosed separately. In addition, where the legislation is enacted or substantively enacted, but not yet in effect, management is required to disclose known or reasonably estimable information about the entity's exposure to Pillar Two taxes arising from that legislation.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The company has adopted the amendment for the first time in the 2024 annual financial statements.

The impact of the amendment is not material.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to the measurement or recognition of financial statement items, management has reviewed accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2024 annual financial statements.

The impact of the amendment is not material.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

The entity has adopted the amendment for the first time in the 2024 annual financial statements.

The impact of the amendment is not material.

Figures in Rand	2024	2023

2. New Standards and Interpretations (continued)

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The entity has adopted the amendment for the first time in the 2024 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact
• Lack of exchangeability - amendments to IAS 21	01 January 2025	Unlikely there will be a material impact
• Supplier finance arrangements - amendments to IAS 7 and IFRS 7	01 January 2024	Unlikely there will be a material impact
• Non-current liabilities with covenants - amendments to IAS 1	01 January 2024	Unlikely there will be a material impact
• Lease liability in a sale and leaseback	01 January 2024	Unlikely there will be a material impact

3. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	5,105,340	-	5,105,340	5,105,340	-	5,105,340
Buildings	93,008,090	(73,727,728)	19,280,362	79,152,802	(65,464,294)	13,688,508
Furniture and fixtures	1,923,924	(1,718,855)	205,069	1,902,819	(1,773,329)	129,490
Motor vehicles	1,502,302	(664,810)	837,492	1,502,302	(394,343)	1,107,959
Office equipment	267,920	(219,078)	48,842	267,051	(203,494)	63,557
IT equipment	7,667,487	(5,267,460)	2,400,027	6,799,701	(4,550,613)	2,249,088
Leased assets	546,388	(273,194)	273,194	450,345	(450,345)	-
Manufacturing equipment	154,154,764	(87,069,890)	67,084,874	152,346,747	(84,668,058)	67,678,689
Capital work in progress	286,096,990	-	286,096,990	294,909,180	-	294,909,180
Total	**550,273,205**	**(168,941,015)**	**381,332,190**	**542,436,287**	**(157,504,476)**	**384,931,811**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Disposal Depreciation in period	Accumulated depreciation adjustment	Total
Land	5,105,340	-	-	-	-	-	-	5,105,340
Buildings	13,688,508	829,976	-	13,025,312	(6,539,752)	-	(1,723,682)	19,280,362
Furniture and fixtures	129,490	97,873	(76,769)	-	(20,780)	75,255	-	205,069
Motor vehicles	1,107,959	-	-	-	(270,467)	-	-	837,492
Office equipment	63,557	869	-	-	(15,584)	-	-	48,842
IT equipment	2,249,088	894,208	(26,422)	-	(630,538)	25,860	(112,169)	2,400,027
Lease assets	-	546,388	(450,345)	-	(273,194)	450,345	-	273,194
Manufacturing equipment	67,678,689	2,675,968	(3,753,512)	2,885,562	(6,961,118)	2,835,625	1,723,661	67,084,874
Work in progress	294,909,180	7,981,095	-	(16,793,285)	-	-	-	286,096,990
	384,931,811	**13,026,377**	**(4,307,048)**	**(882,411)**	**(14,711,433)**	**3,387,085**	**(112,190)**	**381,332,190**

Annual Financial Statement for the year ended 31 March 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers of take on assets	Disposals	Depreciation	Disposal Depreciation in period	Total
Land	5,105,340	-	-	-	-	-	5,105,340
Buildings	19,354,159	268,463	-	-	(5,934,114)	-	13,688,508
Furniture and fixtures	99,921	40,650	14	(17,153)	(10,822)	16,880	129,490
Motor vehicles	520,475	797,452	-	-	(209,968)	-	1,107,959
Office equipment	25,093	45,431	-	-	(6,967)	-	63,557
IT equipment	2,962,131	215,861	-	(33,367)	(904,062)	8,525	2,249,088
Lease assets	125,096	-	-	-	(125,096)	-	-
Manufacturing equipment	67,596,345	4,145,971	-	(224,502)	(3,955,101)	115,976	67,678,689
Capital work in progress	256,029,594	38,879,586	-	-	-	-	294,909,180
	351,818,154	**44,393,414**	**14**	**(275,022)**	**(11,146,130)**	**141,381**	**384,931,811**

Additional disclosure relating to Capital Work In Progress

2024	Cumulative expenditure recognised in carrying value	Movement	Transfers	Carrying value of projects significantly delayed
Buildings	131,062,312			131,062,31
Computer software	-	-	-	-
Manufacturing Equipment and Other	155,034,678	-	-	125,072,351
Total	286,096,990	-	-	256,134,663

Impairment and reversal of impairment

The GMP project has been delayed significantly due to legal matters. There remains a commitment to conclude the project.

The current assessment of usefull life and residual values are still appropriate as the review was done in the prior financial year and changes were effected and no material changes were identified in the review of the current year.

2023

	Cumulative expenditure recognised in carrying value	Carrying value of projects significantly delayed
Building	129,037,441	129,037,441
Computer Software	463,375	-
Manufacture Equipment	126,933,666	125,408,363
Total	294,909,180	254,445,804

Figures in Rand	2024	2023

4. Intangible assets

	2024			2023		
	Cost	Accumulated amortization	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	7,719,737	(3,455,122)	4,264,615	6,570,750	(2,887,838)	3,682,912

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Disposals	Transfers	Disposal Armotisation adjustment	Amortisation	Accumulate depreciation	Total
Computer software	3,682,912	459,488	(192,912).	882,411	192,912	(872,027)	111,831	4,264,615

Reconciliation of intangible assets - 2023

	Opening Balance	Disposals	Disposal Armotisation	Amortisation	Total
Patents, trademarks and other rights	-	(566,657)	566,657	-	-
Computer software, other	3,719,307	(67,110)	67,110	(36,395)	3,682,912
	3,719,307	**(633,767)**	**633,767**	**(36,395)**	**3,682,912**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Inventories		
Raw materials, components	11,236,655	7,844,600
Work in progress	1,636,077	423,323
Intermediate Finished goods	32,960,753	24,509,567
Finished goods	14,567,008	9,153,468
Spares	84,948	113,709
Packaging materials	9,170,404	10,129,951
	69,655,845	52,174,618
Less: Provision for obsolete inventory	(863,240)	(98,426)
	68,792,605	**52,076,192**

Products likely to be obsolete are those products with a short remaining shelf life or which have limited commercial marketability and are therefore unlikely to be sold.

The movements in the provision for obsolete inventory can be specified as follows:

Provision for obsolete inventory and production disclosure

	2024	2023
Balance at the beginning of the year	98,426	1,900,863
Amounts recognised in profit or loss	764,814	(1,802,437)
	863,240	**98,426**

	2024	2023
Number of failed batches:		
Batches that have failed and are considered within normal loss	26	31

There were no abnormal losses, or unallocated production overheads during the current year. Costs associated with inventories sold is noted as part of Cost of Sales note.

6. Trade and other receivables

	2024	2023
Financial instruments:		
Trade receivables	16,503,040	11,834,509
Expected credit losses	(1,159,892)	(5 50,790)
Trade receivables at amortised cost	15,343,148	11,283,719
Accrued interest	9,520,468	7,756,148
Other receivables	130,829	141,268
Accrued Income	7,750	-
Non-financial instruments:		
Prepayments (if immaterial)	876,388	2,529,637
Total trade and other receivables	**25,878,583**	**21,710,772**

Trade and other receivables past due but not impaired:

Accrued interest relates to the Standard Bank (SA) and FNB investment, interest is paid the maturity date. Other receivables mainly consist of deposits.

The expected credit losses, including bad debts written-off, have been determined by reference to past experience as well as a review of all individual debtors` accounts.

Refer to note 28 financial instruments and risk management for further disclosure details.

Figures in Rand	2024	2023

6. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables

The following table shows the movement in the loss allowance (expected credit losses) for trade receivables:

Opening balance	550,790	2,843,092
Expected credit losses	609,102	(248,653)
Amount written off as uncollected	-	(2,043,649)
Closing balance	**1,159,892**	**550,790**

Trade and other receivables due but not impaired:		
Neither past due nor impaired		
Current	1,484,798	5,025,066
31-60 days	2,261,005	6,081,487
Past due but not impaired	-	-
61-90 days	142,794	14,119
91 days and older	12,614,442	163,047
	16,503,039	**11,283,719**

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

At amortised cost	25,002,195	19,181,135
Non-financial instruments	876,388	2,529,637
	25,878,583	**21,710,772**

7. Tax prepayments

Balance at the beginning of the year	31,083,355	29,138,851
Tax movements	(7,710,357)	1,847,921
Interest received on Tax prepayment	317,263	96,582
Interest charges and penalties	(119,954)	-
Tax refundable	(22,997,613)	-
	572,694	**31,083,354**

Prepayment was an advance payment for SARS provisional tax in the prior years and a significant portion was a refund received in the current year. A tax refund of R22,703,810 was received.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10,000	-
Short-term cash investments and deposits	337,415,102	342,480,573
Current account bank balances	121,105,989	30,890,311
	458,531,091	**373,370,884**

Reconciliation of bank balances

Reconciliation of bank balances		
Cash on hand	10,000	-
Current account: FNB	4,840,558	22,532,428
Current trading account: FNB	118,499,299	37,682,973
Investment account: FNB	327,419,918	304,797,600
Current trading account: Std Bank	7,761,316	8,357,883
	458,531,091	**373,370,884**

Figures in Rand	2024	2023

8. Cash and cash equivalents (continued)

Exposure to currency risk

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

	2024	2023
Rand amount		
Euro accounts - Std Bank and FNB	14,565,368	5,169,812
US Dollar accounts - Std Bank and FNB	109,271,032	27,631,166
	123,836,400	**32,800,978**
Foreign currency amount		
US Dollar	5,837,876	1,550,571
Euro	721,905	265,855
Rand per unit of foreign currency:		
US Dollar	18.718	17.820
Euro	20.176	19.446

9. Share capital

	2024	2023
Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
Issued		
1000 Ordinary shares of R1 each	1,000	1,000

10. Right-of-use and Lease liabilities

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Lease assets	546,388	(273,194)	273,194	450,345	(450,345)	-

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	2024	2023
Lease assets	273,194	-

Additions to right-of-use assets

	2024	2023
Lease assets	546,388	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 20), as well as depreciation which has been capitalised to the cost of other assets.

	2024	2023
Lease assets	273,194	-
Computer equipment	-	125,096
	273,194	**125,096**

Figures in Rand	2024	2023

10. Right-of-use and Lease liabilities (continued)

Lease liabilities

The entity had leased printers for two years, which expires end of March 2025. The lease term is 2 years, and the average effective borrowing rate is 11% in 2024.

The maturity analysis of lease liabilities is as follows:

	2024	2023
Within one year	306,354	-
Two to five years	-	-
	306,354	-
Less future finance charges component	(17,880)	-
Present value of minimum lease payments	**288,474**	**-**
Non-current liabilities	-	-
Current liabilities	288,474	-
	288,474	**-**
Present value of minimum lease payments due		
Within one year	288,474	-

11. Deferred Government Grant - Small Animal Facility

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

	2024	2023
Opening carrying amount	-	20,493
Amortised	-	(20,493)
Closing net carrying amount	**-**	**-**
Current	-	-

12. Deferred tax liability

Deferred tax liability

	2024	2023
Deferred tax liability	(14,067,154)	(6,405,010)

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

	2024	2023
Deferred tax liability	(14,067,154)	(6,405,010)

13. Deferred Recapitalisation Grant

The grant relates to the funding received from the National Treasury for OBP`s Recapitalisation programme. The grant was approved in the 2012/13 financial year for R492.4 million of which the entire R492.4 million has been received. During the financial year under review R5,452,698 was realised into the income statement as a deferred government grant income.

	2024	2023
Opening carrying amount	432,874,239	437,905,534
Amortised	(5,452,698)	(5,031,295)
	427,421,541	**432,874,239**

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13. Deferred Recapitalisation Grant (continued)

Split between non-current and current portions

Non-current liabilities	421,968,843	427,842,944
Current liabilities	5,452,698	5,031,295
	427,421,541	**432,874,239**

14. Deferred Government Grant - Corporatisation of OBP SOC Ltd

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

Non-current	376,233	2,469,284
Current	2,172,463	2,251,875
	2,548,696	**4,721,159**

Opening carrying amount	4,721,159.	6,973,034
Amortised	(2,172,463)	(2,251,875)
Closing net carrying amount	**2,548,696**	**4,721,159**

15. Deferred Research and Development Grant

The grant relates to the funding received from NRF and other sponsors for OBP`s research projects.

Non-current	16,732,532	17,847,899
Current	1,478,974.	1,673,965
	18,211,506	**19,521,864**

Opening carrying amount	19,521,864	21,195,829
Amortised	(1,478,974)	(1,673,965)
Other Movements	168,616	-
Closing net carrying amount	**18,211,506**	**19,521,864**

16. Trade and other payables

Financial instruments:		
Trade payables	20,270,538	8,855,761
Accruals	5,851,420	8,003,658
Other payables	63,780,065	65,876,893
Non-financial instruments:		
VAT	3,001,400	-
	92,903,423	**82,736,312**

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

At amortised cost	89,902,023	82,736,308
Non-financial instruments	3,001,400	-
	92,903,423	**82,736,308**

Figures in Rand	2024	2023

16. Trade and other payables (continued)

Other payables of the value of R63 million consist of advance payments made by the Department of Agriculture Land Reform & Rural Development – National, and other customers.

The Department of Agriculture Land Reform & Rural Development - National entered into a contract with OBP to be supplied with the Foot and Mouth Disease (FMD) vaccine to the value of R87 million, R35 million was remaining at year-end of the advance payment made by the department.

The Department of Agriculture Land Reform & Rural Development - National entered into a new contract with OBP in the last quarter of the financial year to enhance vaccine availability to the value R25 million and R25 million was remaining at year-end.

The balance of R3 million represents advance payments by other customers for various OBP products.

17. Revenue

Gross to net revenue reconciliation

The company disaggregates revenue from customers as follows:

	2024	2023
Revenue		
Sale of goods	232,313,405	200,895,504
The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:		
Sales of goods	227,022,047	197,019,569
Delivery services	5,291,358	3,875,935
	232,313,405	**200,895,504**
Gross revenue	236,504,948	204,202,101
Discount granted	(9,482,901)	(7,182,532)
	227,022,047	**197,019,569**
Net revenue - vaccines	227,022,047	197,019,569
Revenue - dry - ice	417,382	367,501
Revenue - transportation services	4,873,976	3,508,434
	232,313,405	**200,895,504**

Gross revenue increased from R204 million in the prior year to R236 million in the current year. The gross sales for the local markets was R107 million of which R17,1 million were sales achieved from the sale of the foot and mouth disease (FMD). The international markets contributed with gross sales of R129.6 million in the current year.

18. Cost of sales

	2024	2023
Sale of goods	30,418,845	51,494,797

Costs comprise of direct and indirect production costs, such as raw materials, consumables and labour, as well as production overheads such as depreciation and maintenance.

	2024	2023
The production of vaccines includes the following costs:		
Delivery expenses	5,740,947	5,386,673
Energy - Coal	3,405,787	1,166,376
Other costs	3,258,482	5,202,813
Packaging Materials	514,614	474,237
Purchases of Raw Materials	12,472,084	34,762,562
Royalty on Blood Vaccines	5,026,931	4,502,136
	30,418,845	**51,494,797**

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19. Other income

Rental income	484,402	615,111
Learnership	150,500	143,844
Other income	358,953	1,421,294
SARS interest received	317,264	96,582
Forex gains	15,435,369	24,630,004
	16,746,488	**26,906,835**

Rental income is derived from rental of property to tenants.

Learnership are funds received from Chemicals Industries Education and Training Authority (CHIETA).

Operating leases - as lessor (income)

Minimum lease payment due:		
Within one year	277,012	146,820
In second to fifth year inclusive	542,123	115,230
Five years	130,973	-
	950,108	**262,050**

The above lease income relates to one contract for 9 years and 11 months. The entity has an escalation maximum of 10% per annum. Also relates to rental income of OBP houses.

The entity does not straight-line lease for a tenant who is currently under legal review process to terminate the lease.

20. Operating and administrative expense

Auditor's remuneration - external		
Audit fees	2,332,755	2,851,439

Operating expenses		
Consumables	1,403,166	936,353
Depreciation	15,583,460	11,182,525
Employee costs	90,818,239	87,190,783
Forex losses (realised and unrealised)	13,197,818	8,679,112
Other operating expenses	5,859,173	6,306,502
Repairs and Maintenance	16,217,743	12,313,863
Research and development costs	1,523,216	4,838,708
Security expenses	2,247,818	2,517,142
Utilities	12,355,720	7,563,111
Total	**159,206,353**	**141,528,099**

Figures in Rand	2024	2023

20. Operating and administrative expenses (continued)

Administrative expenses

IT expenses	524,795	3,471,043
Professional fees and legal fees	3,613,040	2,291,548
Bank charges	257,460	195,585
Fuel and oil expenses	3,165,705	3,295,339
Insurance expenses	2,118,414	2,411,149
Other administrative expenses	11,975,574	8,524,195
Protective clothing	1,790,238	2,363,806
Recruitment costs	933,829	1,075,849
Software costs	1,104,627	995,962
Telephone and fax	616,218	692,312
Travel	1,887,270	2,066,335
Total	**27,987,170**	**27,383,123**

For a further breakdown of other operating expenses and other administrative expenses, refer to the Detailed Statement of Profit or Loss.

Employee costs

Salaries, wages, bonuses	80,021,203	77,033,293
Short-term benefits	10,797,026	10,157,490
Total employee costs	**90,818,239**	**87,190,783**

Average number of persons employed during the year

Average number of employees	201	227

Other disclosure - Inventory write-off

Inventory write-off: Obsolete stock (Movements)	764,814	1,802,437

21. Investment income

Investments in financial assets:

Short-term investments and deposits - Interest	33,351,131	20,540,254

The investment income relates to interest earned from short-term investments held with FNB and Standard Bank (SA)

Notes to the Annual Financial Statements

22. Taxation

Figures in Rand	2024	2023
Major components of the tax expense		
Current		
Income tax - current period	23,145,041	-
Deferred		
Deferred tax (income)/ expense	7,662,234	11,127,982
	30,807,275	**11,127,982**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Figures in Rand	2024	2023
Applicable tax rate	27.00 %	27.00 %
Other taxable items	17.72 %	(4.58)%
Amortisation of government grant - research	(0.10)%	3.06 %
Amortisation of recapitalisation grant	(2.00)%	(3.55)%
Disallowed deduction of production building	- %	3.76 %
Amortisation of government grant - corporatisation	(0.80)%	(1.42)%
Other non-taxable items	2.48 %	4.62 %
	44.30 %	**28.89 %**

The tax on the entity's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows: Refer to the note on deferred tax for the calculation.

23. Cash generated from operations

Figures in Rand	2024	2023
Profit before taxation	69,503,647	42,796,549
Adjustments for non-cash items:		
Depreciation, amortisation, impairments, and reversals of impairments	15,583,460	11,790,178
Changes in lease assets	546,646	-
Assets written off	919,978	133,475
Adjust for items that are presented separately:		
Investment Income	(33,351,131)	(20,540,254)
Finance costs	48,439	5,910
Changes in working capital:		
(Increase) decrease in inventories	(16,716,413)	(7,576,876)
(Increase) decrease in trade and other receivables	8,132,664	12,522,649
Increase in govt grant	-	-
Deferred Recapitalisation Grant	(5,452,698)	(5,031,295)
Deferred Government Grant - Small Animal Facility	-	(20,493)
Increase (decrease) in trade and other payables	7,165,714	58,291,099
Deferred Government Grant - Corporatisation of OBP SOC Ltd	(2,172,463)	(2,251,875)
Deferred Research and Development Grant	(1,310,358)	(1,528,583)
	42,897,485	**88,590,484**

Figures in Rand	2024	2023

24. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	91,718,531	97,434,245
• Contracts	26,266,373	13,072,964

The entity had R91.7 million disclosable capital commitments at 31 March 2024 which included a GMP upgrade of the manufacturing facility and the Freeze Dryer

There are also operating commitments entered before 31 March 2024 which expire in future financial years. These commitments amount to R26.2 million.

25. Contingencies

Contingent Liabilities

1. Two matters on termination and or contract cancellation, and CCMA or Labour court matters.

2. Litigation relating to a dispute to honour an agreement by the Department.

3. Litigation relating to agreement to supply livestock.

Annual Financial Statement for the year ended 31 March 2024

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Figures in Rand	2024	2023

26. Related parties

Relationships
The Minister of Agriculture Land Reform & Rural Development is the Executive Authority. The entity is a 3B public entity established in 2000 in terms of the OBP Incorporation Act 19 of 1999.

The executive and non-executive directors are listed per disclosure note Treasury Regulation 28.1.1 (note 28) and it details their names, positions, and remuneration. There were no other transactions between OBP and any of the directors, the executive management, and key personnel.

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

Major contract: Department of Agriculture Land Reform & Rural Development - National, entered into a contract with OBP to be supplied with the Foot and Mouth Disease (FMD) vaccine to the value of R87 million.

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

Related party transactions

	2024	2023
Sales to related parties		
Department of Agriculture, Rural Development, Land and Environmental Affairs - Mpumalanga	(3,504,230)	(4,139,429)
Agricultural Research Council (ARC)	(26,722)	(139,068)
DALLRD	(17,728,775)	-
Department of Rural Development and Agrarian Reform - Eastern Cape	(15,392)	(328,674)
Department of Agriculture and Rural Development - Limpopo	(10,332,322)	(399,652)
Department of Agriculture and Rural Development - Free state	(778)	(43,960)
Department of Agriculture Land Reform & Rural Development - Allertorn Vet Lab	(9,180)	(31,831)
Department of Agriculture Land Reform & Rural Development - National	-	(58,417,783)
SAPS Veterinary Services	(146,325)	-
Department of Agriculture and Rural Development- North West	(158,412)	(80,659)
Total	(31,922,146)	(63,581,056)
Purchases from related parties		
Agricultural Research Council (ARC)	16,160,142	4,759,781
Related party balances		
OVI - Accounts receivable (for products or services sold)	-	(9,458,543)
Agricultural Research Council (ARC) - Accounts receivables	(10,463)	-
Department of Agriculture and Rural Development- North West - Accounts receivable	(7,609)	-
Department of Agriculture and Rural Development - Limpopo - Accounts payables	2,040,924	-
Department of Agriculture Land Reform & Rural Development - National - Accounts payables.	60,200,638	55,501,103
	-	-
The balance of R55,5 million relating to DALRRD National accounts was not reported in the prior year and is now being included.	-	-
Key management personnel		
These are disclosed in note 27.	-	-
Compensation to directors		
Directors fees	1,236,741	1,298,950

Figures in Rand 2024 2023

27. Directors' emoluments

Executive

2024

Executive emoluments.	Basic salary	Expense allowances	Other material benefits	Contributions paid under pension scheme	Contributions to officers' liability insurance cover	Total
Services as director or prescribed officer						
Mr. C. Manickum (COO)	1,765,608	4,243	3,000	125,148	18,521	1,916,520
**Mr. L. Mabombo (Interim CEO)	1,256,680	-	478,298	-	12,505	1,747,483
*****Ms. C. Sheraton (Corporate Services Executive)	779,061	-	199,573	51,937	-	1,030,571
*Dr. B. Ntshabele (Minister's representative)	-	600	125,790	-	-	126,390
***Ms. K. Govender (Acting CFO)	150,515	800	-	-	2,564	153,879
Ms. E. Govender (Chief Financial Officer)	2,165,674	-	3,000	-	18,521	2,187,195
Dr. J. Modumo (Business Development Officer)	1,557,197	144,000	125,218	121,873	18,521	1,966,809
Dr. MB. Nthangeni (Chief Scientific Officer)	1,825,676	4,159	3,000	159,556	18,521	2,010,912
****Adv. P. van der Sandt (HLCS)	506,467	-	85,815	22,530	10,099	624,911
	10,006,878	**153,802**	**1,023,694**	**481,044**	**99,252**	**11,764,670**

*Dr. B. Ntshabele was appointed as interim CEO from 1 November 2023 to 30 April 2024.

**Mr. L. Mabombo (Interim CEO) was appointed from 9 November 2021 to 31 October 2023.

***Ms. K. Govender was appointed as interim CFO from 16 January 2023 to 30 April 2023.

****Adv. P. van der Sandt (HLCS) was appointed from 1 October 2021 and resigned in August 2023.

*****Ms. C. Sheraton was seconded as from 7 February 2022 to 30 September 2023 & appointed permanently from 1 October 2023.

2023

Executive	Basic salary	Expense allowances	Other material benefits	Contributions paid under pension scheme	Contributions to officers' liability insurance cover	Total
Services as director or prescribed officer						
Mr. C. Manickum (COO)	1,362,657	4,985	-	102,808	25,722	1,496,172
**Mr. L. Mabombo (Interim CEO)	2,118,000	-	528,525	-	25,722	2,672,247
Ms. E. Govender (Chief Financial Officer)	1,968,136	2,884	-	-	25,722	1,996,742
Dr. J. Modumo (Business Development Officer)	1,305,449	216,000	113,130	177,095	25,722	1,837,396
***Ms. K. Govender (Acting CFO)	451,545	2,400	-	-	10,289	464,234

Figures in Rand	2024	2023

27. Directors' emoluments (continued)

Dr. M.B. Nthangeni (Chief Scientific Officer)	1,315,818	2,115	-	138,569	25,722	1,482,224
Adv. P. van der Sandt (HLCS)	1,233,644	4,268	-	65,188	25,722	1,328,822
	9,755,249	**232,652**	**641,655**	**483,660**	**164,621**	**11,277,837**

**Mr. L. Mabombo was appointed as interim CEO from 9 November 2021 with the option of an extension pending the appointment of a permanent CEO.

***Ms. K. Govender was appointed as interim CFO from 16 January 2023 to 30 April 2023.

Non-executive

2024

Directors' emoluments	Fees	Expense Allowances	Contributions to officers' Liability Insurance cover	Total
Services as director or prescribed officer				
Prof. P.L. Mabeta	86,054	7,500	6,016	99,570
Dr. D. Konar	69,824	-	6,016	75,840
Dr. N. Skeepers	62,094	-	6,016	68,110
Mr. R. Mahabeer	71,245	-	6,016	77,261
Mr. M.J. Kgobokoe	72,463	-	6,016	78,479
Ms. S. Ntiyantiya (Matai)	-	-	6,016	6,016
Dr. L. Makuleni	66,685	-	6,016	72,701
Ms. R. Kenosi (Chairperson of the Board)	284,668	10,500	12,505	307,673
Ms. N. Sonjani	165,018	-	12,505	177,523
Ms. K. Naidoo	122,514	-	12,505	135,019
Mr. L. Nematswerane	103,687	-	12,505	116,192
Prof. K. Nephawe	139,552	-	12,505	152,057
**Dr. B. Ntshabele (Minister's representative)	-	-	18,521	18,521
	1,243,804	**18,000**	**123,158**	**1,384,962**

2023

Directors' emoluments	Fees	Expense Allowances	Contributions to officers' liability insurance cover	Total
Services as director or prescribed officer				
Ms. R. Kenosi (Chairperson of the Board)	508,563	18,000	25,722	552,285
Ms. N. Sonjani	227,720	-	25,722	253,442
Ms. K. Naidoo	198,212	-	25,722	223,934
Mr. L. Nematswerane	143,723	-	25,722	169,445
Prof. K. Nephawe	215,971	-	25,722	241,693
Dr. B. Ntshabele (Minister's representative)	-	-	25,722	25,722
	1,294,189	**18,000**	**154,332**	**1,466,521**

Figures in Rand	2024	2023

27. Directors' emoluments (continued)

Notes on Treasury Regulation 28.1.1:

Treasury Regulation 28.1.1:

Fees for services

All fees paid to individuals for services delivered or Board meeting and Board committee meeting attendances.

Basic salary (including fixed monthly payments)

Payment made to individuals is on a salary basis.

Bonuses and performance-related payments

Bonuses are based on the actual performance of the company and the employee for the previous year and are approved by the Board of Directors. (No Bonuses for 2024 and 2023)

Expense allowances

All payments made to individuals are in respect of travel allowances as well as personal expenses incurred for official business. Cell phone allowances, non-taxable daily allowance for overseas travel, and travel with own vehicle for business purposes at a rate per kilometre are disclosed separately.

Contributions to pension fund

Fixed payments made on behalf of individuals (which form part of the executives' total cost to company salary packages).

Contributions to directors or officers liability insurance cover

These payments are for professional indemnity insurance premiums and the entity makes the payments to the insurer in terms of the entity's Memorandum of Incorporation.

Other material benefits received

The payments are for acting in a position.

28. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2024

	Note(s)	Amortise costs	Total	Fair value
Trade and other receivables	6	25,002,195	25,002,195	25,002,195
Investments	8	337,415,102	337,415,102	337,415,102
Bank balances	8	121,105,989	121,105,989	121,105,989
		483,523,286	**483,523,286**	**483,523,286**

2023

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	19,181,135	19,181,135	19,181,135
Investments	8	342,480,573	342,480,573	342,480,573
Bank balances	8	30,891,311	30,891,311	30,891,311
		392,553,019	**392,553,019**	**392,553,019**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Financial instruments and risk management (continued)

Categories of financial liabilities

2024

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	16	20,270,538	-	20,270,538	20,270,538
Operating lease obligations	10	-	288,474	288,474	288,474
Accruals	16	5,851,420	-	5,851,420	5,851,420
Other payables	16	63,780,065	-	63,780,065	63,780,065
		89,902,023	**288,474**	**90,190,497**	**90,190,497**

2023

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	16	8,855,761	8,855,761	8,855,761
Accruals	16	8,003,658	8,003,658	8,003,658
Other payables	16	65,876,893	65,876,893	65,876,893
		82,736,312	**82,736,312**	**82,736,312**

Figures in Rand	2024	2023

28. Financial instruments and risk management (continued)

Financial risk management

Financial risk management objectives

Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS mainly applies. Generally, financial assets and liabilities are generated through day-to-day operational activities and are not held to manage the risks facing the entity in undertaking its activities.

The entity's finance department monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk, and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade financial instruments for speculative purposes.

Market risk

The entity's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

All financial instruments attract interest at rates linked directly to the prime bank overdraft rate. The effective interest rate used by the entity is the prime interest rate.

In the case of debtors whose accounts are in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of the entity's debtor management policy.

All trade receivables and other debtors are individually evaluated annually at a balance sheet date for impairment or discounting. Interest rate sensitivity analysis.

As the entity has no significant interest risk exposure at financial year-end, the effect of strengthening or weakening of the prime interest rate at a balance sheet date is not considered material.

Foreign exchange risk

Foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions both for sale exports and for the acquisition of imported raw material and plant and equipment, except where the entity has offsetting exposures. OBP has a USD and EURO account which exposes it to foreign exchange risk. The exchange risk is monitored through internal policy that mitigates fluctuations.

At 31 March 2024, the company had no open forward contracts. The recognition of foreign exchange gains and losses is recorded according to IAS 21. A Freeze Dryer has been purchased, and the EURO account will be utilised to settle the supplier invoice.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Financial assets exposed to credit risk at the period end were as follows:

The maximum exposure to credit risk is presented in the table below:

Figures in Rand	2024	2023

28. Financial instruments and risk management (continued)

		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables	6	26,162,087	(1,159,892)	25,002,195	19,731,925	(550,790)	19,181,135
Cash and cash equivalents	8	458,531,091	-	458,531,091	373,410,267	-	373,410,267
		484,693,178	**(1,159,892)**	**483,533,286**	**393,142,192**	**(550,790)**	**392,591,402**

The entity has the following assets that are subject to the expected credit loss model:

Trade receivables
Cash and cash equivalents (which include short-term investments and deposits).
A**mounts arising from expected credit losses** have no **collateral**.

Trade receivables

	Trade receivables aging	Allowance for expected credit losses	Total
Current	1,484,798	-	1,484,798
31-60 days past due	2,261,005	-	2,261,005
61-90 days past due	142,794	-	142,794
91 days and older past due	12,614,443	(1,159,892)	11,454,551
	-	-	-

The movement in the allowance for impairment in respect of trade receivables during the year is disclosed in note 6.

In evaluating expected credit losses IFRS9 allows for assessment of the history of customers and also takes a view on the future performance of the customer.

The following salient features are considered:
Aging report
Customer profile (influenced by historical trends)

Cash and cash equivalents

Twelve-month expected credit losses are calculated for cash and cash equivalents using the general approach. Due to the fact that the entity's cash and cash equivalents are noted as being current assets, the 12-month and lifetime expected losses are expected to be equivalent. In addition, given that these amounts are invested with two of South Africa's largest banks, management's expectation is that the impact on the total impairment is negligible. As at the reporting date, the entity has not recognised any expected credit losses for cash and cash equivalents. This approach will only be reconsidered should there be a future downgrade of the banks with which the amounts are invested.

Fair value

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

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statement to approximate their fair values on 31 March 2024 as a result of the short-term maturity of these assets and liabilities.

28. Financial instruments and risk management (continued)

Liquidity risk

Sufficient cash is maintained to manage the entity's liquidity risk. Limitations are imposed by Treasury Regulations 32 to the Public Finance Management Act (Act 1 of 1999) on borrowings, which limits the committed lines of credit available to the entity. The following are details of the contractual maturities of financial liabilities:

2024

		Contractual cashflow	12 months or less	Carrying amount
Non-current liabilities				
Lease liabilities	-	-	-	-
Current liabilities				
Trade and other payables	16	89,902,023	89,902,023	89,902,023
Lease liabilities	10	288,474	288,474	288,474
Current assets				
Short-term investments and deposits		327,419,918	327,419,918	327,419,918
		417,610,415	**417,610,415**	**417,610,415**

2023

		Contractual cashflow	12 months or less	Carrying amount
Current liabilities				
Trade and other payables	16	82,736,312	82,736,312	82,736,312
Current assets				
Short-term investments and deposits.		304,797,600	304,797,600	304,797,600
		387,533,912	**387,533,912**	**387,533,912**

29. Current tax payable

	2024	2023
Balance at beginning of the year	31,083,354	29,138,851
Net Tax Movements (Assessments)Deferred	(23,145,041)	1,847,921
Prior year adjustment	(1,944,592)	-
Interest receivable	317,263	96,582
Tax refundable	(22,997,613)	-
Tax prepayment balance	(572,693)	-
Interest paid	(119,954)	-
Balance at end of the year (Current tax payable)	-	(31,083,354)
Total	**(17,379,276)**	**-**

Annual Financial Statement for the year ended 31 March 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Irregular, fruitless and wasteful expenditure		
Reconciliation of Fruitless and Wasteful Expenditure		
Opening balance	8,000	-
Additions	-	8,000
Condoned/ Approved write off	-	-
Total	**8,000**	**8,000**

A penalty was imposed by SARS in the prior financial year and is currently under appeal relating to returns for VAT. The amount is R8,000.

Reconciliation of irregular expenditure		
Opening balance	-	-
Additions	3,152,694	-
Condoned/ Approved write off	-	-
Total	**3,152,694**	**-**

The entity did not ensure adequate review of regulations and monitoring of compliance with Preferential Procurement Regulations 2022 nor Preferential Procurement Regulations 2017, as the bidder with the highest points was not awarded the procurement.

31. Finance costs		
Lease liabilities	48,439	6,274

32. Prior period errors and adjustments

Tax prepayments:

The prior period error is to account for interest earned on the tax prepayment balance and to correct the prepayment balance as per SARS statement on the 31 March 2023.

VAT receivable:

The prior period error is to correct the VAT account for VAT objections by SARS in the prior period.

Finance cost:

The prior period error is to correct the classification of finance cost as a separately disclosed item on the face of the Profit or Loss statement.

The following section and notes have been amended in terms of disclosure in the Annual Financial Statements:

There has been a change in figures and hence an impact on the figures disclosed in the prior period in the statement of financial position, cash flow statement, and statement of changes in equity.

Other Administrative Expenses

The prior period error is to correct the VAT refunds objected by SARS in the prior period

Interest income SARS accounted for according to SARS Statement

Administrative expense was incorrectly credited in the prior year.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

	Original	Adjustments	Restated
VAT Receivables	9,965,286	(9,965,286)	-
Tax prepayment	29,138,851	1,944,503	31,083,354
Retained earnings	328,617,125	8,020,783	(320,596,342)

Figures in Rand		2024	2023

32. Prior period errors and adjustments (continued)

Statement of Profit or Loss

Finance cost	-	6,274	6,274
Administrative expenses	23,016,845	4,025,130	27,042,175
Interest income SARS	-	(96,582)	(96,582)

33. Events after the reporting period

Expected credit losses

Subsequent to 31 March 2024, one of the major customers who was owing more than R11,196,202 for longer than 6 months, made payment 31 May 2024.

VAT adjustments

Subsequent to 31 March 2024, the entity was made aware of the result of the VAT refund being objected by SARS an amount of R3,001,400 VAT being liable to SARS as at end of March 2024.

Detailed Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated *
Other operating expenses			
Advertising		(2,161,874)	(3,266,930)
Auditor's remuneration - external audit	20	(2,332,755)	(2,851,439)
Bad debts		(305,168)	-
Bank charges		(257,460)	(195,585)
Cleaning		(269,978)	(298,780)
Professional fees		(395,683)	(996,301)
Consulting and professional fees - legal fees		(3,217,357)	(1,295,247)
Consumables		(1,403,166)	(936,353)
Depreciation		(15,583,460)	(11,790,179)
Donations		(29,425)	-
Employee costs		(90,818,239)	(87,190,783)
Entertainment		(327,898)	(360,699)
Vat objections		-	(4,026,978)
Conference expenses		(31,996)	(22,000)
Provision for bad debt expenses		(609,102)	-
Software expenses		(1,104,627)	(655,014)
Interest and penalties - SARS		(624,904)	-
Terrain Maintenance		(985,332)	(1,257,316)
Recruitment costs		(933,829)	(1,075,849)
Assets written-off		(919,978)	(133,475)
Fuel and oil expenses		(3,165,705)	(3,295,339)
Realised foreign exchange losses		(13,197,818)	(8,679,112)
Hire		(22,254)	(50,891)
Insurance		(2,118,414)	(2,411,149)
IT expenses		(524,795)	(3,471,043)
Medical expenses		(434,945)	(560,331)
Motor vehicle expenses		(152,561)	(21,158)
Municipal expenses		(18,904,853)	(7,563,111)
Other expenses		(935,176)	(530,513)
Printing and stationery		(417,038)	(239,773)
Promotions		(113,945)	-
Protective clothing		(1,790,238)	(2,363,806)
Repairs and maintenance		(16,217,743)	(12,313,863)
Research and development costs		(1,523,216)	(4,838,708)
Security		(2,247,818)	(2,517,142)
Staff welfare		(8,629)	-
Telephone and fax		(616,218)	(692,312)
Training		(907,824)	(594,713)
Transport and freight		-	(3,423)
Travel - local		(1,887,270)	(2,066,335)
		(187,498,691)	**(168,565,650)**

* See Note 32

The supplementary information presented does not form part of the annual financial statements and is unaudited

Annual Financial Statement for the year ended 31 March 2024

Notes

Acronyms

AAMP	Agriculture and Agro-processing Master Plan
AFS	Annual Financial Statement
AGSA	Auditor-General Auditor of South Africa
ARC	Agricultural Research Council
AR&IT	Audit, Risk and Information Technology Committee
CHIETA	Chemicals Industries Education and Training Authority
CFO	Chief Financial Officer
COO	Chief Operations Officer
CSE	Corporate Services Executive
CSIR	Council for Scientific and Industrial Research
CSO	Chief Scientific Officer
CSSFF	Chan Soon-Shiong Family Foundation
DALRRD	Department of Agriculture, Land Reform and Rural Development
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
ECL	Expected Credit Losses
FMD	Foot and Mouth Disease
FYE	Financial Year-End
GMP	Good Manufacturing Practice
GRI	Global Reporting Initiative
HR	Human Resources
HLCS	Head of Legal and Company Secretary
IAR	Integrated Annual Report
ICEO	Interim Chief Executive Officer
ICT	Information and Communication Technology
IESBA	International Code of Ethics for Professional Accountants
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretations Committee
IIRC	International Integrated Reporting Council
IPC	Indirect Production Costs
IR&D	Innovative, Research & Development
ISA	International Standards on Auditing
IT	Information Technology
KIC	Knowledge, Iterchange & Collaboration
NEMA	National Environmental Management Act
NWU	North-West University
OBP	Onderstepoort Biological Products
OHS	Occupational, Health & Safety
OVI	Onderstepoort Veterinary Institute
PFMA	Public Finance Management Act
PAA	Public Audit Act
PPE	Property, Plant and Equipment
QMS	Quality Management System
SAMRC	South African Medical Research Council
SAPS	South African Police Service
SEM	Supply Chain Management
SED	Socio-Economic Development
SLA	Service Level Agreement
SOC	State-Owned Company
TAHIC	Tshwane Animal Health Innovation Cluster
TUT	Tshwane University of Technology
UFS	University of the Free State
UJ	University of Johannesburg
UK	United Kingdom
UKZN	University of Kwazulu-Natal
UP	University of Pretoria
VAT	Value Added Tax
VPF	Vector Protected Facility

ACTS

Public Finance Management Act 1 of 1999

Income Tax Act 58 of 1962

Value Added Tax Act 89 of 1991

Companies Act 56 of 2008

Broad-Based Black Economic Empowerment Amendment Act 46 of 2013

Promotion of Access to Information Act 2 of 2000

Fertilizer, Farm Feeds, Seeds and Remedies Act 36 of 1947 / Fertilizers Farm Feeds Agricultural Remedies and Stock Remedies Act 36 of 1947

Animal Disease Act 35 of 1984

Genetically Modified Organisms Act 15 of 199

Onderstepoort Biological Products Incorporation Act 19 of 1999

Prevention and Combating of Corrupt Activities Act 12 of 2004

National Environmental Management Act 107 of 1998

Public Audit Act 25 of 2004

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