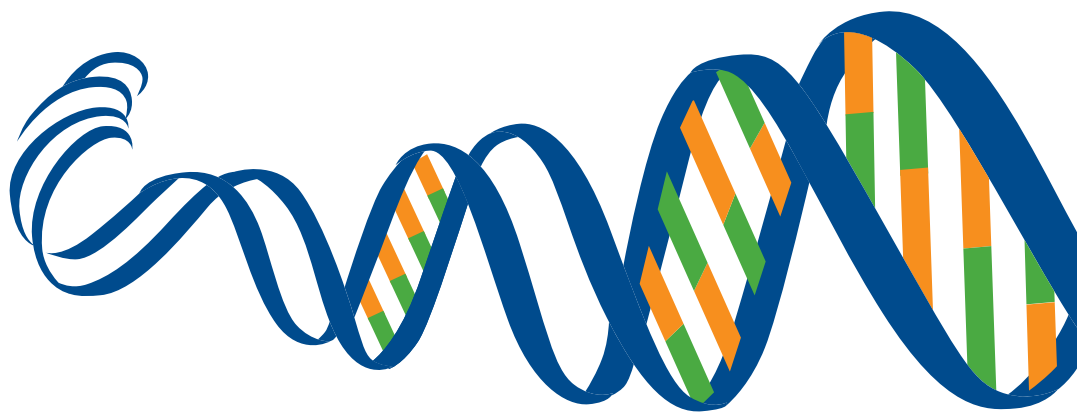


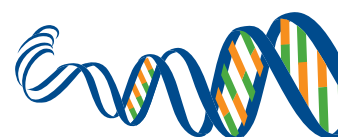
annual report

2008 / 2009





	4	Vision, Mission and Values
Letter to the Minister	5	
	6	Acting Chairperson's Review
	8	Board of Directors
Corporate Governance	9	
	10	Committees of the Board
Executive Management	12	
	13	Managing Director's Report
Chief Scientific Office's Report	14	
	15	Organisational Structure
Special Projects Office's Report	16	
	17	Sales, Marketing and Production Office's Report
Shared Services Office's Report	18	
	21	Annual Financial Statements





Vision, Mission and Values

Vision

To be a global biotech manufacturer and provider of animal and health products underpinned by a skilled, innovative and passionate team.

Mission

To translate science into biological and health products, knowledge and technology, resulting in improved animal health, food security and safety for all our stakeholders.

Values

Onderstepoort Biological Products Limited (OBP) will conduct its business in such a way as to ensure:

- A high level of integrity;
- A high level of ethical standards;
- High standards of quality; and
- Excellence in everything that we do.

We accept that:

- People are our major asset;
- As a state owned entity, we have a responsibility to provide for the public good; and
- We have a responsibility to our society and environment.

As a company, we will strive to promote:

- Respect for all people, irrespective of race, gender, religious or sexual orientation;
- Animal welfare;
- The development of our employees; and
- Customer care and satisfaction.

Letter to the Minister

*The Hon. Ms Tina Joemat-Pettersson
Minister for Agriculture, Forestry and Fisheries
Private Bag X100
Pretoria
0001*

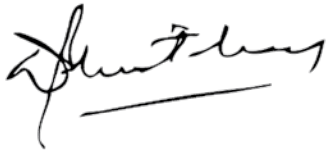
Dear Minister

It is my pleasure, on behalf of management and the board, to present to you the Annual Report of Onderstepoort Biological Products Limited for year ended 31 March 2009.

This report has been prepared for presentation to Parliament in terms of the Public Finance Management Act, 1999.

I trust you will share in our joy at the achievements reported.

Yours faithfully



Adv David Mitchell
Acting Chairperson

Date: 25 September 2009





Acting Chairperson's Review

towards ongoing and sustained profitability – if only its plant and equipment could last the pace.

Impact of syndicated bank fraud

The company was one of several State-owned institutions that were targeted in August 2008 in a syndicated electronic banking fraud. An amount of R3,7 million was misappropriated, of which R0,8 million was recovered immediately through prompt action by management and the company's bankers.

The remainder of the loss was reimbursed in April 2009 by the company's risk insurers, so that the actual net loss suffered was confined to R100 000 (the insurance excess) and opportunity losses in interest. This incident is still under investigation by the relevant authorities.

In a sense the disclosed operating results for the year are distorted as the accounting for the banking fraud straddles the financial year end, because the insurance claim was only admitted and settled in the new financial year. If the insurance reimbursement was fully taken into account, the company would show an improvement in net profit after interest and tax of some 9,1 times the corresponding figure for the prior year which is most encouraging.

Sales outlook

The sales outlook for the current financial year is good and actual sales performance is well ahead of forecast targets.

Our selling programme has however been significantly impacted by a lack of production capacity and production flexibility, and we have not been able to supply our world-renowned Rift Valley Fever vaccine in the quantities that the market sought.

Apart from the demand for RVF products, our back order book is well-contained, and it is clear that management is being effective in finding new and better solutions to the operating challenges that the company faces.

Executive management

Our executive management team has stabilised.

We welcome the appointment of Dr Andile Dyasi who assumed office as managing director on 1 May 2009. Dr Dyasi brings to this position his particular insight as an experienced scientist and a deep knowledge and understanding of OBP's business, as he has previously served as a non-executive member of this board. Several other senior executive appointments are now being pursued.

As a board we would like to thank Dr Boitshoko Ntshabele for unselfishly and competently stepping in as acting chief executive officer from 8 September 2008 until 15 May 2009, upon the unscheduled departure of Dr Vuyelwa Penxa, our previous managing director.

On 8 October 2008 we joined with other entities on the Onderstepoort Campus in celebrating Onderstepoort's centenary as a centre of veterinary research and excellence in vaccine production and development.

We are accordingly delighted that we are able to report another good year for the company despite tough trading and operating conditions. We have supplied 1,398 million doses of animal vaccines to customers in South Africa and 120 545 doses to foreign countries.

Our age does show, however, and our ageing production capacity remains a key concern. A significant capital investment programme is now an urgent priority. If we fail to renew and replace our manufacturing plant and equipment, we will lose the ability to supply our vaccines on a continuing basis, with serious consequences not only for South African agriculture but also for agriculturalists in those other countries with whom we have established and respected business relationships.

Overview of company results

Gross turnover increased by 19,0% to a record R83,8 million for the year, with a significant improvement in gross margins as gross profit increased by 34,7%. This was attributable mainly to strict cost saving initiatives in manufacturing as well as high sales volume in both local and export sales. This good sales performance was offset by a 26,8% increase in operating expenses. Administrative expenses were well-contained, being restricted to a 1,1% increase. These figures demonstrate management's commitment to boost sales performance and productivity while keeping a tight rein on production costs and other expenditure.

After allowing for a 13,4% increase in investment income, the company showed a substantial bottom line improvement in its net profit after interest and tax which is up by a factor of 532%. This shows that the company is well on its way

Regrettably, this executive service has rendered Dr Ntshabele ineligible for certain roles as an independent non-executive director.

Changes in our executive authority


We were sad to bid farewell to the Hon. Ms Lulu Xingwana as our outgoing Minister of Agriculture and Land Affairs, and we deeply regret the passing of her Deputy, Adv. Dirk du Toit. Both contributed much to the company through their guidance and keen interest in our activities and we thank them for their support.

We welcome as their successors, the Hon. Ms Tina Joemat-Pettersson, Minister for Agriculture, Forestry and Fisheries, and Dr Pieter Mulder, her Deputy. We trust that they will continue to demonstrate strong shareholder leadership and support for the company.

As a board we give full recognition to OBP's talented and dedicated staff without whom no vaccines would be developed, produced or sold. And of course we appreciate our many customers and distributors who use our products and facilitate our service deliveries, in our quest to be co-partners with livestock owners in promoting good animal health experiences, in all regions of South Africa and in all the countries in which we conduct our business.

We are confident that the company is well-poised to move forward with a new production reinvestment programme, and that we will continue to benefit from the quality of our products and the strength of our established and tested market reputation.

Lastly, I would like to thank my colleagues on the board for their counsel and support as directors, and especially Ms Nozi Shabalala who served as chairperson for most of the financial year.



Adv David Mitchell
Acting Chairperson



Board of Directors ONDERSTEPSOORT BIOLOGICAL PRODUCTS LTD



Front Row (L-R): **Ms N Qata, Ms N Jaxa**
Back Row (L-R): **Dr MM Dyasi** (*Managing Director*), **Adv DJ Mitchell** (*Acting Chairperson*)
Insert (Top to Bottom): **Dr BR Ntshabele, Mr M Shezi, Ms L Bonga** (*Company Secretary*)

Background

The company is committed to the principles of good corporate governance as espoused in the King II Report on Good Corporate Governance and has since taken note of developments on this subject as reflected in the pending King III Report on Good Corporate Governance to be effective from March 2010. The company has also noted the amended Companies Act which will be effective from 1 July 2010.

Stakeholder

Understepoort Biological Products Incorporation Act, (Act 19 of 1999), directs that the board shall comprise of five to seven directors. Accordingly, the company has six directors actively in office.

The Board

The board comprises of six members, made up of one executive director, one non-executive director and four independent non-executive directors. The four independent non-executive directors receive fees for their services to the board and board committees. Details of the members' emoluments are appearing on page 38 of this report. The board retains full and effective control of the company, and is also responsible for monitoring the activities of executive management.

Board Meetings

The Board met 3 times during the year as follows:

Name	Capacity	Details of term	Attended
Ms ND Shabalala	Independent, Non-executive Chairperson	Term ended 28 February 2009	3
Adv DJ Mitchell	Independent Non-Executive Director	Appointed Acting Chairperson 1 March 2009	3
Ms N Qata	Independent Non-Executive Director		2
Ms N Jaxa	Independent Non-Executive Director		3
Mr M Shezi	Independent Non-Executive Director		2
Dr B Ntshabele	Non-Executive Director	Acted as CEO from September 2008 to May 2009	1
Dr V Penxa	Executive Director	Was MD till 18 September 2008	1

Dr Ntshabele attended one meeting as a member and two by invitation as the Acting Chief Executive Officer, In addition, seven Special Meetings of the Board were held:

Name	Attended
Ms ND Shabalala	6
Adv DJ Mitchell	6
Ms N Qata	4
Ms N Jaxa	6
Mr M Shezi	5
Dr B Ntshabele	2
Dr V Penxa	2

Dr Ntshabele attended all seven meetings, but two as a board member, and the other five, by invitation, as an Acting Chief Executive Officer.

All directors have access to the Company Secretary who ensures compliance with applicable procedures and legislation.

The board is committed to working towards good corporate governance, and funds are availed for Director Development Programmes to ensure that directors are well informed with both their fiduciary duties as well as with governance. The board is the accounting authority in terms of the Public Finance Management Act, as amended. It has the necessary range of skills and experience that enables them to exercise independent judgement on its decisions. It has entered into a contract with the Shareholder through the Shareholder Compact, which documents the mandated key performance measures and includes the Strategic Plan of the company. The board's functioning is governed by its own Charter.

Role of the Chairperson and the Managing Director

The principal role of the Chairperson of the board in conjunction with his fellow board members is the responsibility for strategic direction and policy formulation. The Managing Director is responsible for the implementation of the strategy and policy as determined by the Board as well as the effective and transparent management.





Committees of the Board

Audit Committee

The audit committee assists Onderstepoort Biological Products Ltd in carrying out its responsibilities as they relate to:

- Reliability of management information and other reporting practices;
- Safeguarding of assets;
- Internal controls and risk management; and
- Compliance with laws, regulations, ethics and good corporate governance practices.

The Audit Committee consists of the members listed hereunder and met thrice during the year.

Members	Attended
Ms N Jaxa	3
Adv D Mitchell	2
Dr B Ntshabele	1

The Managing Director, Chief Financial Officer, Internal Auditor and External Auditor attended meetings by invitation. Refer to page 23 for the Report of the Audit Committee.

Remuneration Committee

Introduction

The committee acts in accordance with the set and agreed terms of reference by the OBP board. During the year under review, the committee kept the board abreast of all human resource related matters. The committee made numerous recommendations that it deemed appropriate on relevant areas within its remit where actions or improvements were needed to assist the board in fulfilling its oversight role and functions.

Structure and Vacancies

In an effort to streamline business and ensure continuity, the board at the recommendation of Remuneration Committee, approved the realignment of the company structure according to OBP business strategy. Benefits derived from the above process are the following:

- a structure that is aligned to OBP business strategy and mandate as per shareholders compact; and
- an injection of new skills whilst retaining the institutional memory.

Good progress has been made in the filling of critical vacancies including that of the MD position. Dr Dyasi was appointed on 1 May 2009 as the new managing director and his appointment saw the strengthening of leadership capabilities at OBP.

Staff Turnover

There was a significant reduction in staff turnover from 14% in the last financial year to 4% at the end of March 2009.

Job Grading

OBP recently embarked on a job grading project to ensure internal equity with regards to job levels and remuneration thereof, and the completion date for this project is scheduled for November 2009.

Development of Employees

Efforts to review, monitor and report to the board on management development and ensure an adequate and orderly management succession are underway.

Annual Salary Increases

The committee endeavoured to give executives through the managing director, encouragement to enhance company performance and ensure that they are fairly, but responsibly rewarded for their individual contributions and performance. To ensure that salaries remain competitive, the following principles were used to determine annual salary increases:

- Inflation and market comparison; and
- Performance and affordability

Three scheduled meetings as well as three special meetings were held during the year. The members of the Remuneration Committee are reflected in the table below as well as the number of meetings attended:

Name	Scheduled meetings attended	Special meetings attended
Ms N Qata	3	3
Mr M Shezi	3	3
Ms ND Shabalala	2	3

Risk Management Committee

The board is accountable for the risk management of the company. A risk management committee was established by the board to assist it with this process. This committee reports directly to the board. It performed the following functions during the year:

- Reviewed the procedures and processes for identifying risk and management thereof;
- Ensured that the executive management has effectively identified the risks and that they managed those adequately;
- Considered the control environment directed towards the proper management of risks;
- Considered the mitigation strategies employed;
- Considered the risks that were either accepted or shared by management;
- Considered the reports on risk management and the extent of any action taken by management,

Management has developed the following documents which were approved by the board and then implemented:

- A fraud prevention plan; and
- The disaster recovery plan

The following are the members of the Risk Management Committee and three meetings were held during the year:

Name	Attended
Ms N Jaxa	3
Ms N Qata	2
Ms ND Shabalala	2

The committee operated in terms of a charter as approved by the board. A risk management strategy was approved and implemented by the company.

Research and Development Committee

The committee concerned itself with progress on research and development projects as well as reports on sales by the sales and marketing division. The committee noted that there were several projects running concurrently and that this created a problem in terms of focus. It was difficult to discern which products were the next to reach market status and preparations being made for launching and that there was a deliberate detailed plan to ensure that these projects were on time and according to schedule.

The committee determined that a gap existed in terms of a research and development strategy. This strategy was necessary to help in the prioritization of research matters with a bias for near market project to feed into sales and improve the finances. The strategy for research and development is desperately needed and will be in place for the new financial year. The committee also took regular briefing with regards to a key overseas project. There were a number of challenges resulting from the unexpected departure of the Chief Scientific Officer at midyear which highlighted the need for continued efforts at ensuring that succession planning is alive and working.

During the year the committee also initiated projects to improve security in terms of storage of OBP's seed stock. The offsite storage of master seeds will remain a huge challenge as it has huge implications for business continuity. This matter needs to remain on the organization's radar screen on an ongoing basis until the risk has been fully mitigated. The other project included the improvement in the monitoring of temperature in fridges where product and seed stock is stored. This was to ensure that there was a reliable system in place to adequately monitor and then effect timely changes where necessary to prevent the destruction of products before dispatch or the destruction of seed stock.

This Committee, consisting of the members listed below, held 3 meetings during the year under review.

Name	Attended
Adv DJ Mitchell	3
Dr B Ntshabele	1
Mr M Shezi	3

Dr Ntshabele attended all three meetings, one as a member of the Committee and the other two as the Acting CEO.

The Sales and Marketing Executive, Chief Scientific Officer as well as the Research and Development Senior Manager attended meetings by invitation

Governance Principles

The board of directors is committed to the principles of good corporate governance, which embody the values of openness, integrity and accountability in its dealings with all its stakeholders. The primary objectives of OBP's system of corporate governance are to ensure that board members and management, to whom the responsibility of running the company has been entrusted by the shareholder, carry out their functions faithfully and effectively. The process is facilitated through the establishment of committees and control structures which report to the board, most of the business of which is recorded in this report.

Occupational Health and Safety

In compliance with the act, safety signages were procured and installed in the company's premises. Contingency safety officers were appointed and an in-house training on procedures and processes was provided. Simulations to determine the state of readiness in the event of a fire were conducted to assess the level of response.

Occupational safety and health requirements were integrated with the quality management system to ensure that the company's occupational safety and health requirements are in line with the quality management system.

Executive Management



Top Row (L-R): **Dr MM Dyasi** (*Managing Director*), **Mr AH Ntsho CA (SA)** (*Chief Financial Officer*)
Bottom Row (L-R): **Mr WJS Botha** (*Sales & Marketing Executive*), **Dr J Modumo** (*Business Development Officer*),
Mr PM Pieterse (*Special Projects Executive*)

I am pleased to report the successes achieved by the company during the 2008/2009 financial period. The year under review has seen improvements in operational activities. OBP continues to meet the objects of its mandate which is to play a pivotal role in the prevention of livestock diseases and thus ensuring food security for South Africa.

Among notable achievements is that the company has retained the **ISO: 9001:2000** certificate during the year under review; this is a mark of confidence in the quality of OBP products and operations. Our quest for new high-tech and efficacious products continues and to this end our scientists participated in research and product development collaborations with other scientists both nationally and internationally.

The financial performance of the company improved significantly compared to the previous year. Total sales increased by R13.4 million, and missed the year's budget amount by 2.2%. Operating loss decreased from 10 % of sales the previous year to 6% during the year under review. Net profit improved from R1 million the previous year to R6.6 million during the year under review, representing a 532% improvement. As most companies are under financial stress due to the current recession, I am pleased to report that a project aimed at cost reduction is at an advanced stage and will, in the short term, assist the company to retain the prices of our vaccines at competitive and affordable levels, especially for the emerging farmers.

Notwithstanding the company's old equipment and facilities, the company had a strong balance sheet as at 31 March 2009, with a zero gearing. With total assets exceeding total liabilities by R172 million (2008 : R167 million) and current assets exceeding current liabilities by R101 million (2008 : R89 million), the company is both liquid and solvent. Initiatives to upgrade the company's facilities are at an advanced stage.

Management with the strong support of the Board recognized the need to upgrade the plant and equipment to ensure that the company is sustainable in the long term and that its products gain access to international markets and improve the competitiveness of the company in the domestic market. It is envisaged that with the upgrade of the facilities, good manufacturing practice (GMP) and good laboratory practices (GLP) will be achieved. To achieve this vision, capital investment is required. Efforts are at an advanced stage to obtain the necessary funding. It is envisaged that some of the funding will come from OBP's financial reserves while the other will come from external funding.

As a strategic focus, OBP is committed to developing an animal vaccine bank as a contingency plan to deal with unforeseen outbreaks of animal diseases. In the past OBP has found it difficult to respond effectively to those situations mainly due to the long lead times involved in the manufacturing of biological products and the challenges posed by the old equipment.

OBP has continued to pay significant attention to Africa and the Middle East. These are potential growth areas and our products have gained access in countries such as Sudan and Saudi Arabia. Once OBP's factory is GMP compliant, it will improve our competitiveness in various international markets such as India and Brazil.

Our company recognizes that its mandate goes beyond profitability to supporting rural development which is one of the delivery priorities of government. The support we provide to emerging farmers is located within that understanding of our mandate. Our scientists provide technical support and training to the small scale farmers in collaboration with the provincial departments of agriculture.

OBP is strongly committed to a clean environment and supporting our employees with education through a bursary scheme and their health through a strong company-based clinic where they are able to access basic medication and advice on health-related matters including HIV/AIDS.

We owe a debt of gratitude to our customers who continue to show loyalty to the company by continuing to choose it as their preferred supplier of animal vaccines and related products.

The success of any institution lies in the quality of its employees. I acknowledge with appreciation the contribution of our employees especially during the difficult trading conditions of the past year as a result of the recession and strong competition.

The Board of Directors have been good stewards of this company. They have always taken seriously their oversight role and fiduciary responsibilities. I acknowledge their contribution with immense gratitude. I also extend my sincerest appreciation to the National Ministry of Agriculture for the guidance provided during the year under review. A special word of gratitude goes to the previous Managing Director Dr V. Penxa and the previous Acting CEO Dr B. Ntshabele for their contributions during their tenure at OBP.



Dr MM Dyasi
Managing Director

Date: 25 August 2009



Chief Scientific Office's Report

National and international collaborations benefited OBP significantly, with product development and improvement relating to transboundary animal disease (TADs) vaccines such as Rift Valley Fever (RVF), Lumpy Skin (LS), Bluetongue, African Horse Sickness (AHS) and production disease vaccines such as Bovine Ephemeral Fever (BEF), Enzootic Abortion, Pasteurella and Clostridials. Dossiers for product registration were submitted for Bovine Tuberculin, Chlamydia vaccine (enzootic abortion) and RVF Clone 13 Vaccine.

Building scientific excellence and capacity is extremely critical given the nature of OBP's business. In partnership with the Department of Science and Technology (DST), OBP facilitated the training of six interns within the fields of bacteriology, virology and vaccinology. OBP's R&D capacity was also strengthened through training, development and participation at the African Horse Sickness (AHS) conference, the International Rift Valley Fever Workshop and the Onderstepoort Centenary: Pan-African Veterinary Conference. Scientists also published articles on AHS, Blue tongue (BT), and Fowl typhoid:

The following are some of the scientific papers published from research done at OBP.

Publication list:

von Teichman, B.F. & Smit, T.K. 2008. *Evaluation of the pathogenicity of African Horsesickness (AHS) isolates in vaccinated animals*, Vaccine 26: 5014–5021.

Dungu, B.K., Louw, I., Potgieter, C., von Teichman, B.F. 2008. *Attenuated Live Bluetongue Virus 8 Vaccine Protects Sheep from Challenge with the European BTV-8*. The Open Veterinary Science Journal 2: 130-133.

Purchase, C., Picard, J., McDonald, R., Bisschop, S.P.R. 2008. *A comparison of the oral application and injection routes using the Onderstepoort Biological Products Fowl Typhoid vaccine, its safety, efficacy and duration of protection in commercial laying hens*. Journal of the South African Veterinary Association 79:39-43.

Quality Control

OBP continues to strive to have the best quality veterinary vaccines. To this end we are continually reviewing and improving our current quality control procedures in order to comply with international standards. The standards we are using are from international pharmacopeia as well as the World Organization for Animal Health (OIE). In order to remain successful in the highly competitive global vaccine market it is our objective that the quality control department achieves ISO 17025 accreditation. As a result, a number of staff members received training from SANAS. Where ISO 9001:2008 deals with documenting all procedures in the company, ISO 17025 is specific for validating processes and tests. The new ISO standard once implemented would ensure that OBP's methods are correctly validated and maintained, thus ensuring that the company releases to the market

products of the highest quality.

The Quality Control department's capacity was improved by employing three qualified and skilled staff members, specializing in the fields of Bacteriology and Virology. Their introduction resulted in a number of tests being improved and the lead time of the vaccines being shortened. This is a major performance area for the department, since the vaccines should be introduced to the market within the shortest possible time, especially during disease outbreaks.

The welfare of experimental large and small animals at OBP was improved by the introduction of an Animal Ethics Committee and the Horse Welfare Committee. Both committees are continually auditing the experimental animal facilities in order to ensure that the welfare needs of all animals are met. Thus far no major findings were found in our experimental animal facility and all recommendations from the various committees were implemented in order to continually improve in these facilities.

Quality Assurance

OBP has achieved SANS 9001-2008 certification and the system is well maintained. Since then two surveillance audit were conducted by SABS, and it was encouraging to note from the report that the quality management system of OBP still continue to comply with the requirements of SANS 9001:2008.

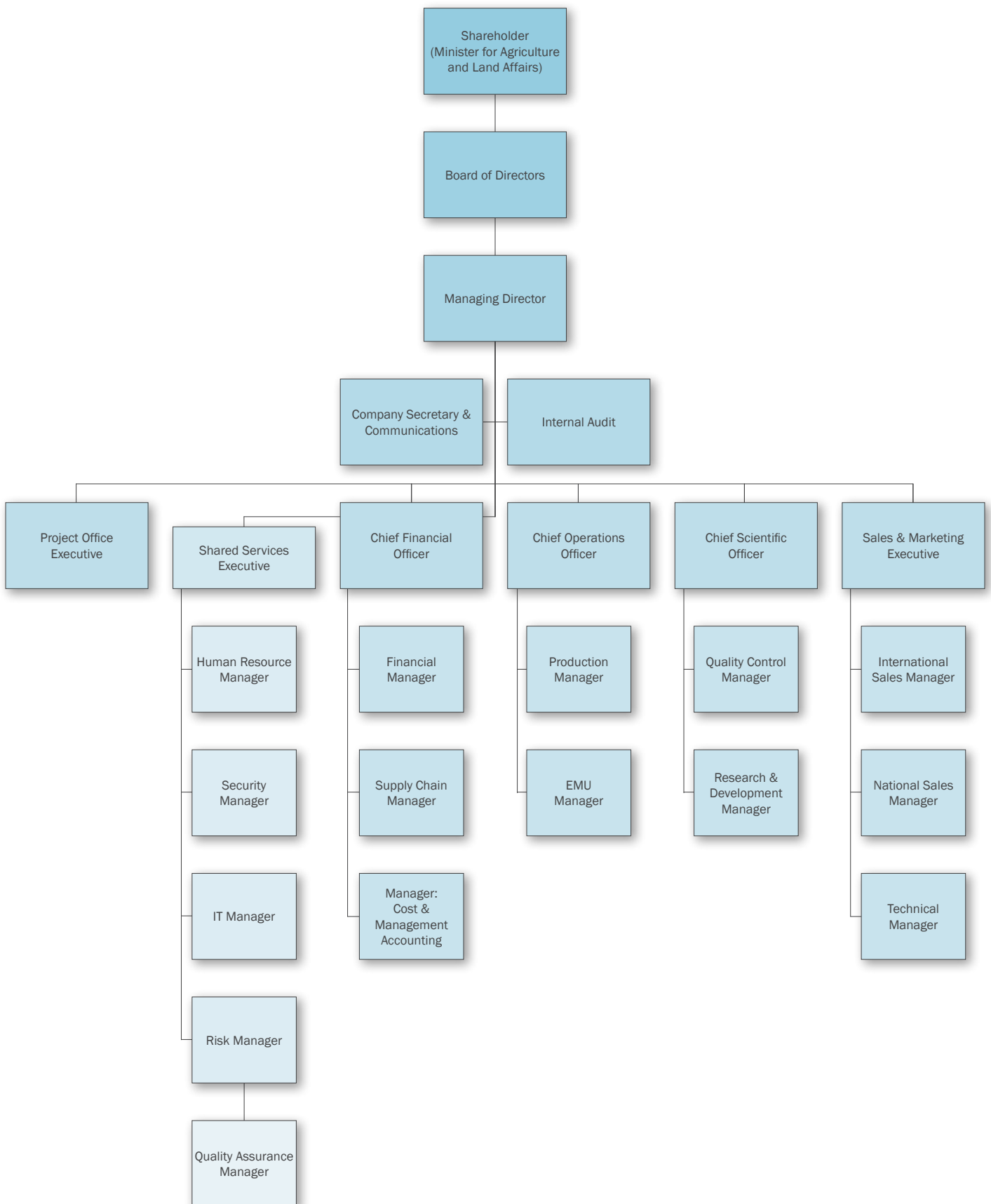
The implementation of ISO certification was used as a building block to identify OBP's effort towards cGMP certification and achieving broader market access. With this in mind the quality assurance department has implemented the batch documentation system.

One of the major shortfalls in compliance with cGMP requirements is the physical building and its processes. However there are plans in place to upgrade the facility.

During the review period it was noted that product quality and availability had improved.

OBP has completed the environment audit during the financial year and the implementation and the recommendation from the report will be planned in the years to follow.

Organisational structure



Special Projects Office's Report



Steam production

Vaccine production depends on sterility and the ability to sterilise product, media and equipment. The small animal facility also uses steam for the control of humidity and temperature of the facility.

Reduction of loss of steam

Structural changes were made to the steam supply lines to be able to switch to different boilers in the moments of a breakdown. The coal delivery system was also changed to provide back-up systems in any emergency or break down situation. At least two boilers can be fed with coal if a malfunction occurs in one of the delivery systems. Because of the age of the steam reticulation system and the possibility of the upgrade OBP started with an upgrade of the condensate pipe. This is also a cost reduction initiative because the water used during the steam production cycle could be re-used resulting in lower cost of water treatment and less energy used to heat the water back to steam.

Early warning detection system

The biggest asset of OBP is its product in all the different stages and the master seed collection. Both these components are dependent on the cold chain, and the proper maintenance of the cold chain. An early warning detection system was procured and installed in all relevant and important cooling areas. This system does not only give an audible warning signal but also informs individuals if any temperature limits are met. The system also provides a digital recording of temperature to ensure and validate the environmental conditions under which these components are stored.

Good Manufacturing Practice (GMP) compliance

It is OBP's intention to stay competitive in the global vaccine market. To this end, OBP management is in the process of upgrading its facilities to ensure GMP compliance which is a requirement for vaccine production. Although ISO might not be exactly the same as GMP, the ISO system complies with many of the GMP requirements and is therefore a huge step in the right direction. The major challenge in compliance with GMP requirements is the physical building and processes.

Engineering Maintenance and Utilities

An assessment of the status of the company's mechanical, electrical, civil and process infrastructure was carried out and the results indicate that the integrity of the facilities has deteriorated due to years of neglect, poor maintenance and old age. As a result of this, a number of upgrade projects were initiated and the following is a status report of the various projects:

Plant maintenance

A manual plant maintenance software is in place until an ERP system with a maintenance module is procured. The ERP system is due for implementation on 1 April 2010. Registers and schedules for plant maintenance and equipment were developed and maintained. Service level agreements with different suppliers for plant maintenance were reviewed for completeness and compliance with regulations.

Upgrade of freeze dryers

Approximately 45% of the vaccine doses produced and more than 50% of the product sales is from the freeze drying machines. This makes the freeze drying machines the most critical process equipment for manufacturing. With the new facility planning in mind it was decided to upgrade the control system. Regulatory pressure testing and inspection were carried out.

Harmonic filter and power factor correction

With the extreme variation in electrical power pulses and the amount of electronic equipment, it became necessary to find measures to reduce the risks relating to electric surges. A harmonic filter system and power factor correction unit was installed. This protect sensitive equipment such as the freeze dryers.

Sales, Marketing & Production Office's Report

National Sales & Marketing

OBP experienced good results during the 2008/2009 financial year. International sales increased by 11% while National sales increased by 28%, compared to the previous financial year.

In the domestic market several campaigns were again launched on a regional basis throughout the country during the review period. These campaigns targeted both the commercial as well as the emerging/developing farming sectors. The purpose of these campaigns was to promote sales, to increase OBP's visibility in the market and to expose OBP and its products to the different market segments.

The National Sales and Marketing team dedicated its focus to developing the emerging market during the past year. Focus areas were the KwaZulu-Natal, Eastern Cape, Northern Cape, North West and Limpopo Provinces, where most of South Africa's emerging farmers are located. Many farmers' days were held where vaccinology was explained and product information was disseminated. OBP again supported programmes like WARD, YARD and LARP/LETSEMA projects of the Department of Agriculture. During 2008/2009, OBP took part and was represented at most of the major industry conferences, including National Wool Growers Association (NWGA), Red Meat Producers Organization (RPO), South African Veterinary Association (SAVA), South African State Veterinary Association (SASVA), Large Herd Practitioners' Group (LHPG), Equine Practitioners' Group (EPG), National African Farmers Union (NAFU) and National Emerging Redmeat Producers' Organization (NERPO). The objective being to maintain and improve visibility as a major vaccine supplier to the industry. OBP benefitted from all these activities by exhibiting its products to a wide range of potential clients and commodity groups. Many enquiries were made by attendees on animal diseases and the use of vaccines.

OBP was intensively involved with the Provincial Departments of Veterinary Services during the past year. Many visits were undertaken and interaction was sustained on a variety of occasions. Involvement with State Veterinarians through the South African State Veterinarian Association (SASVA) and the Association of Animal Health Technicians (AHT) proved to be very successful.

International Sales and Marketing

The global economy had a negative impact on OBP's sales performance which resulted in the export department being unable to achieve its sales target for the 2008/2009. Due to these uncontrollable external forces the export department strategic focus was to consolidate and protect its market share. OBP embarked on visiting key clients especially concentrating on the top six clients. These were achieved through aggressive marketing using print media, visiting clients and providing support, and improving on distribution channels. Through these efforts, OBP managed to consolidate its growth in the African and Middle East markets with significant increase in sales.

We have seen sales growth in products such as Rift Valley Fever to countries such as Sudan, Djibouti, Saudi Arabia and Lumpy Skin disease vaccine to Namibia.

Relationship with influential international organizations such as the AU-Panvac Vaccines Centre (PANVAC), Food and Agriculture Organization (FAO) and the Organization for Animal Health (OIE) has been maintained by participating in all their scientific activities. Progress has been made in facilitating registration of products in countries such as Saudi Arabia and Tanzania. OBP being an ISO 9001 accredited company, has boosted its brand image internationally as it managed to be recognized by the Red Cross as its potential supplier of vaccines.

Production

Production remains the main thrust of OBP's business and was yet again able to improve on its performance in comparison with the previous years. This was mainly achieved by focusing more on the following identified factors that led to previous years' successes:

- 1 Improved forecasting
- 2 Fine tuning production planning and scheduling.
- 3 Utilizing the ISO 9001:2000 quality management system to production's advantage
- 4 Higher production success rate with fewer batch failures in comparison with previous years.

During the reporting period the Production department successfully produced 86.5 million doses of vaccines consisting of 60.3 million doses bacterial vaccines and 26.2 million doses viral vaccines.

The above figures exclude numerous batches of sterile diluents which form part of the final selling unit. However production capacity relating to equipment remains under pressure and was again stretched to its limit during the peak production period. This emphasizes the increasing need for capital investment into new equipment and technology.



Shared Services Office's Report

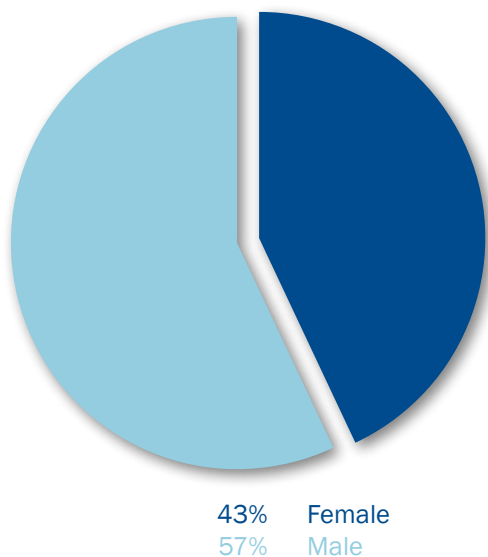
OBP Employee Statistics

For the period under review, the total employee component of Onderstepoort Biological Products Ltd stood at 198 including temporary staff.

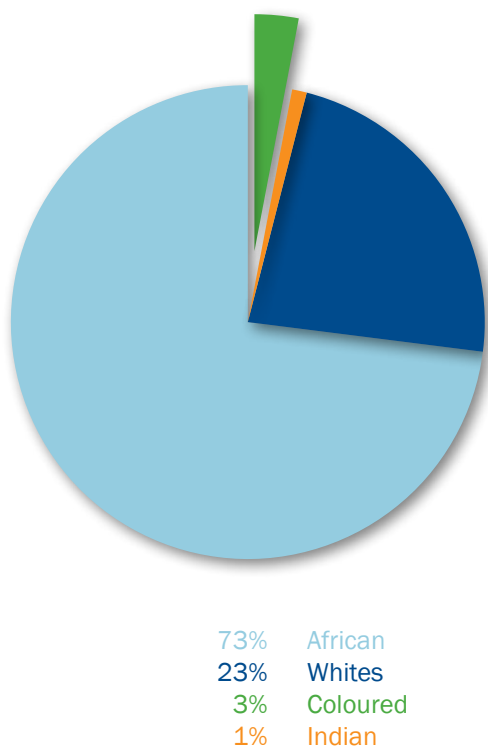
Employee Demographics Analysis

As illustrated in Graph 1 and 2, 43.43% of all employees are females, 73% of total employees are Africans, 23% are white, 3% are coloured, and 1% are Indian.

Graph 1 Employee Distribution by Gender
(Total number of Staff is 198)



Graph 2 Employee Distribution by Race
(Total number of Staff is 198)



OBP Skills Development

OBP understands that its competitive advantage lies in building upon and investing in its human capital. This is the reason that human resources development is key to OBP human resources management strategy.

Our focus is on the following:

- Bursaries for employees
- Customized Learning Interventions

Bursaries for Employees

OBP has implemented a bursary assistance programme. We offer bursaries to OBP employees in order to provide them with opportunities to further their studies. This is encouraging, especially to those who have grade 12, to pursue degree and diploma studies. In 2008/2009 we encouraged employees especially those in operations to enrol for postgraduate studies.

Customised Learning Interventions

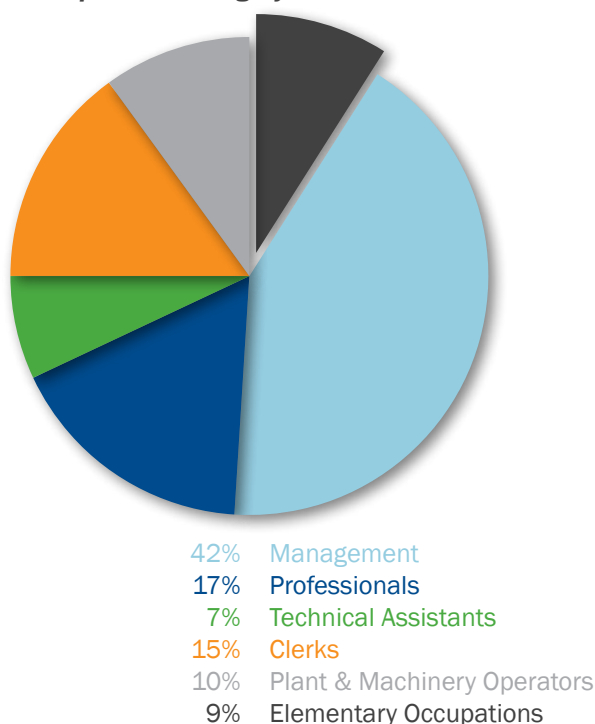
During the year under review we conducted a training needs analysis in order to identify training needs within the organisation and thereafter we customised learning interventions such as MS Projects for Managers and Production Technologists.

Managers also conducted in-house technical training programmes especially during the induction of new employees or when the need arose.

Analysis of Onderstepoort Biological Products Employees Trained

In 2008/2009 the Company spent approximately R500 000 on training.

Graph 3 Percentage of Training Cost per Occupational Category

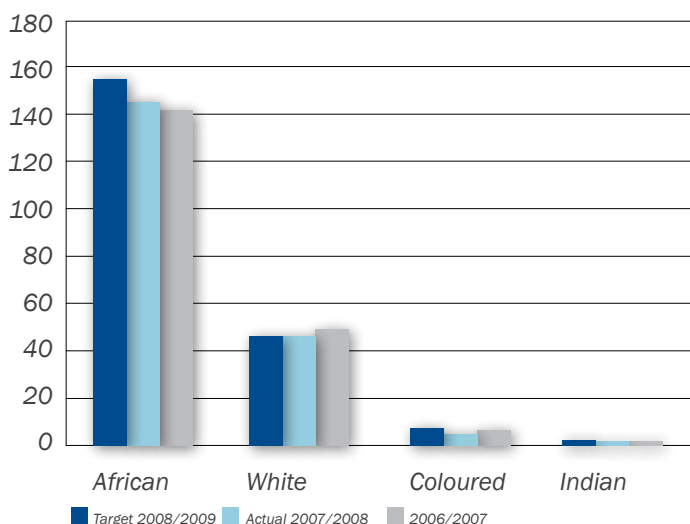


OBP Employment Equity

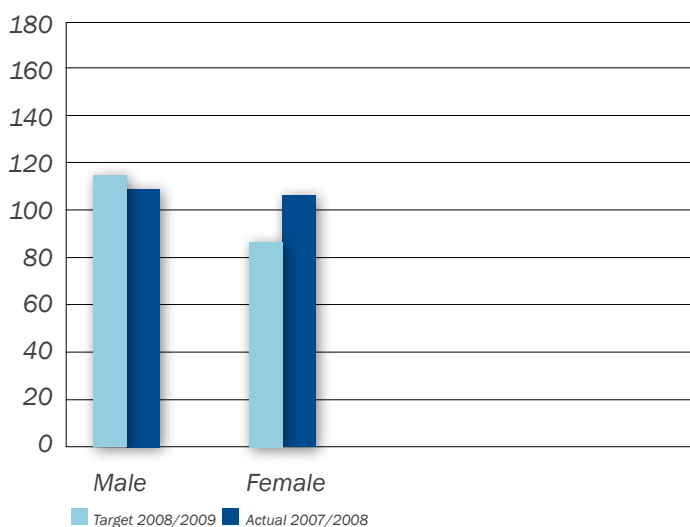
We have made substantial improvements in achieving representivity at all levels in accordance with the targets set for the year under review (Graph 4a). The organisation has achieved most of its employment equity targets. For example we have employed 112 male employees exceeding the set target of 104 male employees in all occupational categories (Graph 4b).

It is clear that the organisation has over-achieved its targets by 8 employees. In contrast, the actual number of female is 86, 24 people less than the targeted number of female employees.

Graph 4a Employee Equity 2008/2009

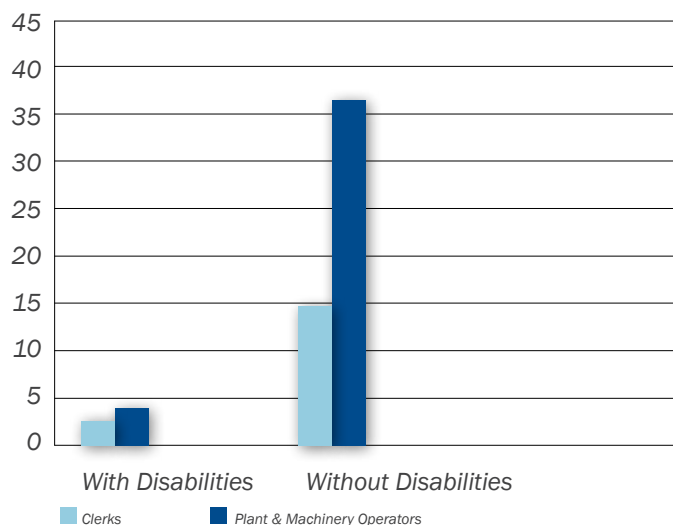


Graph 4b Compliance to EE Requirements



A total of six employees with disabilities have been employed by OBP and two are placed within the Clerks occupational category while another four employees are placed within the plant and machinery operators occupational categories respectively. These are the only occupational categories that have employees with disabilities in the organisation. In terms of the company's employment equity, we have recorded very satisfactory results, based on the targets we set in 2007.

Graph 5 Staff with Disabilities



Remuneration Strategy

During the year under review employees who fall within the bargain unit received salary increment between 9.05% and 10.05% as per the two year wage agreement which was signed in January 2007. Managers and Executives received a 7% increment. The issue of the market related salaries will again be looked into during the 2009/2010 wage negotiations.

The focus of our remuneration strategy is two fold:

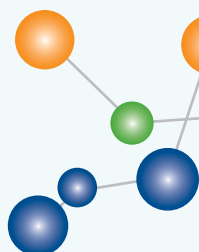
- Attract and retain key staff
- Motivate and reward performance excellence

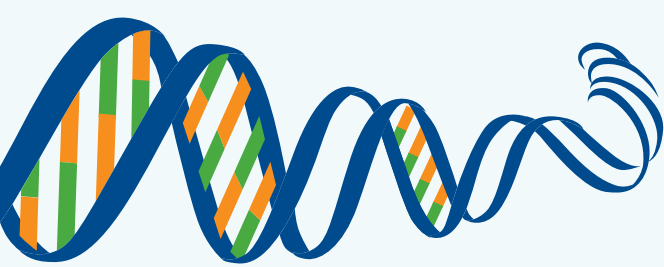
HIV/AIDS Policy

In order to reduce the economic impact of HIV/AIDS at OBP an HIV/AIDS policy is in place and the HR Department and management are using it as a guideline in dealing with HIV/AIDS issues. The company celebrated World Aids Day on 1 December 2008 and employees were addressed by an HIV/AIDS expert.



	22	Statement of Directors' Responsibility
Certificate by the Company Secretary	22	
	23	Report of the Audit Committee
Report of the Independent Auditors to the Shareholder of OBP Ltd	25	
	28	Directors' Report
	31	Statement of Financial Position
	32	Statement of Changes in Net Assets
Accounting Policies	33	
	36	Notes to the Financial Statements
Performance Information	47	





Statement of Directors' Responsibility

The Directors are responsible for the maintenance of adequate accounting records and for the preparation and integrity of the Financial Statements and related information. The Auditors are responsible for reporting on the fair presentation of the Financial Statements. The Financial Statements have been prepared in accordance with South African Statements of Generally Accepted (GAAP) and in the manner required by the South African Companies Act, 2008 as amended, and the Public Finance Management Act, 1999 as amended.

The Directors are also responsible for the company's system of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the Financial Statements; to safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Except for the cyber theft which took place in August 2008 (the proceeds of which have been received from the company's insurers in April 2009), nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. An Audit Committee has been appointed to attend to these matters on behalf of the Directors. In addition to these responsibilities, the Audit Committee reviews the company's risk management process, internal audit and the external audit functions.

The Financial Statements have been prepared on a going concern basis, as the Directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future. The company is self funding, and meets all operational and capital requirements from its own resources. The company is in immediate need of funding to upgrade its facilities.

The annual financial statements were approved by the Board on 25 August 2009 and are signed on its behalf by.

Acting Chairperson of the Board

Managing Director

CERTIFICATE BY THE COMPANY SECRETARY

I hereby confirm, in terms of the South African Companies Act, 2008 as amended, that for the year ended 31 March 2009, the company has lodged, with the Registrar of Companies, all such returns as are required of a public company in terms of this act and all such returns are true, correct and up to date.

L Bonga
Company Secretary

Date: 25 August 2009

We are pleased to present our report for the financial year ended 31 March 2009.

Audit Committee Members and Attendance

The audit committee consists of the members listed hereunder and operated in terms of its approved terms of reference. During the current year three meetings were held.

Name	Attended
Ms N Jaxa	3
Adv D Mitchell	2
Dr. B Ntshabele	1

Adv. D Mitchell was appointed as the Acting Chairperson of the Board in March 2009 as a result, he relinquished his chairmanship in this committee. Ms N Jaxa was subsequently appointed as the Chairperson of the Audit Committee. Dr B. Ntshabele was appointed as an Acting Chief Executive Officer as from 08 September 2008 until the 15th May 2009.

Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Section 38(1)(a) of the Public Finance Management Act, No. 1 of 1999 and Treasury Regulation 3.1., 27.1.7 and 27.1.10 (b) and (c). We further report that we conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal control applied by OBP is effective, and efficient. The company's internal controls operated effectively during the year under review.

In line with the PFMA and the King II Report on Corporate Governance, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. The Internal and External Auditors noted no matters that indicate any material deficiencies in the system of internal control or any compliance deviations there-from. An updated risk assessment was undertaken by OBP for the year ending 31 March 2009. Internal audit used this assessment as a basis to prepare the three year rolling strategic plan and the annual operating audit plan. The audit committee monitored management prioritized risks to ensure that control and governance processes reduced residual risk to an acceptable level. It is satisfied that enterprise risks management is effective and includes a fraud prevention plan.

Internal Audit

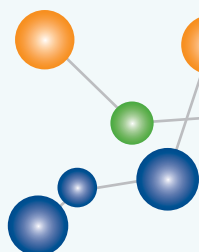
We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to OBP in its audits.

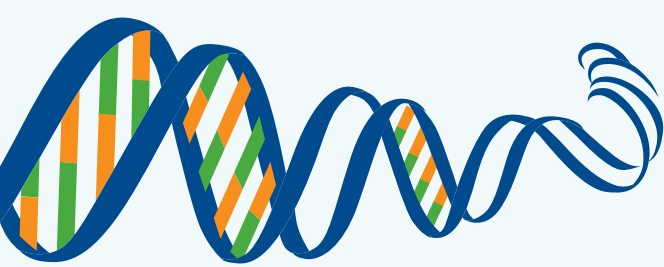
Internal audit has provided a report at each audit committee meeting on progress, measured against the Annual Internal Audit Plan and Budget. Based on this feedback we have satisfied ourselves that Internal Audit has been effective.

Evaluation of Financial Statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the board
- Reviewed the external auditor's management report and management's responses thereto
- Reviewed the OBP's compliance with legal and regulatory provisions
- Reviewed significant adjustments resulting from the audit





Report of the Audit Committee

We concur with and accept the external auditor's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted read together with the report of the external auditors.

External Auditor

We have met with the external auditor to ensure that there are no unresolved issues.

Appreciation

The Audit Committee expresses its sincere appreciation to the Managing Director, executive management, Internal Audit and the External Auditor for their co-operation and input which facilitated our full compliance with our mandate.

Ms N Jaxa
Chairperson of the Audit Committee

Date: 30 July 2009

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDER

for the year ended 31 March 2009

REPORT ON THE FINANCIAL STATEMENTS**Introduction**

1 I have audited the accompanying financial statements of Onderstepoort Biological Products Limited which comprise the statement of financial position as at 31 March 2009, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 46.

The accounting authority's responsibility for the financial statements

2 The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by National Treasury as set out in note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) 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.

The Auditor's responsibility

3 As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4 I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

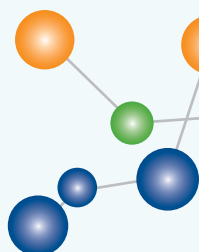
5 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud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

6 Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by Onderstepoort Biological Products Limited in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Opinion

8 In my opinion the financial statements present fairly, in all material respects, the financial position of Onderstepoort Biological Products Limited as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by National Treasury as set out in note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).



REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDER

for the year ended 31 March 2009

Other key governance requirements

9 The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Many of these have been addressed in detail above. The table below reflects how certain of the financial and governance matters as well as other matters included under the reporting on performance information below, will be reported in the auditor's report.

Clear trail of supporting documentation that is easily available and provided in a timely manner

9.1 No significant difficulties were experienced during the audit concerning delays or the availability of requested information.

Quality of financial statements and related management information

9.2 The financial statements were not subject to any material amendments resulting from the audit.

9.3 The annual report was not submitted for consideration prior to the tabling of the auditor's report.

Timeliness of financial statements and management information

9.4 The annual financial statements were submitted for auditing as per the legislated deadlines Section 55 of the PFMA.

Availability of key officials during audit

9.5 Key officials were available throughout the audit process.

Development and compliance with risk management, effective internal control and governance practices

9.6 Audit committee

- Onderstepoort Biological Products Limited had an audit committee in operation throughout the financial year.
- The audit committee operates in accordance with approved, written terms of reference.
- The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 77 of the PFMA and Treasury Regulation 27.1.

9.7 Internal audit

- Onderstepoort Biological Products Limited had an internal audit function in operation throughout the financial year.
- The internal audit function operates in terms of an approved internal audit plan.
- The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.

9.8 There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.

9.9 There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.

9.10 The information systems were appropriate to facilitate the preparation of the financial statements.

9.11 A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.

Follow-up of audit findings

9.12 The prior year audit findings have been substantially addressed.

Issues relating to the reporting of performance information

9.13 The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.

9.14 Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.

9.15 A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by Onderstepoort Biological Products Limited against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulation 30.1.

9.16 There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDER

for the year ended 31 March 2009

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Report on performance information**

10 I have reviewed the performance information set out on pages 47 to 48.

10.1 Non-compliance with regulatory requirements.

10.1.1 Lack of reporting on all predetermined objectives in annual report

The entity has not reported on all predetermined objectives as required by section 40(3)(a) of the PFMA.

10.1.2 Lack of effective, efficient, and transparent systems and internal controls regarding performance management

The accounting officer of the entity did not ensure that the entity has and maintained an effective, efficient, and transparent systems and internal controls regarding performance management, which describe and represent how the institution's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required in terms of section 38(1)(a)(i) and (b) of the PFMA.

10.1.3 No quarterly reporting on performance information.

No quarterly reports on the progress in achieving measurable objectives and targets were prepared by the entity to facilitate effective performance monitoring, evaluation and corrective action, as required by Treasury Regulation.

The Auditors responsibility

11 I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 .

12 In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

13 I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my audit.

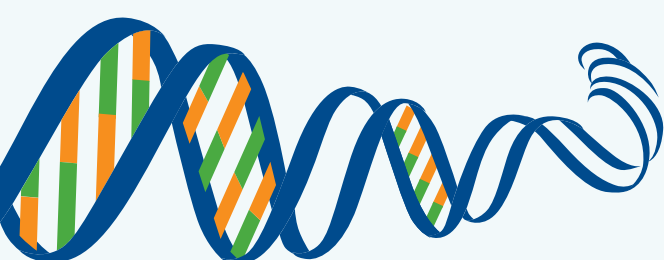
APPRECIATION

14 The assistance rendered by the staff of Onderstepoort Biological Products Limited during the audit is sincerely appreciated.



Ramathe
Chartered Accountants (S.A)
Registered Auditors

Date: 27 August 2009



Directors' Report

1 Presentation

The Directors present their annual report, which forms part of the audited financial statements of Onderstepoort Biological Products Ltd for the year ended 31 March 2008.

2 Nature of business

OBP is a public company that operates in the bio-technical industry and is wholly owned by the Government of South Africa. The company manufactures vaccines for the animal health care industry primarily in South Africa and Africa as well as in a number of other countries outside Africa. Sales are dependent on disease outbreaks and preventative and legislated vaccination programmes. OBP produces the widest range of products for livestock in Africa and competes with large multinational pharmaceutical companies for local and foreign business.

3 Operating and financial review

The company recorded an operating loss of R5.3 million (including an extra-ordinary loss of R2.7 million which was recovered from the company's insurers in April 2009) compared to an operating loss of R6.7 million in the previous year. Excluding the R2.7 million loss referred to above, operations improved by R4.1 million, or 61.2% from the 2008 financial year. The company has recorded a net profit after tax of R6.6 million for the year under review compared to a net profit of R1 million in the previous year.

4 Dividends

In view of the need to retain cash for the planned upgrade of manufacturing facilities, no dividend has been declared and none is recommended (2008: nil).

5 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 (2008: R 1 000).

6 Ownership

The company is wholly owned by the State through the Minister of Agriculture, Forestry and Fisheries as executive authority.

7 Board of Directors

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

- Ms ND Shabalala Non-executive and Chairperson
(in office until 28 February 2009)
- Adv DJ Mitchell Non-executive
(Appointed as Acting Chairman from 1 March 2009)
- Ms N Jaxa Non-executive
- Ms N Qata Non-executive
- Mr M Shezi Non-executive
- Dr V Penxa Executive and Managing Director
(in office until 18 September 2008)
- Dr B Ntshabele Non-executive
(was acting CEO from 8 September 2008)

Directors are appointed for a three year term and can be re-appointed by the Shareholder for a second three year term.

Details of Directors' remuneration are set out in Note 2 of the Annual Financial Statements on pages 38.

8 **Company Secretary**

The Company Secretary is Ms L Bonga, whose business and postal addresses are:
100 Old Soutpan Road Private Bag X 07
Onderstepoort Onderstepoort
0110 0110

9 **Company domicile and address of registered office**

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

10 **Auditors**

Ramathe Chartered Accountants (SA) was appointed as external auditor for the period under review in accordance with Section 270(2) of the Companies Act, 1973.

11 **Special resolutions**

No Special Resolutions were taken during the year under review.

12 **Amendment of articles of association**

The company's articles of association were not amended or changed during the year.

13 **Conflict of interest**

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

14 **Audit Committee**

The Audit Committee met three times during the year and has, in accordance with its adopted Charter, reviewed the internal and external audits for the previous and present financial years and the Annual Financial Statements as at 31 March 2009.

15 **Risk Management**

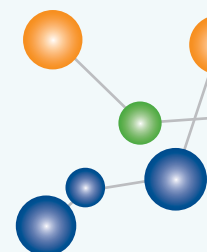
The activities of the Risk Management Committee were, to a large extent, directed at monitoring the areas considered to be high risk areas of the company. The most notable high risk areas are considered to be the company's manufacturing facilities and manufacturing equipment. Following a Risk Assessment performed by the company's Internal Auditor, the Risk Management Committee reviewed an updated Risk Management Plan, which was submitted to and approved by the Board.

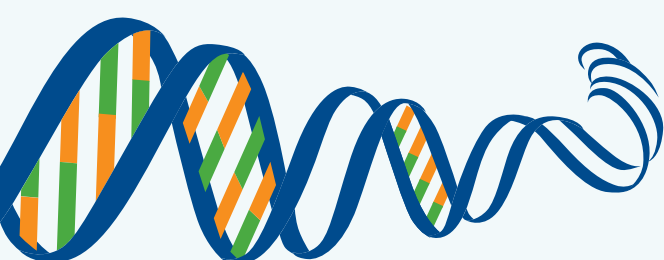
16 **National Key Point**

OBP was declared a National Key Point on 22 January 2007.

17 **Audit Committee**

Due to the nature of the company's operations it is imperative that the company conforms to safety, health and environmental rules and laws. The company also strives to comply with ethical and international standards with regard to the company's livestock. In order to manage and control these risks, a Safety Committee operated during the year. Activities in this regard are discussed in the Corporate Governance Report.





The company's activities do not however pose a significant threat to the environment. The company has introduced an employee health care program which includes preventative health care initiatives.

18 **Materiality framework**

Against regulations 9.1.5 and 28.1.5 of the Treasury Regulations, irregular or fruitless and wasteful expenditure of R46 676.07 was incurred during the year under review. This resulted from an underpayment of Pay as You Earn to the South African Revenue Services. The value of material expenses for 2009 represents any amount exceeding R838 000 per occurrence (2008: R700 000) for the purpose of material, unauthorised, irregular or fruitless and wasteful expenditure as defined in the Treasury Regulations. The amount is based on the average of 1% of sales and 5% of gross profit of the current financial year. When a profit is recorded, 10% of operating profit is used in determining the materiality level. This principle was in line with Treasury Regulations and was approved by the Board.

19 **Funding**

Other than the government grant of R9 851 000 that was received in 2001, the company is self-funding and meets all operational and capital requirements from its own resources. In the longer term, it is considered likely that the company will require further funding from external sources to upgrade its facilities.

20 **Events subsequent to the balance sheet date**

The directors are not aware of any material facts or circumstances, that occurred between 31 March 2009 and the date of this report, which are material to the financial affairs of the company, other than as disclosed in this report.

21 **Going Concern**

The directors believe that the company has adequate plans, products, equipment and resources in place to continue operations for the foreseeable future. The financial statements have accordingly been prepared on a going-concern basis.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2009

	Notes	2009 R	2008 R
ASSETS			
Non-current assets			
Property, plant and equipment	4	69 962 425	78 515 120
Deferred tax asset	3	1 166 307	
Current assets			
Inventories	5	19 740 695	15 000 305
Trade and other receivables	6	8 258 735	2 467 726
Current income tax	3	-	-
Cash and cash equivalents	7	81 179 183	79 542 369
TOTAL ASSETS		180 307 345	175 525 519
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	1 000	1 000
Non-distributable reserves	12	96 399 382	96 399 382
Retained earnings		72 952 117	66 342 670
General reserves		2 418 395	3 648 852
Non-current liabilities			
Deferred Tax	3	-	783 366
Current liabilities			
Trade and other payables	9	6 918 171	6 778 512
Provisions	10	1 618 280	1 571 737
TOTAL EQUITY AND LIABILITIES		180 307 343	175 525 519

ONDERSTEPSPOORT BIOLOGICAL PRODUCTS LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
 for the year ended 31 March 2009

	Notes	2009 R	2008 R
Revenue		83 801 042	70 385 163
Cost of sales		(52 567 960)	(47 197 899)
Gross profit		31 233 082	23 187 264
Operating income		2 015 069	1 969 021
Administrative expenses		(7 422 106)	(7 344 573)
Operating expenses		(31 116 089)	(24 545 484)
Operating profit/(loss)	2	(5 290 045)	(6 733 772)
Dividends received		-	298 286
Interest received		8 760 178	7 423 819
Profit/(loss) before tax		4 659 776	988 333
Taxation	3	(1 949 671)	56 888
Net profit/(loss) for the year		6 609 447	1 045 221

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2009

Details	Note	Ordinary Share Capital	Non- distributable reserve	General reserve	Retained earnings	Total
Opening Balance		1 000	96 399 382		67 233 439	163 633 821
Prior year adjustment				3 648 852		3 648 852
Government grant	17					
Inventory	17				(890 769)	(890 769)
Restated Balance		1 000	96 399 382	3 648 852	66 342 670	166 391 904
Net profit for the year					6 609 447	6 609 447
Amortization: Government grant				(1 230 457)		(1 230 457)
Closing balance		1 000	96 399 382	2 418 395	72 952 117	171 770 894

ONDERSTEPSPOORT BIOLOGICAL PRODUCTS LIMITED
CASH FLOW STATEMENT
for the year ended 31 March 2009

	Notes	2009 R	2008 R
Cash flow from operating activities			
Cash receipts		80 025 101	74 259 718
Cash paid to suppliers and employees		(86 515 995)	(71 905 510)
Cash generated from/(needed by) operations	14	(6 490 894)	2 354 208
Interest received		8 760 178	7 423 819
Dividends received from deposits			298 286
Taxation paid	3		
Net cash inflow from operating activities		2 269 284	10 076 313
Cash outflow from investing activities			
Purchase of property, plant and equipment		(632 470)	(3 654 646)
Net cash outflow from investing activities		(632 470)	(3 654 646)
Cash flow from financing activities			
Increase in non-distributable reserves (transfer of land and buildings)			
Cash flow from indirect financing activities			
Net increase/(decrease) in cash and cash equivalents		1 636 814	6 421 667
Cash and cash equivalents at beginning of year		79 542 369	73 120 702
Cash and cash equivalents at end of year		81 179 183	79 542 369

ACCOUNTING POLICIES

for the year ended 31 March 2009

1 Basis of preparation

The financial statements are prepared on the historical cost basis adjusted for certain non-current assets, unless stated otherwise. An accrual basis of accounting is used except for the cash flow statement. The financial statements are prepared on a going concern basis. The basis of preparation of the annual financial statements is consistent with that of the prior year, unless stated otherwise. The measurement currency for all transactions and amounts disclosed in this document is the South African Rand.

The Financial Statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) and in the manner required by the South African Companies Act, 1973, and the Public Finance Management Act, 1999, (PFMA). The following are the principal accounting policies used by the company:

1.1 Revenue recognition

Vaccines sales

Revenue from the sale of vaccines is recognised when the vaccines leave OBP's premises. Where OBP is responsible for the transportation of the vaccines to the customer, the revenue from the sales is recognised when the customer receives the vaccines.

Interest income

Interest is recognised as revenue using the effective interest method.

1.2 Property, plant and equipment

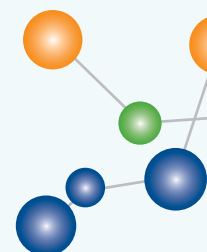
Assets are stated in three different ways since the 2006 financial year:

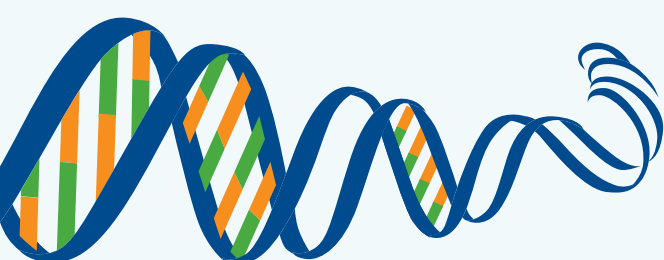
- a) Plant and equipment transferred to OBP at inception of the company, which were fully depreciated, are stated at a carrying value of R1. Where actual cost could be obtained, it was used. These assets were not disclosed prior to 2007, but are still in use.
- b) The land and buildings which the company occupies were transferred from the Public Works Department to the company at no cost during 2006. These assets were valued by an independent registered professional valuer (CB Richard Ellis (Pty) Ltd) on 1 August 2005. The Income Tax Act does not allow depreciation on this asset group.
- c) All other plant and equipment is included at cost less accumulated depreciation.

Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Depreciation is calculated on a straight-line method to write down the cost of the assets over their expected useful lives. The expected useful life of assets is determined by the management of the company and reviewed annually. The following are the estimates of the useful lives over which the assets are depreciated:

Asset Groups	Depreciation (Useful life)
Buildings	
- Own improvements	5 to 10 years
- Section 13	20 years
- Demountable partitions	6 years
Factory plant and equipment	
- Equipment acquired after 1 March 2002	2-20 years
- Equipment used in the plant	2-20 years
- Digital equipment	3 years
Furniture	6 years
Air conditioners	6 years
Motor vehicles	
- Company vehicles	7 years
- Delivery vehicles	7 years
Computer equipment	
- Computers and electronic equipment	3 years
- Network servers	5 years
- Software	2 years
Office equipment	3 to 6 years

All assets with a cost price less than R2 000 are expensed to the Income Statement.



**1.3 Inventories and work in progress**

Inventories are stated at the lower of cost or net realisable value. The variable cost per dose of vaccine produced is determined on the weighted average cost method. The cost of finished goods and work in progress (intermediate products) comprises raw materials, direct labour, other direct costs and related production overheads. The fixed cost portion is allocated per bottle of vaccine produced on the basis of the average production over the past three years and excludes sales and administrative expenses. In prior years fixed costs were allocated per dose produced. The net realisable value for inventory is the selling price at year-end exclusive of discounts but in relation to the ordinary course of business, less the costs of completion and selling expenses.

1.4 Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the relevant transaction date. Gains and losses resulting from import and export transactions and from the transfer of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Balances from such transactions are valued at year-end exchange rates. The financial statements comply with the accounting standards set out in AC 112.

1.5 Trade receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off during the year in which they are identified. Provision for bad debts is made according to generally accepted accounting principles.

1.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held at call with banks, and investment deposits managed by different fund managers. Cash and cash equivalents are disclosed at fair value. Movement in the fair value of deposits is recognised in the Income Statement.

1.7 Trade and other payables

These liabilities have a maturity of less than one year and the face values thereof represent the fair value of these liabilities. These liabilities are carried at the fair value of the consideration to be paid in future for goods and services that have been supplied and invoiced by a supplier. The value of the tax liability is calculated using the standard company tax rate after allowing for income and expenses exemptions and limitations, appropriate depreciation and other provisions as allowed by the Income Tax Act, 1962.

1.8 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

1.9 Comparatives

Comparative amounts have been included in the annual financial statements and have been adjusted where appropriate to promote better disclosure.

1.10 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Embedded foreign currency derivatives:

Certain foreign currency derivatives embedded in export contracts, are treated as separate derivatives when their risks and characteristics are not closely related to those of the export contract. These derivatives have no impact on cash flows but effectively account for the foreign currency risk in the period in which it occurs. An amount raised in terms of these contracts will be removed from the balance sheet once the import/export transaction is recognised. The company did not have any embedded derivatives in 2008.

Maturity Profile of financial instruments:

Financial assets and liabilities mature within a period of 0-12 months for each financial year.

Credit risk:

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution. There is an inherent risk of late or delayed payment when dealing with most foreign governments and international bodies (i.e. US Aide, FAO, etc.).

1.11 Research and development

Research and development costs are written off and expensed in the financial year in which they are incurred.

1.12 Foreign currency transactions

All foreign currency transactions are recorded in local currency using the rate of exchange on the date on which the transactions occurred (as quoted by Standard Bank). The company maintains separate bank accounts for US Dollar and EURO based transactions. Where cash is available from these foreign currency accounts, funds may be used to pay foreign suppliers.

Foreign currency exposure is hedged by means of forward exchange contracts on all transactions exceeding R100 000 or through natural hedging.

1.13 Deferred income tax

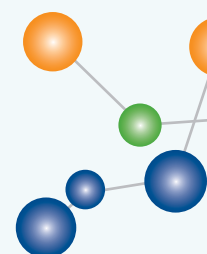
Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for financial reporting purposes. Deferred income tax is calculated at the current corporate tax rate.

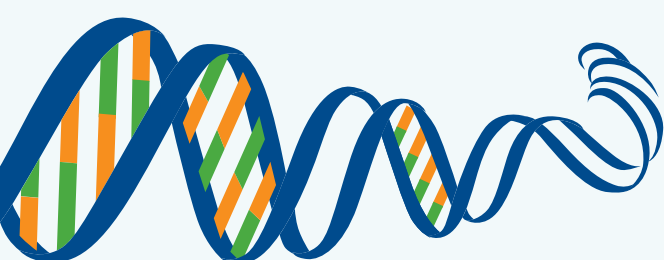
1.14 Non-distributable reserve

The non-distributable reserve arose from the transfer of assets and the passing of the liabilities from the Department of Agriculture to the company at inception. The land and buildings which the company occupies were transferred from the Department of Public Works to the company during the 2006 financial year. There have been no other movements in the reserve since inception of the company.

1.15 Government grant

The Government grant 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 disclosed at net book value (after amortisation) in the balance sheet as a separate line item. With the completion of the erection of the small animal facility, the condition for the grant is viewed as being met. The company has not benefited directly in monetary terms from any other form of government assistance.





2 Results from operating activities

2.1 The following items have been charged/(credited) in arriving at operating profit/(loss)

	2009 R	2008 R
Depreciation and amortisation		
- Buildings	3 366 371	4 148 561
- Plant and machinery	4 513 364	4 459 138
- Vehicles	63 386	50 248
- Computer equipment	416 104	363 690
- Office equipment	48 989	99 576
- Furniture and fittings	221 656	358 126
- Amortisation of government grant	(1 230 457)	(1 230 457)
	7 399 383	8 249 084
Foreign exchange (losses) / gains		
- Revalue of foreign currency transactions (as per AC 112)	-	(531 021)
	-	(531 021)
Auditor's remuneration (excluding disbursements)		
- Audit fees paid for the financial year	-	88 923
- Balance of Audit fees payable after approval of AFS *	459 436	362 415
Total cost of the annual audit	459 436	451 338
- Additional Services	-	-

* These amounts have not been charged to the income statement in the year referred to.

	2009 R	2008 R
Other disclosures		
Research and development expenditure	2 578 370	2 787 321
Repair and maintenance expenditure	4 811 430	4 919 073
Profit/(loss) on disposal of fixed assets	4 116	401 135
Amounts paid to employees and contractors	34 626 190	33 336 830
Amounts paid to consultants and professional fees	6 800	436 517
Average number of employees	198	206

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

Related party transactions

OBP, as a state owned entity, had the following transactions with other state departments, excluding statutory payments:

Transactions	2009 R	2008 R
Product sold to state departments	1 943 655	611 000
Services rendered to state departments	-	-
Services procured from state departments	1 343 655	5 799 000
Outstanding balances at year-end		
Accounts receivable (for products or services sold)	567 094	99 000
Accounts payable (for products purchased or services acquired)	11 162	890 000

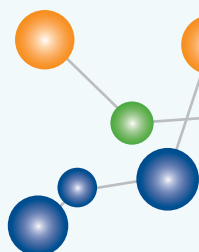
Normal terms and conditions for payments apply, i.e. 30 days credit.

No provision for bad debts was made on related party transactions.

No guarantees were received or given on these amounts.

OVI is a unit of the Agricultural Research Council (ARC), which, together with OBP, reports to the Minister of Agriculture. OVI buys amongst other things, vaccines, small animals and media products. OBP in turn buys from OVI research and other small items such as trolleys. The relationship with all other state departments is commercial in nature.

Employee benefits of key personnel are disclosed in accordance with Treasury Regulation requirements 28.1.1 in note 2.2 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

2.2 Disclosure of emoluments of Non-executive Directors as per Treasury Regulations 28.1.1

	Ms ND Shabalala* Chairperson	Adv. DJ Mitchell** Director	Mr M Shezi Director	Dr B Ntshabele*** Director	Ms N Jaxa Director	Ms N Qata Director	Total
1 April 2008 to 31 March 2009							
(a) Fees for services as Director or Executive member	419 900	261 394	225 788	7 112	196 625	164 523	1 275 342
(b) Basic salary	-	-	-	-	-	-	-
(c) Bonuses and performance related payments	-	-	-	-	-	-	-
(d) Sums paid by way of expense allowances	-	-	-	-	-	-	-
(e) Contributions to Directors liability insurance cover	3 367	3 801	3 801	3 801	3 801	3 801	22 372
(f) Commission, gain or profit sharing payments	-	-	-	-	-	-	-
(g) Share options, including their strike price and period	-	-	-	-	-	-	-
(h) Other material benefits received – cell phone use	36 910	-	-	-	-	-	36 910
Total	460 177	265 195	229 589	10 913	200 426	168 324	1 334 624
The following items are not included in (d) above:							
- Reimbursement of travelling expenses	3 270	5 781	11 489	-	13 899	4 672	39 111
- Hotel accommodation	52 006	21 339	-	-	-	-	73 345
- Car rental	10 944	14 659	-	-	-	-	25 603
Total	66 220	41 779	11 489	-	13 899	4 672	138 059

* Ms ND Shabalala was Chairperson until 28 February 2009.

** Adv DJ Mitchell was appointed as Acting Chairperson from 1 March 2009

*** Dr B Ntshabele was appointed as Acting Chief Executive Officer from 8 September 2008

	Ms ND Shabalala* Chairperson	Adv. DJ Mitchell** Director	Mr M Seane Director	Mr M Shezi Director	Dr B Ntshabele*** Director	Ms N Jaxa Director	Ms N Qata Director	Total
1 April 2007 to 31 March 2008								
(a) Fees for services as Director or Executive member	617 514	288 081	93 315	-	19 611	63 315	46 512	1 128 348
(b) Basic salary	-	-	-	-	-	-	-	-
(c) Bonuses and performance related payments	-	-	-	-	-	-	-	-
(d) Sums paid by way of expense allowance**	-	-	-	-	-	-	-	-
(e) Contributions to Directors liability insurance cover	2 323	2 323	2 162	946	312	946	946	9 958
(f) Commission, gain or profit sharing payments	-	-	-	-	-	-	-	-
(g) Share options, including their strike price and period	-	-	-	-	-	-	-	-
(h) Other material benefits received	-	-	-	-	-	-	-	-
Total	619 837	290 404	95 477	946	19 923	64 261	47 458	1 138 306
The following items are not included in (d) above :								
- Reimbursement of local travelling expenses	162 764	122 232	3 640	-	157	6 027	1 574	296 394
- Hotel accommodation	59 833	34 998	-	-	-	-	-	94 831
- Car rental	10 208	13 168	-	-	-	-	-	23 376
Total	232 805	170 398	3 640	-	157	6 027	1 574	414 601

NOTES TO THE FINANCIAL STATEMENTS

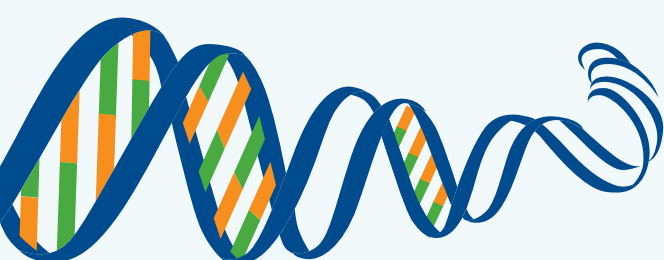
for the year ended 31 March 2009

2.3 Disclosure of emoluments of Managing Director and Executives as per Treasury Regulations

1 April 2008 to 31 March 2009		Dr V Penxa * Managing Director	Dr B Ntshabele ** Acting CEO	Mr AH Ntsho Chief Financial Officer	Dr B Dungu *** Chief Scientific Officer	Mr WJS Botha Sales & Marketing Executive	Mr PM Pieterse Special Projects Executive	Ms S Burger **** Shared Services Executive	Total
(a)	Fees for services as Director or Executive member	-	-	-	-	-	-	-	-
(b)	Basic salary	521 395	193 414	684 160	413 128	623 821	614 082	487 685	3 537 685
(c)	Bonuses and performance related payments	-	-	-	-	-	-	-	-
(d)	Sums paid by way of expense allowances (vehicle allowance only)	-	4 621	-	-	-	-	-	4 621
(e)	Contributions to: Pension fund & medical aid & insurance schemes	33 931	-	60 840	58 307	98 429	41 718	65 292	358 517
(f)	Contributions to Officers' liability insurance cover	1 128	3 801	3 801	2 194	3 801	3 801	3 367	21 893
(g)	Commission, gain or profit sharing payments	-	-	-	-	-	-	-	-
(h)	Share options, including their strike price and period	-	-	-	-	-	-	-	-
(i)	Other material benefits received	1 047	8 013	-	84 599	-	-	679 817	773 476
	Gross remuneration package	557 501	209 849	748 801	558 228	726 051	659 601	1 236 161	4 696 192
	The following items are not included in (d) above:								
-	Non-taxable daily allowance for foreign travel	23 622	13 128	-	21 490	4 932	16 571	-	79 743
-	Cell phone reimbursement	13 691	20 294	3 780	5 160	3 780	3 780	3 465	53 950
-	Travel claim for own vehicle	934	1 239	6 731	955	4 672	4 030	-	18 561
	Total other allowances and expenses	38 247	34 661	10 511	27 605	13 384	24 381	3 465	152 254

* Dr V Penxa left the employ of the company in September 2008
 ** Dr B Ntshabele was appointed as Acting Chief Executive Officer on the 9 September 2008
 *** Dr B Dungu left the employ of the company in November 2008
 **** Ms S Burger left the employ of the company in February 2009

1 April 2007 to 31 March 2008		Mr B Haubebe Acting Chief Executive Officer	Dr V Penxa Managing Director	Mr MP van Jaarsveld Chief Financial Officer	Dr B Dungu Chief Scientific Officer	Mr WJS Botha Sales & Marketing Executive	Mr PM Pieterse Special Projects Executive	Ms S Burger Shared Services Executive	Mr M Dada Acting Chief Financial Officer	Ms M Mahola Chief Financial Officer	Total
(a)	Fees for services as Director or Executive member	-	-	-	-	-	-	-	-	-	-
(b)	Basic salary	334 216	469 496	358 462	564 308	500 064	603 154	443 233	405 770	26 955	3 705 658
(c)	Bonuses and performance related payments	216 000	-	-	-	-	-	-	-	-	216 000
(d)	Sums paid by way of expense allowances (vehicle allowance only)	55 784	32 504	36 483	-	24 273	10 839	291	34 076	2 538	214 670
(e)	Contributions to: Pension fund & medical aid & insurance schemes	-	-	42 555	59 059	87 576	41 760	57 620	-	2 022	323 096
(f)	Contributions to Officers' liability insurance cover	-	-	-	-	-	3 801	-	-	-	-
(g)	Commission, gain or profit sharing payments	-	-	-	-	-	-	-	-	-	-
(h)	Share options, including their strike price and period	-	-	-	-	-	-	-	-	-	-
(i)	Other material benefits received	81	-	70 179	6 248	-	-	28 441	-	2 626	115 213
	Gross remuneration package	606 081	550 000	507 679	633 391	618 161	655 753	529 585	439 846	34 141	4 574 637
	The following items are not included in (d) above:										
-	Non-taxable daily allowance for foreign travel	-	7 747	-	15 553	-	2 583	-	-	-	25 883
-	Cell phone reimbursement	-	4 338	2 205	3 780	5 160	3 780	3 780	-	-	23 043
-	Travel claim for own vehicle used	2 534	56	-	104 433	87 359	-	-	-	-	194 382
	Total other allowances and expenses	2 534	12 141	2 205	123 766	92 519	6 363	3 780	-	-	243 308



2.4 Notes on Treasury Regulation 28.1.1

- a) Fees for services (additional to Basic salary)
All fees paid to individuals for services delivered or Board meeting and Board committee meeting attendances.
- (b) Basic salary (including fixed monthly payments)
Payment made to individuals is on a salary basis, exclusive of pension fund, medical aid, vehicle allowance, foreign travel allowance and any incentives.
- (c) Bonuses and performance related payments
Bonuses are based on the actual performance of the company and the employee for the previous year and approved by the Board of Directors.
- (d) Expense allowances
All payments made to individuals are in respect of travel allowances as well as personal expenses incurred for official business. Cellular 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.
- (e) Contributions to: pension fund, medical aid and insurance schemes
Fixed payments made on behalf of individuals (which form part of the executives' total cost to company salary packages). The directors' payments are for professional indemnity insurance premiums and the company makes the payments to the insurer in terms of the company's articles of association.
- (f) Commission, gain or profit sharing payments
None
- (g) Share options, including their strike price and period
None
- (h) Other material benefits received
None

3 Income Tax

	2009 R	2008 R
Current income tax	-	-
Deferred tax expense (income)	1 396 413	(27 914)
Deferred tax expense (income) arising from change in tax rate	(27 013)	(28 974)
Balance per income statement	1 369 400	(56 888)

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2009 %	2008 %
Statutory taxation rate	28.00	29.00
Fair value adjustments	-	(16.15)
Capital gain	-	5.38
Dividends received	-	(8.75)
Legal costs	7.22	3.41
Consulting	-	(40.89)
Disallowed deduction on production building	21.19	62.54
Amortisation of government grant	(26.41)	(36.10)
Profit on disposal of assets	-	(11.77)
Donations	0.18	-
Penalties	0.89	-
Change in exchange rate	(2.07)	(2.93)
Effective taxation rate	29.00	(5.76)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3.1 Deferred tax

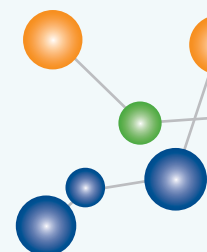
	2009 R	2008 R
Accelerated depreciation for tax purposes	(3 226 043)	(3 596 554)
Provision for leave	(6 995)	354 846
Prepaid expenses	(219 057)	(173 474)
Assessed loss	845 428	2 631 818
Provision for stock obsolescence	455 784	-
Provision for incentives	20 027	-
Provision for doubtful debts	(8 935)	-
Research expenses	(12 974)	-
Deferred tax liability	(2 152 766)	(783 364)

The company had an assessed tax loss of R3 019 385 for the year (2008 : R9 399 349)

4 Property, plant and equipment

	Land & buildings R	Plant & machinery R	Vehicles & equipment R	Total R
Year ended 31 March 2009				
Opening net carrying amount	59 647 384	16 228 039	2 639 696	78 515 120
Additions	137 392	1 487 264	56 747	1 681 403
Disposals		(1 139 712)	(464 545)	(1 604 258)
Depreciation charged	(3 366 371)	(4 513 364)	(750 105)	(8 629 840)
Closing net carrying amount	56 418 405	12 062 227	1 481 793	69 962 425
Year ended 31 March 2009				
Cost	70 478 625	51 968 894	3 831 426	126 278 946
Accumulated depreciation	(14 060 220)	(39 906 667)	(2 349 634)	(56 316 521)
Net carrying amount	56 418 405	12 062 227	1 481 792	69 962 425
Capital work-in-progress	-	-	-	-
Total carrying value of property, plant and equipment				69 962 425

The land and buildings which the company occupies were transferred to the company at no cost during the 2006 financial year. These assets are reflected at the valuation as at the date of the transfer. At 31 March 2009 the company had not entered into any commitments to purchase plant and equipment, other than for consulting work on the upgrade of the production facilities.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

	Land & buildings R	Plant & machinery R	Vehicles & equipment R	Total R
Year ended 31 March 2009				
Opening net carrying amount	63 795 945	17 781 079	2 648 660	84 225 685
Additions	-	2 906 098	1 206 287	4 112 385
Disposals	-	-	(343 612)	(343 612)
Depreciation charged	(4 148 561)	(4 459 138)	(871 639)	(9 479 338)
Closing net carrying amount	59 647 384	16 228 039	2 639 696	78 515 120
Year ended 31 March 2008				
Cost	70 341 233	52 527 261	5 465 938	128 337 232
Accumulated depreciation	(10 693 849)	(36 299 222)	(2 829 042)	(49 822 113)
Net carrying amount	59 647 384	16 228 039	2 639 696	78 515 120
Capital work-in-progress	-	-	-	-
Total carrying value of property, plant and equipment				78 515 120

5 Inventories

	2009 R	2008 R
Raw materials	4 489 727	3 427 013
Intermediate products	11 860 602	9 667 922
Intermediate products carried at net realisable value	-	-
Work in progress	697 787	407 550
Finished goods	4 129 235	1 576 312
Spares	398 282	128 646
Finished product carried at net realisable value	-	-
Less: Provision for obsolete inventory	(1 834 937)	(207 139)
Total	19 740 695	15 000 305

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.

An adjustment has been made to the opening balance of the inventory as the valuation of the prior year balance was incorrect. The correction was adjusted to equity.

Products scrapped/written off during the year	2 300 641	777 794
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Products scrapped during the year were recognised as an expense in the Income Statement.

6 Trade and other receivables

	2009 R	2008 R
Trade receivables	6 309 451	1 417 710
Receivables from related parties	567 094	99 001
Prepaid expenses	1 344 882	562 534
Other receivables	37 308	388 481
Total Trade and other receivables	8 258 735	2 467 726

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

7 Cash and cash equivalents

	2009 R	2008 R
Current account bank balance	8 252 382	4 154 702
Short term cash investments and deposits	72 921 301	75 382 167
Cash in hand	5 500	5 500
	81 179 183	79 542 369

8 Share capital

	2009 R	2008 R
Authorised and issued		
1 000 ordinary shares of R1 each	1 000	1 000

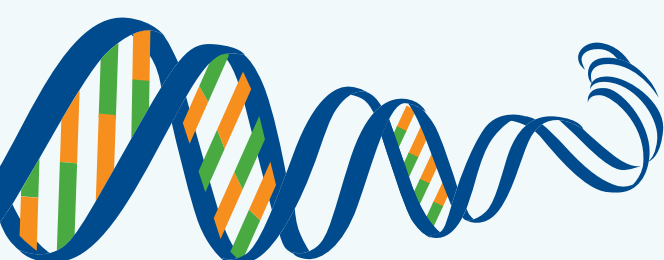
9 Trade and other payables

	2009 R	2008 R
Trade payables	6 558 703	4 877 222
Payables to related parties	11 162	890 000
Accruals	348 304	1 011 292
Total Trade and other payables	6 918 169	6 778 514

10 Provisions

Year ending 31 March 2009	Opening carrying amount	Additions	Expensed	Closing net carrying amount
Employee leave pay	1 267 304		(24 981)	1 242 325
Employee incentives	-	-	-	-
Customer additional discount	304 430	71 525	-	375 955
Total Provisions	1 571 737	71 525	(24 981)	1 618 280

- Employee entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year. Leave pay is provided according to the number of leave days outstanding per employee on 31 March 2009. Accrued leave is paid to employees upon their resignation or retirement or in the case of death.
- Employee entitlements to incentives are recognised in the year when they accrue to employees. Provision is made for the estimated liability for incentives as a result of the performance of the company compared to the budget. Incentives are provided according to guidelines approved by the company's Board of Directors, which are based firstly on company and individual performance and secondly on a percentage structure per employee category. Incentives are paid after the approval of the Annual Financial Statements at the Annual General Meeting. As no profits were recorded by the company during this financial year, no provision for incentives was made.
- The company is contractually committed to the payment of additional discounts once customers reach agreed annual targets. One customer exceeded their target in 2008.
- In accordance with South African Statements of GAAP, audit fees are not provided for until completion of the audit and audit fees will therefore be treated as an expense in the next financial year.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

Year ending 31 March 2009	Opening carrying amount	Additions	Expensed	Closing net carrying amount
Products likely to be obsolete	-	-	-	-
Employee leave pay	1 093 388	173 919	-	1 267 307
Employee incentives	-	-	-	-
Customer additional discount	304 430	-	-	304 430
Total Provisions	1 397 818	173 919	-	1 571 737

11 Government grant

	Opening carrying amount	Additions	Expensed	Closing net carrying amount
Year ending 31 March 2009	3 648 852	-	(1 230 457)	2 418 395
Year ending 31 March 2008	4 879 309	-	(1 230 457)	3 648 852

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

The Government grant had been incorrectly classified as a liability in the past and this has since been corrected in the statement of changes in equity.

12 Non-distributable reserves

Non-distributable reserves	2009 R	2008 R
Opening balance	96 399 382	96 399 382
Additions during the year	-	-
Closing balance	96 399 382	96 399 382

13 Commitments and Contingencies

The company had no disclosable commitments at 31 March 2009 not reflected elsewhere, other than its declared intention to upgrade its manufacturing facilities. There is however a contingent liability in respect of product sold which may have to be recalled, pending research studies. The value of these products sold is not material.

14 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations

	2009 R	2008 R
Profit before tax	4 659 776	988 333
Adjusted for non-cash items:		
- Depreciation	8 629 840	9 479 339
- Amortisation	(1 230 456)	(1 230 456)
Plus other adjustments:		
- Assets scrapped	(60 248)	(343 611)
- Loss on assets sold	4 116	401 135
- Dividends received from cash deposits	-	(298 286)
- Interest received	(8 760 178)	(7 423 819)
Sub Total	3 242 850	1 572 635
Changes in working capital:		
- Inventories	(3 849 622)	(656 965)
- Trade and other receivables	(5 791 009)	1 742 882
- Trade and other payables	(139 656)	(478 263)
- Provisions	46 543	173 919
Cash flows from operating activities	(6 490 894)	2 354 208

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

15 Financial Instruments

Credit risk

Financial assets, which potentially subject the company to concentrations of credit risk, consist principally of cash, short-term deposits and trade receivables. The company's cash equivalents and short-term deposits are placed with approved financial institutions with low or negligible risk. Trade receivables are presented net of an allowance for doubtful debts. Credit risk with respect to trade receivables is limited due to the company's large customer base and their dispersion across different industries and geographical areas. Accordingly, the company has no significant concentration of credit risk.

Interest rate risk

The company is exposed to interest rate risk through its cash resources. The exposure is managed through Stanlib Asset Management.

Liquidity risk

The company does not have a liquidity risk as it has adequate funds to cover its operational and capital expenses and its investments are highly liquid bank deposits and financial instruments. The future upgrade of its facilities may well require external funding.

Foreign currency risk

Forward exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions both for sales exports and for the acquisition of imported raw material and plant and equipment, except where the company has offsetting exposures.

At 31 March 2008 the company had no open forward contracts. The recognition of future foreign exchange gains and losses is recorded according to AC 112.

Fair values

At 31 March 2008 the carrying amounts of cash and short-term deposits, accounts receivable, accounts payable and accrued expenses, financial instruments and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

Short term cash investments and deposits

Cash invested for the short term is classified as short-term cash investments and deposits which are held for an indefinite period, but may be sold at any time in response to operational needs. The company's investments are under the management of Stanlib Asset Management.

Money Market investments are limited to short term Treasury Bills, Bank Acceptances and parastatal NCD's of established quality ratings. These deposits are highly liquid and have a maturity date of three months or less. The investments are shown at fair value based on quoted market prices as at the end of the year. All changes in the fair value of investments are recognised in the Income Statement.

Cash investments and deposits

	2009 R	2008 R
Opening balance	79 542 369	73 120 702
Additional deposits/(disinvestments)	(7 123 364)	(1 300 438)
Net interest received	8 760 178	7 423 819
Dividends received	-	298 286
Capital growth	-	-
Closing balance	81 179 183	79 542 369

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

16 Fruitless and wasteful expenditure

During the year under review, the company underpaid its liability for Pay As You Earn and as a result a 10% penalty amounting to R41 676.07 was imposed by the South African Revenue Services.

17 Prior year adjustments

17.1 Correction of an error – Government grant

There was an error in the classification of the government grant in the 2008 and other years prior to that in the annual report. The financial statements of 2008 have been restated to correct this error. A General Reserves account has been opened in the statement of changes in equity and the government grant has been correctly taken out of current liabilities to equity.

Effect on 2008

Decrease in current liabilities	(3 648 852)
Increase in equity	3 648 852

17.2 Correction of an error - Inventory

The company undertook a product costing exercise to ensure that the cost of products reflects all costs incurred in the production process. The financial statements of 2008 have been restated to correct this error.

Effect on 2008

Increase in cost of sales	890 787
Decrease in profit	(890 787)

Purpose

The purpose of the Performance Report is to report on the performance of the company against set goals and objectives. This process is an important management tool to ensure continuous improvement in meeting the objectives of the company. The performance of the company was reviewed to take account of the following:

- New technologies
- Marketing strategies changing
- Social and environmental conditions
- Organizational structures changes
- Legislation changes and
- Opportunities for improvement.

The following areas were reviewed during this process

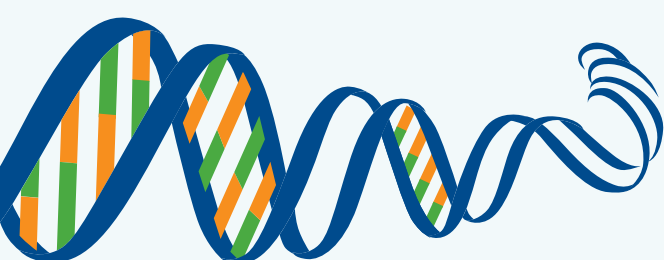
- Trend analysis of external and internal quality audits;
- Results of supplier audits;
- Supplier's performance evaluation;
- Trend of customer complaints;
- Non conformances, corrective action and preventative action reports;
- Process performance and product conformity;
- Analysis of data (internal and external audits, customer complaints and non-conformances reports);
- Customer and market survey that is carried out every two years;
- Improvements and changes to the quality management system, quality policies and quality objectives;
- Status and results of departmental objectives and improvements;
- Follow up action from previous management review with target dates;
- Changes that could affect the quality management system e.g. process; legal and statutory requirements;
- New opportunities and recommendations for improvement on products and processes;
- Resource needs; and
- Cost of non conformances.

Executive Summary

The performance information review process ensures the continuing suitability, adequacy and effectiveness of the information. This review process entails discussions and recommendations on the covered aspects and finally culminates in a final review report circulated to company management. The review process is one of the main tools utilized by management, in evaluating the need for improvements to the performance review process. The following key areas covered in this performance review report and findings are indicated under the various headings.

Trend analysis of external and internal quality audits

External audits were conducted by the SABS on, 9 and 10 June 2008 and 10 and 11 November 2008 respectively. A total of seven findings were recorded in June 2008, and one recorded for November 2008. The audit findings related to documentation and management responsibility were the most common. A corrective action has been implemented and these aspects will be monitored in subsequent audits.



Performance Information

Supplier audits and performance evaluation

The ability to comply with the OBP BEE requirements as well as the company's own quality systems were assessed for a total of six suppliers during the period April 2008 to March 2009. No major findings were recorded against any of the suppliers. From the six suppliers audited five were new suppliers for packaging material.

Trend of customer complaints

A marked decrease has been noted with customer complaints. In the first half of the period under discussion, courier related complaints decreased due to interventions that have been put in place in order to improve the system. There has been a decrease in the complaints related to human error on picking of product though there is still room for improvement. There has been an increase in customer complaints related to invoicing and actions have to be taken against these complaints. Communication complaints also need further action.

Non-conformances, corrective action and preventative action reports

Equipment and human errors are noted as having the most significant impact and contribution to non conformance generation. This trend is however on the decrease but further improvements are still required. Continuous training and education of employees is essential in reducing these non conformances.

New opportunity and recommendation for improvement on products and process

Various areas within the financial, human resources, production and marketing functions were identified as requiring improvement with various recommendations made through the review process. These opportunities for continuous improvement will be addressed through various initiatives within the company's strategic framework.

Conclusion

The performance information was audited for the first time and results thereof are included in the independent auditor's report. A detailed report is available on request subject to confidentiality conditions.