

Financial Statements 02-03

For the year ended March 2003

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STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE YEAR ENDED 31 MARCH 2003

The directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements of The Innovation Hub Management Company (Proprietary) Limited. The financial statements presented on pages 26 to 38 have been prepared in accordance with Statements of Generally Accepted Accounting Practice in South Africa, and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The directors are also responsible for the Company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and system has occurred during the year under review.

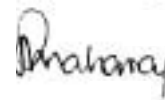
The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Company.

The financial statements which appear on pages 26 to 38 have been approved by the board of directors and are signed on its behalf by:



Mr Irvin Naidoo
Director

22 September 2003



Mr Pradeep Maharaj
Director

22 September 2003



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE INNOVATION HUB MANAGEMENT COMPANY (PTY) LTD

We have audited the financial statements of The Innovation Hub Management Company (Proprietary) Limited set out on pages 26 to 38 for the year ended 31 March 2003. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion these financial statements fairly present, in all material respects, the financial position of the Company at 31 March 2003 and the results of its operations, changes in equity and cash flows for the year then ended in accordance with Statements of Generally Accepted Accounting Practice in South Africa, and in the manner required by the South African Companies Act, 1973.

Additional information

The additional information set out on pages 39 to 40 does not form part of the financial statements. We have not audited this additional information and accordingly we do not express an opinion on it.



**Chartered Accountants (S.A.)
Registered Accountants and Auditors
PRETORIA**

22 September 2003

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2003

The Directors present their report, which forms part of the audited financial statements of the Company for the year ended 31 March 2003.

1. Nature of Business

The Company manages the preliminary activities and development of The Innovation Hub for Gauteng. This includes the construction of the infrastructure and buildings for The Innovation Hub with a subsidy received from Gauteng Provincial Government on premises supplied by the CSIR and the University of Pretoria.

2. Review of Operations and Financial Position

The financial position of the Company and the results of its operations are visible in the attached financial statements. Income and expenditure decreased substantially during the current year as this period consisted of 12 months in relation to the 13 months of the previous period. The planned activities of the Company also broadened the income needed to cover the expenses of the project. However, the project is behind schedule due to various delays and this causes the actual income received and actual expenditure incurred to be below the budgeted level for income and expenditure for the year.

3. Share Capital

No new shares were issued during the year under review.

4. Dividends

No dividends have been declared or proposed during the year under review (2002: none).

5. Events subsequent to balance sheet date

No material fact or circumstance which occurred between accounting date and the date of this report which will have a material impact on the financial affairs of the Company has been identified.

6. Directors and Secretary

The present Directors of the Company are:

Directors :	Date of appointment	Date of resignation
P Maharaj	9 November 2000	—
I T Naidoo	16 September 2002	—
S Lowitt	16 September 2002	—

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003**

6. Directors and Secretary (Continued)

The following directors resigned:

Directors	Date of appointment	Date of resignation
M Mokoena	9 November 2000	1 November 2002
M Petje	9 November 2000	1 November 2002
O Fuchs	9 November 2000	13 September 2002
A W Paterson	9 November 2000	31 July 2002
J A G Malherbe	14 July 2001	31 July 2002
N C Manganyi	9 November 2000	20 August 2003
N Moikangoa	9 November 2000	20 August 2003
J G Hattingh	24 April 2002	20 August 2003
J S J Nel	31 June 2002	20 August 2003
A J Jordaan	24 April 2002	20 August 2003

The Secretary of the Company is L Strydom, whose business and postal address is:

Business	Postal
CSIR Company Secretariat Building 3, Scientia Meiring Naude Road Brummeria Pretoria	P O Box 395 Pretoria 0001

7. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with Section 270(2) of the Companies Act.

8. Directors' interest in contracts

No material contracts involving Directors' interests were entered into during the current year.



BALANCE SHEET AT 31 MARCH 2003

	Notes	2003 R	2002 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	681 442	1 213 092
Non-current receivables	6	95 306	245 024
Deferred taxes	4	-	68 075
		776 748	1 526 191
Current assets			
Receivables	7	773 371	1 759 586
Cash and cash equivalents	8	45 252	1 739 610
Government grant receivable	9	1 389 090	12 264
		2 207 713	3 511 460
Total assets		2 984 461	5 037 651
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	100	100
Retained earnings		473 002	253 352
		473 102	253 452
Current liabilities			
Trade and other payables	11	2 308 644	2 229 847
Current tax liabilities		202 715	79 404
Non-interest bearing borrowing	12	-	2 474 948
		2 511 359	4 784 199
Total equity and liabilities		2 984 461	5 037 651

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	12 months 2003 R	13 months 2002 R
Revenue		375 690	306 657
Other Income		11 193 604	12 205 322
Other Operating Expenses		(11 521 847)	(12 511 979)
Operating Profit	1	47 447	-
Net Finance Income	2	363 589	151 497
Profit Before Tax		411 036	151 497
Taxation	3	(191 386)	16 133
Net Profit for the Next Year		219 650	167 630

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2003**

	Share Capital R	Retained earning R	Total R
Balance at 1 March 2001	100	85 722	85 822
Movement during the period	-	167 630	167 630
Balance at 31 March 2002	100	253 352	253 452
Balance at 1 April 2002	100	253 352	253 452
Movement during the period	-	219 650	219 650
Balance at 31 March 2003	100	473 002	473 102

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

	Notes	12 months 2003 R	13 months 2002 R
Cash flow from operating activities			
Cash receipts from tenants and grants		11 178 683	14 574 885
Cash paid to suppliers and employees		(10 831 398)	(9 969 572)
Cash flow from operating activities	13	347 285	4 605 313
Interest received		364 246	151 497
Interest paid		(657)	-
Net cash flow from operating activities		710 847	4 756 810
Cash flow from investing activities			
Purchase of property, plant and equipment		(80 002)	(1 015 217)
Net cash flow from investing activities		(80 002)	(1 015 217)
Cash flow from financing activities			
Decrease/(increase) in non-current receivables		149 718	(92 924)
Decrease in non-interest bearing borrowings		(2 474 948)	(3 499 825)
Net cash flow from financing activities		(2 325 230)	(3 592 749)
Net (decrease)/increase in cash and cash equivalents		(1 694 358)	148 844
Cash and cash equivalents at beginning of year		1 739 610	1 590 766
Cash and cash equivalents at end of year	8	45 252	1 739 610

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2003

The principal accounting policies adopted in the preparation of these financial statements are set out below.

BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with South African Statements of General Accepted Accounting Practice. The financial statements are prepared under the historical cost convention.

FINANCIAL INSTRUMENTS

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

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are initially recorded at cost. Property, plant and equipment are stated at historical cost less depreciation.

Depreciation is calculated on the straight-line method to write off the costs of each asset to its residual value over the estimated useful life as follows:

Computer equipment	3 years
Office equipment	3 years
Furniture and fittings	3 years
Security systems	3 years

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

COMPARATIVE FIGURES

The comparative figures for 2003 for the company represent a period of thirteen months.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments net of bank overdrafts.

PROVISIONS

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

REVENUE RECOGNITION

Revenue comprises rental income which is derived from the rental of a part of the building from which the company operates to businesses currently in their "Incubation" phase. Income received from rental activities is recognised as the amount of rentals become due.

Other revenues earned by the company are recognised on the following bases:

- Interest income - as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

SUMMARY OF ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2003

GOVERNMENT GRANTS

Grants related to assets

These grants consist of assistance by government in the form of transfers of resources to the enterprise in return for past or future compliance with certain conditions relating to the operating activities of the enterprise.

Grants related to assets are presented in the balance sheet as deferred income. This deferred income is recognised as income on a systematic and rational basis over the useful life of the asset.

Grants related to income

These grants include all government grants other than those related to assets. Grants related to income are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis.

Grants receivable

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the enterprise with no future related costs is recognised as income in the period in which it becomes receivable.

DEFERRED INCOME TAXES

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 values for financial reporting purposes.

Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from depreciation on property, plant and equipment.

TRADE RECEIVABLES

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

1. OPERATING PROFIT

The following items have been charged in arriving at operating profit:

	12 months 2003 R	13 months 2002 R
Depreciation on property, plant and equipment	611 652	564 167
Repairs and maintenance expenditure	93 871	363 160
Auditors' remuneration	28 250	29 450
Audit fees	12 000	20 450
Other services	16 250	9 000
Operating lease rentals	483 774	509 764
Buildings	308 266	355 953
Equipment	175 508	153 811
Salaries and wages	3 521 195	2 953 585

2. NET FINANCE INCOME

Interest income	364 246	151 497
Interest expense	657	-
	363 589	151 497

3. TAXATION

Current tax	123 311	45 449
Deferred tax	68 075	(61 582)
S.A. Normal Tax	191 386	(16 133)

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

Profit before tax	411 036	151 497
Tax calculated at a tax rate of 30% thereon	123 311	45 449
Adjustment	68 075	(61 582)
	191 386	(16 133)

4. DEFERRED TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 30%.

The movement on the deferred tax account is as follows:

At beginning of year	68 075	6 493
Income statement charge	(68 075)	61 582
At end of year	-	68 075

The deferred tax charge in the Income statement is attributable to the following item:

Deferred income tax asset		
- Accelerated tax depreciation	-	68 075

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

5. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment R	Office Equipment R	Furniture and Fittings R	Other Assets R	Total R
Year ended 31 March 2003					
Opening net book amount	284 550	324 345	581 302	22 895	1 213 092
Additions	42 092	24 058	6 089	7 763	80 002
Depreciation charge	(138 596)	(160 007)	(299 483)	(13 566)	(611 652)
Net book value	188 046	188 396	287 908	17 092	681 442
At 31 March 2003					
Cost	465 431	504 746	903 524	45 227	1 918 928
Accumulated depreciation	(277 385)	(316 350)	(615 616)	(28 135)	(1 237 486)
Net book value	188 046	188 396	287 908	17 092	681 442
Period ended 31 March 2002					
Opening net book amount	84 258	323 051	318 309	36 424	762 042
Additions	323 174	144 668	547 375	-	1 015 217
Depreciation charge	(122 882)	(143 374)	(284 382)	(13 529)	(564 167)
Net book value	284 550	324 345	581 302	22 895	1 213 092
At 31 March 2002					
Cost	423 340	480 688	897 434	37 464	1 838 926
Accumulated depreciation	(138 790)	(156 343)	(316 132)	(14 569)	(625 834)
Net book value	284 550	324 345	581 302	22 895	1 213 092

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6. NON-CURRENT RECEIVABLES

	R	R
Staff loans	90 601	245 024
Loan to CSIR	4 705	-
	95 306	245 024

The staff loans are unsecured, bear no interest and are repayable over 48 months.

The loan to CSIR is unsecured, bears no interest and has no fixed terms for repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

7. RECEIVABLES

	2003 R	2002 R
Sundry receivables	295 199	-
South African Revenue Services - Value Added Tax	318 034	1 740 683
Trade receivables	160 138	18 903
	773 371	1 759 586

8. CASH AND CASH EQUIVALENTS

Cash at bank	44 252	1 739 110
Cash in hand	1 000	500
	45 252	1 739 610

9. GOVERNMENT GRANT RECEIVABLE

Government grant received	9 757 067	12 193 058
Government grant receivable	1 389 090	12 264
	11 146 157	12 205 322
Grant utilised:		
- Grant related to assets	(611 652)	(564 167)
- Grant related to income	(10 534 505)	(11 641 155)
	-	-

10. SHARE CAPITAL

Authorised

	Number	Value
1 000 Ordinary shares of R1 each	1000	1000

Issued

100 Ordinary shares of R1 each	100	100
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11. TRADE AND OTHER PAYABLES

Trade and other payables	1 964 291	1 864 233
Provision for leave pay	344 353	365 614
	2 308 644	2 229 847

12. NON-INTEREST BEARING BORROWING

Loan from CSIR	-	2 474 948
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The above loan is unsecured, bears no interest and has no fixed terms for repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

	Notes	12 Months 2003 R	13 Months 2002 R
13. CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from operations			
Net profit before tax		411 036	151 497
Adjustments:			
Net finance income	2	(363 589)	(151 497)
Depreciation charge	5	611 652	564 167
Operating profit before working capital changes		659 099	564 167
Increase/(decrease) in receivables		(390 611)	2 062 906
Increase in trade and other payables	11	78 797	1 978 240
Cash utilised in operations		347 285	4 605 313

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14. FINANCIAL INSTRUMENTS

14.1 Foreign currency risk management

The Innovation Hub Management Company (Pty) Ltd has limited foreign exchange exposure. Foreign exchange transactions are not material.

14.2 Interest rate risk management

The Innovation Hub Management Company (Pty) Ltd has limited exposure to interest rate risk.

14.3 Credit risk management

Potential concentration of credit risk consists mainly of receivables.

The company limits its credit risk exposure by dealing only with well established financial institutions and individuals of high quality credit standing.

14.4 Liquidity risk management

The company has minimised risk of liquidity as shown by its banking facilities and realisable value of assets.

14.5 Fair value of financial instruments

The nature of and method of valuation used for the various categories of financial instruments are set out below:

	Notes	31/03/2003 R Fair Value	31/03/2002 R Fair Value
Assets			
Non-current receivables	6	95 306	245 024
Cash and cash equivalents	8	45 252	1 739 610
Receivables	7	773 371	1 759 586
Government grant receivable	9	1 389 668	12 264
Liabilities			
Trade and other payables	11	2 308 644	2 229 847
Non-interest bearing borrowing	12	-	2 474 948

Due to the nature of receivables, grants receivable, cash and cash equivalents, trade and other payables and non-interest bearing borrowing, their carrying values approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

15. RELATED PARTIES

The shares of the company are held by two shareholders. SERA (Pty) Ltd and the Gauteng Provincial Government each holds 50% of the total issued shares of the company. SERA (Pty) Ltd has two equal shareholders namely the University of Pretoria and the CSIR. A change in the governance structure of the Company was effected after the financial year ended 31 March 2003, with full shareholding reverting to the Gauteng Provincial Government.

	12 Months 2003 R	13 Months 2002 R
PURCHASE OF GOODS AND SERVICES		
CSIR Internal Services Division		
- Rental	308 266	444 314
- Repairs, maintenance and alterations	-	189 975
- Air conditioner	-	102 950
CSIRIS		
- Supply of literature and software	-	32 918
- Books and journals	25 521	-
CSIR Conference facilities		
- Rental	-	56 487
- Workshop	2 576	-
Legal services		
- Secretarial fees	-	12 000
Icomtek		
- Consulting	-	2 600
Boutek		
- Consulting	-	80 450
Environmentek		
- Consulting	-	138 000
Transportek		
- Consulting	-	60 000
Corporate Finances Division of CSIR		
- Monthly administration and accounting work	96 000	77 000
- Postage and counter fees	1 126	5 099
- Logsheets	1 041	-
- Secretarial Services	4 524	-
Communications Group		
	-	18 725
SAC		
- Consultancy fees	-	109 400
- Computing services	54 695	83 640
	493 749	1 413 558

The above entities are all related to the CSIR and are therefore related to The Innovation Hub Management Company (Pty) Ltd through common control. The above transactions were carried out on the standard terms which apply to all internal divisions within the CSIR organisational structure and a contract with fixed terms exist for transactions with each of the above divisions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

15. RELATED PARTIES - Continued

Outstanding balances arising from sale/purchase of goods/services

	12 Months 2003 R	13 Months 2002 R
PAYABLE TO RELATED PARTIES		
CSIR	593 430	-
LOANS FROM RELATED PARTIES		
CSIR		
Balance at beginning of period	2 474 948	5 974 773
Amount advanced	38 807	12 329 310
Amount repaid	(2 518 460)	(15 829 135)
Balance at end of year	(4 705)	2 474 948

The above loan is unsecured, bears no interest and has no fixed terms for repayment.



ADDITIONAL INFORMATION

FOR THE YEAR ENDED 31 MARCH 2003
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

	Notes	12 months 2003 R	13 months 2002 R
INCOME		11 933 540	12 663 476
Rent received		375 690	223 124
Interest received	2	364 246	151 497
Government grant	9	11 146 157	12 205 322
Promotional income received		-	83 533
Tender fees		47 368	-
Discount received		79	-
		11 522 504	12 511 979
EXPENDITURE			
Books and journals		12 852	19 083
Administration and accounting fees		96 000	77 000
Audit fees		28 250	29 450
Advertising and promotions		209 694	258 462
Bad debts		4 167	-
Bank charges		7 711	1 573
Computer expenses		6 079	-
Conference fees		41 728	42 547
Consulting fees		5 195 121	6 260 216
Courier and postage		4 268	3 928
Depreciation	1	611 652	564 167
Entertainment and functions		76 011	173 007
Exhibition costs		20 000	6 265
Gifts and flowers		6 475	2 530
Interest paid		657	-
Kitchen supplies		77 212	-
Labour cost		3 170	-
Motor vehicle rental		27 931	-
Promotional material		194 122	-
Purchases of small furniture and equipment		2 973	66 798
Legal fees		1 320	-
Loss on theft of cash		-	1 000
Telephone and Internet costs		180 224	165 596
Training expenditure		24 082	-
Travel and accommodation		115 770	130 248
- Local		15 693	14 931
- Foreign		100 077	115 317
Stationery and printing		57 004	54 298
Recoverable expenses		375 918	306 658
- Copy charges		4 232	8 934
- Internet costs		53 541	12 040
- Network costs		27 188	35 310
- Rent		141 481	88 361
- Telephone		103 304	56 790
- Public relations and functions		-	83 533
- Computer rental		4 582	284
- Meals		41 590	20 291
- Maintenance		-	1 115
Rent paid		483 774	509 764
- Buildings		308 266	355 953
- Equipment		175 508	153 811
Repairs and maintenance	1	93 871	363 160
Recruitment costs		-	362 343
Salaries and wages		3 521 195	2 953 585
Skills Development Levies		-	21 359
Regional Services Council Levies		-	8 310
Licences - Software		4 215	66 520
Subscriptions		39 060	64 112
Net profit before tax		411 036	151 497
Taxation	3	(191 386)	16 133
Net profit for the year		219 650	167 630



ADDITIONAL INFORMATION (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003
TAXABLE INCOME SCHEDULE
FOR THE YEAR ENDED 31 MARCH 2003

	2003 R
Net profit for the year before tax	411 036
Current taxation thereon at 30 %	<u>123 311</u>

