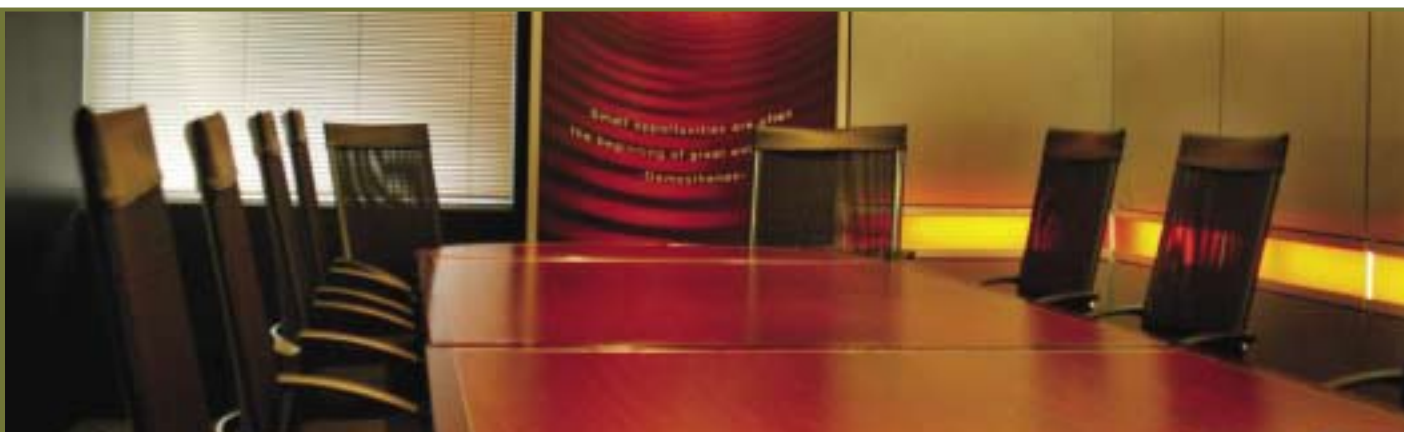


# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



THE INNOVATION HUB MANAGEMENT COMPANY (PROPRIETARY) LIMITED  
(REGISTRATION NUMBER: 2000/012801/07)

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## STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 MARCH 2005

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of The Innovation Hub Management Company (Proprietary) Limited. The financial statements presented on pages 20 to 37 have been prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP) in South Africa, and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all Statements of Generally Accepted Accounting Practice in South Africa that they consider to be applicable have been followed. The Directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Company at year end.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Company to enable the Directors to ensure that the financial statements comply with the relevant legislation.

The Innovation Hub Management Company (Proprietary) Limited operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

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 Company's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements, and their report is presented on page 22.

The financial statements were approved by the board of directors on 28 July 2005 and are signed on its behalf:



Nomhle Canca  
Chairman of the Board  
The Innovation Hub Management Company (Pty) Ltd



Dr Neville Comins  
Chief Executive Officer  
The Innovation Hub Management Company (Pty) Ltd



REPORT OF THE INDEPENDENT AUDITORS  
TO THE MEMBER OF  
THE INNOVATION HUB MANAGEMENT COMPANY (PROPRIETARY) LIMITED  
(REGISTRATION NUMBER: 2000/012801/07)

We have audited the financial statements of The Innovation Hub Management Company (Proprietary) Limited set out on pages 20 to 37 for the year ended 31 March 2005. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 2005 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 of 1973.

**Emphasis of matter**

Without qualifying the audit opinion expressed above, attention is drawn to the following matter:

**Non-compliance with legislation**

A system of internal audit under control of an audit committee was not operational during the year under review as required by Section 51(1)(a)(ii) of the Public Finance Management Act of 1999.

**Additional information**

The additional information set out on page 38 to 39 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.

PricewaterhouseCoopers Inc.  
Chartered Accountants (SA)  
Registered Accountants and Auditors  
Pretoria  
28 July 2005

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2005

The directors present their report, which forms part of the audited financial statements of the Company for the year ended 31 March 2005.

### 1. NATURE OF BUSINESS

The Company manages the preliminary activities, development and operation of The Innovation Hub for Blue IQ Investment Holdings (Proprietary) Limited. This includes the construction of the infrastructure and buildings for The Innovation Hub with a grant received from Blue IQ Investment Holdings (Proprietary) Limited on premises purchased from the University of Pretoria.

### 2. REVIEW OF OPERATIONS AND FINANCIAL POSITION

During the current year the first phase of The Innovation Hub was finalised. The Company became occupants of The Innovation Hub site in December 2004 and started collecting rent from tenants in the Enterprise Building from February 2005.

Full details of the financial results are set out in the attached financial statements.

### 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 (2004: None).

### 5. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

No matter that is material to the financial affairs of the Company has occurred between 31 March 2005 and the date of approval of the financial statements.

### 6. DIRECTORS AND SECRETARY

The present directors of the Company are:	Date of appointment	Date of resignation
NMJ Canca	1 October 2004	-
NR Comins	25 August 2003	-

The following directors resigned during the year under review or subsequent to balance sheet date:

P Maharaj	9 November 2000	1 July 2004
S Lowitt	16 September 2002	1 October 2004
IT Naidoo	16 September 2002	20 May 2005

The secretary of the Company is D de Lange.

Refer to note 17 in the financial statements for detail on remuneration paid to directors and senior management.

### 7. AUDITORS

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

### 8. DIRECTORS' INTEREST IN CONTRACTS

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

### 9. HOLDING COMPANY

The Company is a wholly owned subsidiary of Blue IQ Investment Holdings (Proprietary) Limited.

## BALANCE SHEET AT 31 MARCH 2005

	Notes	2005 R	2004 R
<b>ASSETS</b>			
<b>Non-current assets</b>		129 859 379	21 922 894
Property, plant and equipment	5	61 762 264	21 907 273
Investment property	6	67 000 000	-
Non-current receivables	7	-	15 621
Deferred tax	8	1 097 115	-
<b>Current assets</b>		164 318 552	158 622 516
Inventory	9	124 478 089	77 571 529
Trade and receivables	10	12 997 470	7 823 981
Cash and cash equivalents	11	26 827 372	73 189 516
Short-term portion of non-current receivables	7	15 621	37 490
<b>Total assets</b>		<b>294 177 931</b>	<b>180 545 410</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>		5 777 241	6 523 420
Share capital	12	100	100
Retained earnings		5 777 141	6 523 320
<b>Non-current liabilities</b>		145 639 125	37 405 070
Borrowings	13	17 125 235	16 175 392
Government grant	14	128 513 890	21 229 678
<b>Current liabilities</b>		142 761 565	136 616 920
Short-term portion of borrowings	13	9 511 655	9 182 737
Government grant	14	123 425 183	113 662 888
Trade and other payables	15	8 568 627	12 964 960
Current tax liabilities		1 256 100	806 335
<b>Total equity and liabilities</b>		<b>294 177 931</b>	<b>180 545 410</b>



INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 R	2004 R
<b>Revenue</b>		1 188 671	591 676
Other income		8 377 149	9 820 744
Operating and administrative expenses		(12 982 764)	(10 373 311)
<b>Operating (loss)/profit</b>	2	(3 416 944)	39 109
Fair value adjustment	13	978 112	4 641 871
Net finance income	3	1 974 949	1 972 958
<b>(Loss)/profit before tax</b>		(463 883)	6 653 938
Taxation	4	(282 296)	(603 620)
<b>Net (loss)/profit for the year</b>		(746 179)	6 050 318

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2005

	Share Capital R	Retained earnings R	Total R
Balance at 1 April 2003	100	473 002	473 102
Net profit for the year	-	6 050 318	6 050 318
<b>Balance at 31 March 2004</b>	100	6 523 320	6 523 420
Balance at 1 April 2004	100	6 523 320	6 523 420
Net loss for the year	-	(746 179)	(746 179)
<b>Balance at 31 March 2005</b>	100	5 777 141	5 777 241

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 R	2004 R
<b>Cash flow from operating activities</b>			
Cash receipts from tenants and grants		126 040 231	146 686 876
Cash paid to suppliers and employees		(64 457 318)	(83 771 796)
<b>Cash flow from operating activities</b>	16	61 582 913	62 915 080
Interest received		4 271 637	1 973 295
Interest paid		(39 815)	(337)
Taxation paid		(929 646)	-
<b>Net cash flow from operating activities</b>		64 885 089	64 888 038
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment (additions)		(13 104 738)	(6 454 627)
Proceeds from sale of property, plant and equipment		164 754	-
Purchase of property, plant and equipment (expenses capitalised)		(98 344 739)	(15 331 342)
<b>Net cash flow from investing activities</b>		(111 284 723)	(21 785 969)
<b>Cash flow from financing activities</b>			
Decrease in non-current receivables		37 490	42 195
Increase in borrowings		-	30 000 000
<b>Net cash flow from financing activities</b>		37 490	30 042 195
<b>Net increase/(decrease) in cash and cash equivalents</b>		(46 362 144)	73 144 264
<b>Cash and cash equivalents at beginning of year</b>		73 189 516	45 252
<b>Cash and cash equivalents at end of year</b>	11	26 827 372	73 189 516



## SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2005

### 1. ACCOUNTING POLICIES

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

#### 1.1 Basis of preparation

The financial statements of The Innovation Hub Management Company (Proprietary) Limited have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

##### *Early adoption of standards*

The company has applied the following Statements of SA GAAP earlier than their respective effective dates, as encouraged by SAICA in Circular 7/2004:

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 2 (revised 2003)	Inventories
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 24 (revised 2003)	Related Party Disclosures
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 39 (revised 2003)	Financial Instruments: Recognition and Measurement
IAS 36 (revised 2004)	Impairment of Assets

The early adoption of IAS 1,2,8,10,16,17,24 and 32 (all revised 2003) did not result in substantial changes to the Company's accounting policies. In summary:

- IAS 1 (revised 2003) has affected the presentation of disclosures.
- IAS 2,8,10,16,17,32 had no material effect on the Company's policies.
- IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures.

The early adoption of IAS 39 (revised 2004) has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Company require retrospective application other than:

- IAS 16 - the exchange of property, plant and equipment is accounted for at fair value prospectively;
- IAS 39 - does not require the classification of financial assets as at "fair value through profit or loss" of previously recognised financial assets;
- IAS 39 requires simultaneous adoption with IAS 32.

#### 1.2 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Capitalisation of development cost of the infrastructure and buildings for The Innovation Hub was chosen to commence on the date that approval to proceed was obtained from the Development Facilitation Act (DFA) Tribunal.

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

Land relating to owner occupied property is recorded as part of property, plant and equipment. Land relating to investment property is recorded as part of investment property. Land held for resale is recorded as inventory.

## SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2005

Land is not depreciated. Depreciation on other assets is calculated using the straight-line-method to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Computer equipment	3 years
Office equipment	5 years
Furniture and fittings	3-6 years
Facilities equipment	3 years
Motor vehicles	5 years
Buildings	40 years

The residual value, if not insignificant, is reassessed annually.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### 1.3 Investment property

Investment property is held for long-term rental yields. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by the board of directors, and every third year by an independent professional qualified valuer. Changes in fair values are recorded as part of operating income in the income statement.

### 1.4 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 1.5 Investments

The Company classifies its investments in the loans and receivables category. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.

### 1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour and other direct costs. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling.

### 1.7 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.



## SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2005

### 1.8 Cash and cash equivalents

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

### 1.9 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

### 1.10 Borrowings

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

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

### 1.11 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.

### 1.12 Trade payables

Trade payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

### 1.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

### 1.14 Employee benefits

#### *Pension obligations*

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

## SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2005

### 1.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 1.16 Revenue recognition

Revenue comprises the fair value for rental income which is derived from the rental of the buildings from which the Company operates. Income received from rental activities is recognised as the amount of rentals become due, net of sales taxes and discounts.

Other revenues earned by the Company includes:

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

### 1.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### 1.18 Financial risk management

#### Financial risk factors

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

#### a) Market risk

##### i) Foreign exchange risk

The Company operates locally and is not exposed to significant foreign exchange risk.

##### ii) Price risk

The Company is not exposed to significant equity securities price risk and commodity price risk due to the nature of the entity.

#### b) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that all rentals are made to customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions.

#### c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying business the Company aims to maintain flexibility in funding by keeping committed credit lines available.

#### d) Cash flow and fair value interest rate risk

Although the Company has significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates, due to the underlying nature of the business of the Company.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005

**2. OPERATING (LOSS)/PROFIT**

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

Fair value adjustment

Investment property (Note 6)

Profit on sale of property, plant and equipment

Depreciation on property, plant and equipment

Repairs and maintenance

Auditors' remuneration

Audit fees

Other services

Operating lease rentals

Buildings

Equipment

Salaries and wages

Director's remuneration

**3. NET FINANCE INCOME**

Interest income

Interest expense

Bank

Loan from the University of Pretoria - fair value adjustment (Note 13)

**4. TAXATION**

**South African Normal Taxation**

Current tax

Deferred tax

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

(Loss)/profit before tax

Tax calculated at a tax rate of 30% thereon

Fair value adjustment - permanent difference

Change in statutory tax rate

	2005 R	2004 R
Investment property (Note 6)	3 783 156	-
Profit on sale of property, plant and equipment	(148 476)	-
Depreciation on property, plant and equipment	795 052	560 138
Repairs and maintenance	161 005	157 672
Auditors' remuneration	39 000	24 100
Audit fees	34 000	19 200
Other services	5 000	4 900
Operating lease rentals	873 057	798 015
Buildings	752 720	639 133
Equipment	120 337	158 882
Salaries and wages	2 261 968	2 928 476
Director's remuneration	895 456	449 305
<b>Interest income</b>	4 271 637	1 973 295
Interest expense	2 296 688	337
Bank	39 815	337
Loan from the University of Pretoria - fair value adjustment (Note 13)	2 256 873	-
	1 974 949	1 972 958
<b>Current tax</b>	1 379 411	603 620
<b>Deferred tax</b>	(1 097 115)	-
	282 296	603 620
(Loss)/profit before tax	(463 883)	6 653 938
Tax calculated at a tax rate of 30% thereon	(139 164)	1 996 181
Fair value adjustment - permanent difference	383 628	(1 392 561)
Change in statutory tax rate	37 832	-
	282 296	603 620

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2005

5. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment R	Office equipment R
<b>Year ended 31 March 2005</b>		
Opening net book amount	59 459	49 493
Additions	11 581 795	-
Cost capitalised	-	-
Transfer to investment property (5)	-	-
Asset written off/sold	(15 199)	(2)
Depreciation charge	(465 630)	(38 908)
Net book value	<u>11 160 425</u>	<u>10 583</u>
<b>At 31 March 2005</b>		
Cost	12 016 258	443 844
Accumulated depreciation	(855 833)	(433 261)
Net book value	<u>11 160 425</u>	<u>10 583</u>
<b>Year ended 31 March 2004</b>		
Opening net book amount	188 046	188 396
Additions	11 123	10 197
Cost capitalised	-	-
Depreciation charge	(139 710)	(149 100)
Net book value	<u>59 459</u>	<u>49 493</u>
<b>At 31 March 2004</b>		
Cost	476 554	514 943
Accumulated depreciation	(417 095)	(465 450)
Net book value	<u>59 459</u>	<u>49 493</u>

The land (note 5 and 6) and inventory (note 9) to the value of R30 000 000 serve as security for a loan granted by the University of Pretoria (refer note 13).

The land and buildings consist of land and offices being developed on a portion of erf 30 of Persequor Extension 10, Gauteng.



Furniture and fittings R	Facilities equipment R	Motor vehicles R	Land R	Buildings R	Total R
38 264	4 098	-	6 424 617	15 331 342	21 907 273
1 204 174	198 626	120 143	-	-	13 104 738
-	-	-	-	98 344 739	98 344 739
-	-	-	(4 120 936)	(66 662 220)	(70 783 156)
(1 076)	(1)	-	-	-	(16 278)
(65 421)	(17 187)	(12 014)	-	(195 892)	(795 052)
1 175 941	185 536	108 129	2 303 681	46 817 969	61 762 264
1 711 574	206 390	120 143	2 303 681	47 013 861	63 815 751
(535 633)	(20 854)	(12 014)	-	(195 892)	(2 053 487)
1 175 941	185 536	108 129	2 303 681	46 817 969	61 762 264
287 908	17 092	-	-	-	681 442
8 690	-	-	6 424 617	-	6 454 627
-	-	-	-	15 331 342	15 331 342
(258 334)	(12 994)	-	-	-	(560 138)
38 264	4 098	-	6 424 617	15 331 342	21 907 273
912 214	45 227	-	6 424 617	15 331 342	23 704 897
(873 950)	(41 129)	-	-	-	(1 797 624)
38 264	4 098	-	6 424 617	15 331 342	21 907 273

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2005

**6. INVESTMENT PROPERTY**

	2005 R	2004 R
Beginning of the year	-	-
Transfer from property, plant and equipment	70 783 156	-
Fair value adjustment (included in operating expenses) (note 2)	(3 783 156)	-
<b>End of the year</b>	<b>67 000 000</b>	<b>-</b>

The investment property is valued annually at fair value, comprising open-market value by the board of directors. A valuation from an independent professional qualified valuer is obtained every third year.

The investment property consists of a portion of portion 2 of Erf 30 of Persequor Extension 10, Gauteng.

The following amounts have been recognised in the income statement:

Rental income	439 370	-
Direct operating expenses arising from investment properties that generate income	(112 971)	-

**7. NON-CURRENT RECEIVABLES**

Staff loans	15 621	53 111
<b>Less:</b> Current portion transferred to current receivables	(15 621)	37 490
	<b>-</b>	<b>15 621</b>

The staff loan is unsecured, bears no interest and is repayable over 48 months

**8. DEFERRED TAX**

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 29% (2004: 30%).

The movement on the deferred tax account is as follows:

At the beginning of the year	-	-
Income statement credit	(1 097 115)	-
At end of year	(1 097 115)	-

The deferred tax asset can be analysed as follows:

Fair value adjustment - Investment Property (Note 6)	1 097 115	-
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**9. INVENTORY**

***Inventory - Property held for sale***

Development in progress	124 478 089	77 571 529
Land purchased	53 675 383	53 675 383
Infrastructure cost capitalised	70 802 706	23 896 146

Inventory and land (refer note 5 and 6) of R30 000 000 have been pledged as security for borrowings (refer note 13).

The inventory consists of property being developed on erf 30, 31, 32, 33, 34, 35, 36 and 37 of Persequor Extension 10, Gauteng.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2005

**6. TRADE AND OTHER RECEIVABLES**

	2005 R	2004 R
Trade receivables	778 840	180 469
<b>Less:</b> Provision for doubtful debt	(39 407)	(13 132)
	739 433	167 337
Sundry receivables	8 978 685	983 844
South African Revenue Services	2 971 626	2 472 800
Loan account: The Innovation Hub Property Owners Association (Sec 21)	307 726	-
South African Revenue Services - Value Added Tax - Land purchased	-	4 200 000
	<u>12 997 470</u>	<u>7 823 981</u>

**11. CASH AND CASH EQUIVALENTS**

Cash at bank	26 825 372	73 187 516
Cash in hand	2 000	2 000
	<u>26 827 372</u>	<u>73 189 516</u>

**12. SHARE CAPITAL**

	Value	Number
<b>Authorised</b>		
1 000 Ordinary shares of R1 each	R 1000	1 000
<b>Issued</b>		
100 Ordinary shares of R1 each	R 100	100

**13. BORROWINGS**

	Value	Number
<b>Secured</b>		
<i>Loan from the University of Pretoria</i>		
Carrying amount	25 358 129	30 000 000
<b>Plus:</b> Interest charge	2 256 873	-
<b>Less:</b> Fair value adjustment	(978 112)	(4 641 871)
	26 636 890	25 358 129
<b>Less:</b> Current portion	(9 511 657)	(9 182 737)
Fair value of loan	<u>17 125 233</u>	<u>16 175 392</u>

The above loan is secured by a bond over land and inventory (refer note 5, 6 and 9), bears no interest and is repayable in 3 annual instalments of R10 000 000 each from date of registration.

The fair value is based on discounted cash flows using a discount rate of 11% (2004: 8.9%) based upon the borrowing rate that the directors expect would be available to the Company at the balance sheet date.

The carrying amount of the short-term borrowings approximate its fair value.

Maturity of borrowings:

Between 1 and 2 years	8 116 224	8 432 265
Between 2 and 3 years	9 009 009	7 743 127
	<u>17 125 233</u>	<u>16 175 392</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2005

	2005 R	2004 R
<b>14. GOVERNMENT GRANT</b>		
Government grant received	259 521 566	144 142 910
	<u>259 521 566</u>	<u>144 142 910</u>
Grant utilised:		
- Grant related to assets: depreciation charge	(795 052)	(560 138)
- Grant related to income	(6 787 441)	(8 690 206)
	<u>251 939 073</u>	<u>134 892 566</u>
Government grant deferred income	251 939 073	134 892 566
Net carrying value at beginning of the year	134 892 566	(1 389 090)
Government grant received	124 629 000	145 532 000
Government grant allocated	(7 582 493)	(9 250 344)
	<u>251 939 073</u>	<u>134 892 566</u>
<b>Net carrying value at end of the year</b>		
The government grant is disclosed as follows:		
Government grant - non-current	128 513 890	21 229 678
Government grant - current	123 425 183	113 662 888
	<u>251 939 073</u>	<u>134 892 566</u>
<b>15. TRADE AND OTHER PAYABLES</b>		
Trade and other payables	8 159 983	12 488 688
Provision for leave pay	404 317	363 945
Provision for bonuses	4 327	112 327
	<u>8 568 627</u>	<u>12 964 960</u>
<b>16. CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	(463 883)	6 653 938
Adjustments:		
Net finance income	(1 974 949)	(1 972 958)
Depreciation charge	795 052	560 138
Fair value adjustment - borrowings (Note 13)	(978 112)	-
Fair value adjustment - investment property (Note 6)	3 783 156	(4 641 871)
Profit on sale of property, plant and equipment	(148 476)	-
	<u>1 012 788</u>	<u>599 247</u>
Operating profit before working capital changes	1 012 788	599 247
Increase in trade and other receivables	(5 173 489)	(7 050 610)
(Decrease)/Increase in trade and other payables	(4 396 333)	10 656 317
Increase in inventory	(46 906 560)	(77 571 529)
Increase in government grant	117 046 507	136 281 655
	<u>61 582 913</u>	<u>62 915 080</u>

**17. RELATED PARTIES TRANSACTIONS**

The shares of the Company were held by The Gauteng Provincial Government at the beginning of the year. Within the Gauteng Provincial Government, Blue IQ Investment Holdings (Proprietary) Limited has been established to act as a holding company for the Blue IQ projects, including The Innovation Hub. The Innovation Hub Management Company (Proprietary) Limited's shares held by the Gauteng Provincial Government was effectively transferred to Blue IQ Investment Holdings (Proprietary) Limited on 1 July 2004, resulting in full shareholding reverting to Blue IQ Investment Holdings (Proprietary) Limited.

**LOAN TO DIRECTOR**

Balance at end of year	15 561	53 111
The loan is unsecured, bears no interest and is repayable over 48 months		



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2005

	2005 R	2004 R
<b>17. RELATED PARTIES TRANSACTIONS (Continued)</b>		
<b>REMUNERATION</b>		
<b>Director:</b>		
Chief Executive Officer: Dr N R Comins		
Basic Salary	626 027	523 528
Bonuses and performance related payments	78 257	41 786
Expenses or other allowances	75 847	79 538
Employer contributions	115 325	154 077
	895 456	798 929
Prior year remuneration consists of R449 305 as director and R349 624 as senior management		
<b>Senior management:</b>		
Mr T J Maleho: Basic salary	362 452	328 743
Bonuses and performance related payments	25 500	22 700
Expenses or other allowances	60 073	62 936
Employer contributions	63 140	72 011
	511 165	486 390
Ms J L Sawers: Basic salary	393 650	334 875
Bonuses and performance related payments	54 000	24 800
Expenses or other allowances	41 010	40 493
Employer contributions	60 356	69 976
	549 016	470 144
Mr M J Yuill: Basic salary	342 632	274 534
Bonuses and performance related payments	58 300	23 100
Expenses or other allowances	108 600	123 875
Employer contributions	61 244	74 443
	570 776	495 952
Ms A Dreyer: Basic salary	99 797	-
Bonuses and performance related payments	4 763	-
Expenses or other allowances	14 760	-
Employer contributions	30 756	-
	150 076	
<b>18. RETIREMENT BENEFIT OBLIGATIONS</b>		
Income statement charge for:		
- Pension benefits	253 577	18 983

**Pension Fund**

The employees of The Innovation Hub Management Company (Proprietary) Limited are members of the Personal Pension Fund. The Personal Pension Fund is registered in terms of the Pension Funds Act, 1956, and is a defined contribution plan. The Innovation Hub Management Company (Proprietary) Limited's liability to the fund is limited to paying the employer contributions. Life cover and dependant's pensions are fully secured by a continued income and life insurance policy.

Employer contributions of R253 577 (2004: R18 983) and employee contributions of R152 146 (2004: R11 390) were paid over during the year. Employer contributions are charged against income when incurred. Last years figure represents one months contribution while the current years figures are a representation of 12 months contributions.

**19. CAPITAL COMMITMENTS**

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

Property, plant and equipment, investment property and inventory	11 409 887	132 460 813
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## ADDITIONAL INFORMATION

### DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	2005 R	2004 R
<b>INCOME</b>	14 815 569	17 027 586
Fair value adjustment - Borrowings	978 112	4 641 871
Government grant	7 582 493	9 250 344
Interest received	4 271 637	1 973 295
Other income	646 180	531 628
Profit on sale of property, plant and equipment	148 476	-
Rent received	1 188 671	591 676
Tender fees	-	38 772
<b>EXPENDITURE</b>	15 279 452	10 373 648
Administration and accounting fees	201 701	193 500
Advertising and promotions	194 730	746 900
Assets written off	15 201	-
Audit fees	39 000	24 100
Bad debts and provision for bad debts adjustment	32 076	15 419
Bank charges	12 927	7 166
Books and journals	9 217	19 546
Cleaning	6 765	-
Compensation for occupational injuries	5 255	-
Computer expenses	57	6 973
Conference fees	45 171	40 673
Consulting fees	1 012 349	2 510 836
Courier and postage	8 759	3 823
Depreciation charge	795 052	560 138
Director's remuneration	895 456	449 305
Electricity: Land sales	503 000	-
Entertainment and functions	254 501	109 422
Exhibition costs	78 689	256 400
Fair value adjustment - Investment property	3 783 156	-
General expenses	18 817	974
Gifts and flowers	7 825	8 514
Insurance	100 922	22 885
Interest paid	2 296 688	337
Kitchen supplies	463	51 360
Labour cost	-	1 600
Legal fees	-	13 332
Licences - Software	15 991	4 460
Motor vehicle rental	9 100	20 156
Promotional material	213 813	828 500
Purchases of small furniture and equipment	32 800	18 686
Rates and taxes: Land sales	591 818	-
Recruitment and Relocation cost	58 695	-
Rent paid	873 057	798 015
- Buildings	752 720	639 133
- Equipment	120 337	158 882
Repairs and maintenance	161 005	157 672
Salaries and wages	2 261 968	2 928 476
Stationary and printing	64 013	50 326
Subscriptions	28 060	44 548
Telephone and internet costs	514 998	401 698
Training expenditure	868	1 260
Travel and accommodation	135 490	67 552
- Local	69 776	30 063
- Foreign	65 714	37 489
Web design and support	-	9 096
(Loss)/profit before tax	(463 883)	6 653 938

## ADDITIONAL INFORMATION



### TAXABLE INCOME SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005

	2005 R
Net loss before tax	(463 883)
<b>Deduct:</b>	
Permanent difference	
Fair value adjustment - borrowings	(978 112)
	(1 441 995)
<b>Add:</b>	
Permanent difference	
Interest charge - borrowings	2 256 873
Timing difference	
Fair value adjustment - investment property	3 783 156
Taxable income	4 598 034
Current taxation thereon at 30%	1 379 410
Second provisional payment - 2005	(123 310)
	1 256 100