



Financial Statements for the year ended 31 March 2006

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"A place where our entrepreneurs can exploit their ideas with support, finance and markets awaiting the new developments where our youth can see their role models succeeding."



Statement of Directors' Responsibility

for the year ended 31 March 2006

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 28 to 44 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement, 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 South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement 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 27.

The financial statements were approved by the Board of Directors on 30 August 2006 and are signed on its behalf by

N M J Canca
Director

N R Comins
Director



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 28 to 44 for the year ended 31 March 2006. 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.

We conducted our audit in accordance with International Standards on Auditing. 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. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion these financial statements fairly present, in all material respects, the financial position of the Company at 31 March 2006 and the results of its operations, changes in equity and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement, and in the manner required by the South African Companies Act, 1973 and the Public Finance Management Act, 1999 (Act No 1 of 1999).

The additional information set out on page 43 to 44 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

Director: F Cooper

Registered Auditor

Pretoria

30 August 2006



Directors' Report

for the year ended 31 March 2006

The directors present their report, which forms part of the audited financial statements of the Company for the year ended 31 March 2006.

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 year under review, the first phase of The Innovation Hub has moved into full operation and occupancy of the Enterprise Building has almost reached full capacity. Demand from the market place has been strong with the first new building now under construction. 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 (2005: Rnil).

5. Events subsequent to Balance Sheet date

No matter that is material to the financial affairs of the Company has occurred between 31 March 2006 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
N M J Canca	1 October 2004	-
N R Comins	25 August 2003	-

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

I T Naidoo

Date of appointment: 16 September 2002

Date of resignation: 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 2006

		2006	2005
ASSETS	Notes	R	R
Non-current assets		128 910 938	129 859 379
Property, plant and equipment	5	58 461 388	61 762 264
Investment property	6	69 495 840	67 000 000
Deferred tax	8	953 710	1 097 115
Current assets		153 478 235	164 318 552
Inventory	9	132 978 751	124 478 089
Trade and other receivables	10	14 604 456	12 997 470
Cash and cash equivalents	11	5 895 028	26 827 372
Short-term portion of non-current receivables	7	-	15 621
Total assets		<u>282 389 173</u>	<u>294 177 931</u>
EQUITY AND LIABILITIES			
Capital and reserves		4 182 118	5 777 241
Share capital	12	100	100
Retained earnings		4 182 018	5 777 141
Non-current liabilities		137 886 544	145 639 125
Borrowings	13	9 009 009	17 125 235
Government grant	14	128 877 535	128 513 890
Current liabilities		140 320 511	142 761 565
Short-term portion of borrowings	13	9 686 037	9 511 655
Government grant	14	128 296 588	123 425 183
Trade and other payables	15	2 337 886	8 568 627
Current tax liabilities		-	1 256 100
Total equity and liabilities		<u>282 389 173</u>	<u>294 177 931</u>



Income Statement

for the year ended 31 March 2006

	Notes	2006 R	2005 R
Revenue		8 657 016	1 188 671
Other income		8 906 498	12 648 786
Operating and administrative expenses		(16 869 887)	(12 982 764)
Operating loss	2	693 627	854 693
Fair value adjustment	13	-	978 112
Finance cost	3	(2 099 624)	(2 296 688)
Loss before tax		(1 405 997)	(463 883)
Taxation	4	(189 126)	(282 296)
Net loss for the year		(1 595 123)	(746 179)
Attributable to Equity holders of the Company		(1 595 123)	(746 179)

Statement of Changes in Equity

for the year ended 31 March 2006

	Share capital R	Retained earnings R	Total R
Balance at 1 April 2004	100	6 523 320	6 523 420
Net loss for the year	-	(746 179)	(746 179)
Balance at 31 March 2005	100	5 777 141	5 777 241
Balance at 1 April 2005	100	5 777 141	5 777 241
Net loss for the year	-	(1 595 123)	(1 595 123)
Balance at 31 March 2006	100	4 182 018	4 182 118



Cash Flow Statement

for the year ended 31 March 2006

	Notes	2006 R	2005 R
Cash flow from operating activities			
Cash receipts from tenants and grants		19 687 807	126 040 231
Cash paid to suppliers and employees		(26 686 738)	(64 457 318)
Cash flow from operating activities	16	(6 998 931)	61 582 913
Interest received		1 259 290	4 271 637
Interest paid		(41 468)	(39 815)
Taxation paid		(1 839 598)	(929 646)
Net cash flow from operating activities		(7 620 707)	64 885 089
Cash flow from investing activities			
Purchase of property, plant and equipment (additions)		(431 592)	(13 104 738)
Proceeds from sale of property, plant and equipment		-	164 754
Purchase of property, plant and equipment (cost capitalised)		(399 826)	(98 344 739)
Purchase of investment property		(2 495 840)	-
Net cash flow from investing activities		(3 327 258)	(111 284 723)
Cash flow from financing activities			
Decrease in non-current receivables		15 621	37 490
Decrease in borrowings		(10 000 000)	-
Net cash flow from financing activities		(9 984 379)	37 490
Net decrease in cash and cash equivalents		(20 932 344)	(46 362 144)
Cash and cash equivalents at beginning of year		26 827 372	73 189 516
Cash and cash equivalents at end of year	11	5 895 028	26 827 372

Summary of Accounting Policies

for the year ended 31 March 2006

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 have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows.

Standard of GRAP

GRAP 1: Presentation of financial statements

GRAP 2: Cash flow statements

GRAP 3: Accounting policies, changes in accounting estimates and errors

Replacement Statement of GAAP

AC101: Presentation of financial statements

AC118: Cash flow statements

AC103: Accounting policies, changes in accounting estimates and errors

The recognised and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP Replacement

Statement of financial performance

Statement of financial position

Statement of changes in net assets

Net assets

Surplus/deficit for the period

Accumulated surplus/deficit

Contributions from owners

Distributions to owners

Reporting date

Statement of GAAP

Income statement

Balance sheet

Statement in changes in equity

Equity

Profit/loss for the period

Retained earnings

Share capital

Dividends

Balance sheet date

The annual financial statements have been prepared using the terminology prescribed by GAAP. The GRAP equivalent of the terminology mentioned above has been disclosed for completeness.

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information such as:

a) receivables for non-exchange transactions, including taxes and transfers

b) taxes and transfers payable

c) trade and other payables from non-exchange transactions must be presented separately on the statement of the financial position.

4. The amount and nature of any restrictions on cash balances requires disclosure. Paragraph 11-15 of GRAP 1 has not been implemented as the budget-reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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.

Summary of Accounting Policies (continued)

for the year ended 31 March 2006

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.

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

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

Summary of Accounting Policies (continued)

for the year ended 31 March 2006

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.

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 that 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.

Summary of Accounting Policies (continued)

for the year ended 31 March 2006

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.

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 that 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 that becomes 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 Annual Financial Statements

for the year ended 31 March 2006

2. OPERATING LOSS

	2006 R	2005 R
The following items have been charged/(credited) in arriving at operating loss:		
Fair value adjustment		
Investment property (note 6)	-	3 783 156
Profit on sale of property, plant and equipment	-	(148 476)
Depreciation on property, plant and equipment	4 132 294	795 052
Repairs and maintenance	108 506	161 005
Auditor's remuneration	85 136	39 000
Audit fees	74 820	34 000
Other services	10 316	5 000
Operating lease rentals	270 184	873 057
Buildings	198 996	752 720
Equipment	71 188	120 337
Salaries and wages	3 689 155	3 362 986
Director's remuneration	937 562	895 456
Interest received (included in other income)	(1 259 290)	(4 271 637)

3. FINANCE COST

Interest expense		
Bank	41 468	39 815
Loan from University of Pretoria – fair value adjustment (note 13)	2 058 156	2 256 873
	2 099 624	2 296 688

4. TAXATION

South African Normal Taxation

Current tax	45 721	1 379 411
Deferred tax	143 405	(1 097 115)
	189 126	282 296

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

Loss before tax	(1 405 997)	(463 883)
Tax calculated at a tax rate of 29% thereon	(407 739)	(139 164)
Fair value adjustment – permanent difference	596 865	383 628
Change in statutory tax rate	-	37 832
	189 126	282 296

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2006

5. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Office equipment	Furniture and fittings	Facilities equipment	Motor vehicles	Land	Buildings	Total
	R	R	R	R	R	R	R	R
Year ended 31 March 2006								
Opening net book amount	11 160 425	10 583	1 175 941	185 536	108 129	2 303 681	46 817 969	61 762 264
Additions	231 531	17 319	115 411	67 331	-	-	-	431 592
Cost capitalised	-	-	-	-	-	-	399 826	399 826
Depreciation charge	(2 625 552)	(9 175)	(234 410)	(56 417)	(24 028)	-	(1 182 712)	(4 132 294)
Net book value	8 766 404	18 727	1 056 942	196 450	84 101	2 303 681	46 035 083	58 461 388
At 31 March 2006								
Cost	12 247 789	461 163	1 826 985	273 722	120 143	2 303 681	47 413 686	64 647 169
Accumulated depreciation	(3 481 385)	(44 ,436)	(770 043)	(77 272)	(36 042)	-	(1 378 603)	(6 185 781)
Net book value	8 766 404	18 727	1 056 942	196 450	84 101	2 303 681	46 035 083	58 461 388
Year ended 31 March 2005								
Opening net book amount	59 459	49 493	38 264	4 098	-	6 424 617	15,331 342	21 907 273
Additions	11 581 795	-	1 204 174	198 626	120 143	-	-	13 104 738
Cost capitalised	-	-	-	-	-	-	98 344 739	98 344 739
Transfer to investment property (note 6)	-	-	-	-	-	(4 120 936)	(66 662 220)	(70 783 156)
Assets written off/sold	(15 199)	(2)	(1 076)	(1)	-	-	-	(16 278)
Depreciation charge	(465 630)	(38 908)	(65 421)	(17 187)	(12 014)	-	(195 892)	(795 052)
Net book value	11 160 425	10 583	1 175 941	185 536	108 129	2 303 681	46 817 969	61 762 264
At 31 March 2005								
Cost	12 016 258	443 844	1 711 574	206 390	120 143	2 303 681	47 013 861	63 815 751
Accumulated depreciation	(855 833)	(433 261)	(535 633)	(20 854)	(12 014)	-	(195 892)	(2 053 487)
Net book value	11 160 425	10 583	1 175 941	185 536	108 129	2 303 681	46 817 969	61 762 264

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 to note 13).

The land and buildings consist of land and offices being developed on portion 2 of erf 30 of Persequor Extension 10, Gauteng.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2006

6. INVESTMENT PROPERTY

	2006 R	2005 R
Beginning of the year	67 000 000	-
Transfer from property, plant and equipment	-	70 783 156
Fair value adjustment (included in operating expenses) (note 2)	-	(3 783 156)
Additions during the year	2 495 840	-
End of the year	69 495 840	67 000 000

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 last valuation was obtained at 31 March 2005.

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	4 612 626	439 370
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7. NON-CURRENT RECEIVABLES

Staff loans	-	15 621
Less: Current portion transferred to current receivables	-	(15 621)
	-	-

The staff loan was unsecured, bore no interest and was 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% (2005: 29%).

The movement on the deferred tax account is as follows:

At the beginning of the year	(1 097 115)	-
Income statement change	143 405	(1 097 115)
At the end of the year	(953 710)	(1 097 115)

The deferred tax asset can be analysed as follows:

Fair value adjustment – Investment Property (note 6)	1 097 115	1 097 115
Accrued income (rent)	(143 405)	-
At the end of the year	953 710	1 097 115

9. INVENTORY

Inventory – Property held for sale

Development in progress	132 978 751	124 478 089
- Land purchased	53 675 383	53 675 383
- Infrastructure cost capitalised	79 303 368	70 802 706

Inventory and land (refer notes 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 erven 30, 31, 32, 33, 34, 35 and 37 of Persequor Extension 10, Gauteng.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2006

10. TRADE AND OTHER RECEIVABLES

	2006 R	2005 R
Trade receivables	985 377	778 840
Less: Provision for doubtful debt	(116 741)	(39 407)
	<u>868 636</u>	<u>739 433</u>
Sundry receivables	10 745 696	8 978 685
Loan account: The Innovation Hub Property Owners Assoc (Sec 21)	1 445 437	307 726
South African Revenue Services – Normal tax	537 777	-
South African Revenue Services – Value Added Tax	512 410	2 971 626
Accrued income (rent)	494 500	-
	<u>14 604 456</u>	<u>12 997 470</u>

11. CASH AND CASH EQUIVALENTS

Cash at bank	5 892 028	26 825 372
Cash in hand	3 000	2 000
	<u>5 895 028</u>	<u>26 827 372</u>

12. SHARE CAPITAL

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

13. BORROWINGS

Secured

Loan from the University of Pretoria

Carrying amount	16 636 890	25 358 129
Plus: Interest charge	2 058 156	2 256 873
Less: Fair value adjustment	-	(978 112)
	<u>18 695 046</u>	<u>26 636 890</u>
Less: Current portion	(9 686 037)	(9 511 657)
Fair value of loan	<u>9 009 009</u>	<u>17 125 233</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% (2005: 11%) 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 approximates its fair value.

Maturity of borrowings:

Between 1 and 2 years	9 009 009	8 116 224
Between 2 and 3 years	-	9 009 009
	<u>9 009 009</u>	<u>17 125 233</u>

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2006

14. GOVERNMENT GRANT

	2006 R	2005 R
Government grant		
Net carrying value at the beginning of the year	251 939 073	134 892 566
Government grant received	12 100 000	124 629 000
Government grant allocated	(6 864 950)	(7 582 493)
Net carrying value at the end of the year (deferred income)	<u>257 174 123</u>	<u>251 939 073</u>
Grant utilised:		
- Grant related to assets: depreciation charge	4 132 295	795 052
- Grant related to income	2 732 655	6 787 441
Government grant recognised as income	<u>6 864 950</u>	<u>7 582 493</u>
The government grant is disclosed as follows:		
Government grant – non-current	128 877 535	128 513 890
Government grant – current	128 296 588	123 425 183
Total	<u>257 174 123</u>	<u>251 939 073</u>

15. TRADE AND OTHER PAYABLES

Trade and other payables	1 741 693	8 159 983
Provision for leave pay	439 866	404 317
Provision for bonuses	156 327	4 327
	<u>2 337 886</u>	<u>8 568 627</u>

16. CASH FLOW FROM OPERATING ACTIVITIES

Loss before tax	(1 405 997)	(4 638 830)
Adjustments:		
Interest received	(1 259 290)	(4 271 637)
Interest expense	2 099 624	2 296 688
Depreciation charge	4 132 294	795 052
Fair value adjustment – borrowings (note 13)	-	(978 112)
Fair value adjustment – investment property (note 6)	-	3 783 156
Profit on sale of property, plant and equipment	-	(148 476)
Operating profit before working capital changes	<u>3 566 631</u>	<u>1 012 788</u>
Increase in trade and other receivable	(1 069 209)	(5 173 489)
Decrease in trade and other payables	(6 230 741)	(4 396 333)
Increase in inventory	(8 500 662)	(46 906 560)
Increase in government grant	5 235 050	117 046 507
Cash flow from operating activities	<u>(6 998 931)</u>	<u>61 582 913</u>

17. RELATED PARTIES TRANSACTIONS

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 shares of The Innovation Hub Management Company (Proprietary) Limited, 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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2006

	2006 R	2005 R
LOAN TO DIRECTOR		
Balance at end of year	-	15 561
REMUNERATION		
<i>Director</i>		
Chief Executive Officer: Dr N R Comins		
Basic salary	808 969	626 027
Bonuses and performance related payments	-	78 257
Expenses or other allowances	39 972	75 847
Employer contributions	88 621	115 325
	<u>937 562</u>	<u>895 456</u>
<i>Senior management</i>		
Mr T J Maleho		
Basic salary	458 806	362 452
Bonuses and performance related payments	-	25 500
Expenses or other allowances	36 757	60 073
Employer contributions	43 431	63 140
	<u>538 994</u>	<u>511 165</u>
Ms J L Sawers		
Basic salary	507 612	393 650
Bonuses and performance related payments	-	54 000
Expenses or other allowances	15 087	41 010
Employer contributions	50 181	60 356
	<u>572 880</u>	<u>549 016</u>
Mr M J Yuill		
Basic salary	534 693	342 632
Bonuses and performance related payments	-	58 300
Expenses or other allowances	42 303	108 600
Employer contributions	49 056	61 244
	<u>626 052</u>	<u>570 776</u>
Mrs A Dreyer		
Basic salary	194 550	99 797
Bonuses and performance related payments	-	4 763
Expenses or other allowances	13 786	14 760
Employer contributions	20 555	30 756
	<u>228 891</u>	<u>150 076</u>
Ms A Masuku		
Basic salary	258 308	99 797
Bonuses and performance related payments	-	4 763
Expenses or other allowances	29 842	14 760
Employer contributions	14 261	30 756
	<u>302 411</u>	<u>150 076</u>

GOVERNMENT GRANT

For information on the grant received from Blue IQ Investment Holdings (Proprietary) Limited refer to note 14.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2006

18. RETIREMENT BENEFIT OBLIGATIONS

	2006	2005
	R	R
Income statement charge for		
- Pension benefits	342 793	253 577

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 liability to the Fund by The Innovation Hub Management Company (Proprietary) Limited 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 R342 793 (2005: R253 577) and employee contributions of R162 551 (2005: R152 146) were paid over during the year. Employer contributions are charged against income when incurred.

19. CAPITAL COMMITMENTS

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

	2006	2005
	R	R
Property, plant and equipment, investment property and inventory	5 361 225	11 409 887

20. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment property

The Company recognises its investment property at fair value. Determining the fair values are subject to valuations and assumptions made by the board based on expected market conditions.

Property, plant and equipment

AC123 requires the annual reassessment of the residual values of assets by the board, including that of the Company's buildings and specialised equipment. The board has considered all facts available and has concluded that these items do not have significant residual values in the current accounting period that would require adjustment to values and depreciation costs.

Additional Information • Detailed Income Statement

for the year ended 31 March 2006

	2006 R	2005 R
INCOME	17 563 514	14 815 569
Fair value adjustment – borrowings	-	978 112
Government grant	6 864 951	7 582 493
Interest received	1 259 290	4 271 637
Other income	782 257	646 180
Profit on sale of property, plant and equipment	-	148 476
Rent received	8 657 016	1 188 671
Normal	7 211 230	1 110 022
ICT	1 445 786	78 649
EXPENDITURE	18 969 511	15 279 452
Administration and accounting fees	-	201 701
Advertising and promotions	188 035	194 730
Assets written off	-	15 201
Audit fees	85 136	39 000
Bad debts and provision for bad debts adjustment	124 665	32 076
Bank charges	19 168	12 927
Books and journals	730	9 217
Cleaning	297 804	6 765
Coachable expenses	619 154	-
Commission	62 158	-
Compensation for occupational injuries	7 200	5 255
Computer expenses	33 584	57
Conference fees	-	45 171
Consulting fees	1 882 173	1 012 349
Courier and postage	12 059	8 758
Depreciation charge	4 132 294	795 052
Director's remuneration	937 562	895 456
Electricity: Land Sales	101 969	503 000
Entertainment and functions	417 206	254 501
Exhibition costs	55 802	78 689
Fair value adjustment – Investment Property	-	3 783 156
General expenses	5 909	18 817
Gifts and flowers	7 061	7 825
Insurance	215 627	100 922
Interest paid	2 099 624	2 296 688
Kitchen supplies	199	463
Legal fees	48 532	-
Licences	15 188	15 991
Motor vehicle rental	-	9 100
Promotional material	200 804	213 813
Purchases of small furniture and equipment	60 979	32 800
Rates and taxes: Land Sales	814 200	591 818
Recruitment and relocation cost	84 798	58 695
Rent paid	270 184	873 057
- Buildings	198 996	752 720
- Equipment	71 188	120 337
Repairs and maintenance	108 506	161 005
Salaries and wages	3 689 155	2 261 968
Stationery and printing	74 289	64 013
Subscriptions	58 449	28 060
Telephone and Internet costs	2 041 338	514 998
Training expenditure	43 596	868
Travel and accommodation	154 374	135 490
- Local	63 441	69 776
- Foreign	90 933	65 714
Loss before tax	(1 405 997)	(463 883)

Additional Information • Taxable Income Statement

for the year ended 31 March 2006

	2006
	R
Net loss before tax	(1 405 997)
Add: Permanent difference	
Interest charge - borrowings	2 058 156
Less: Timing difference	
Accrued income (rent)	(494 500)
Taxable income	<u>157 656</u>
Current taxation thereon at 29%	<u>45 721</u>
	<u>45 721</u>