technology innovation
AGENCY

Group Annual Report 2011/2012

An initiative of the Department of Science and Technology


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Commercialisation
Innovation
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Contents

Introduction

The Technology Innovation Agency (TIA) is an initiative of the Department of Science & Technology (DST) that came into existence through the promulgation of the Technology Innovation Agency Act No. 26 of 2008. It merged seven DST entities that were previously responsible for supporting and promoting innovation in South Africa. These entities were: The Innovation Fund, Tshumisano Trust, Cape Biotech Trust, PlantBio Trust, Lifelab, BioPAD Trust, and the Advanced Manufacturing Technology Strategy (AMTS).

Mandate

TIA's mandate is to support and enable technology innovation across all sectors of the economy in order to achieve socioeconomic benefits for South Africa, thereby enhancing its global competitiveness. This entails supporting the development and commercialisation of research outputs from higher education institutions, science councils, public entities and private research institutions, with a view to bringing them to the market.

Vision

To be a world-class innovation Agency that supports and enables technological innovation to achieve socio-economic benefits for South Africa.

Mission

To support technology innovators in unlocking South Africa's global competitiveness and to deliver socio-economic value.

Values

Teamwork	TIA believes that "together we can do more". The Agency values collaboration and cooperation.
Professionalism	TIA conducts its business, its interactions with stakeholders and its internal engagements in a professional manner.
Excellence	TIA consistently delivers exceptionally high standards of work and performance.
Integrity	TIA always acts with honesty and integrity.
Transparency	TIA engages in inclusive, open communication, and holds all its people accountable for their performance and conduct.

Strategic Goals

TIA aims to use South Africa's science and technology base to develop new industries, create sustainable jobs and help build a knowledge-based, diversified economy that is able to address global challenges. The Agency's strategic objectives are to:

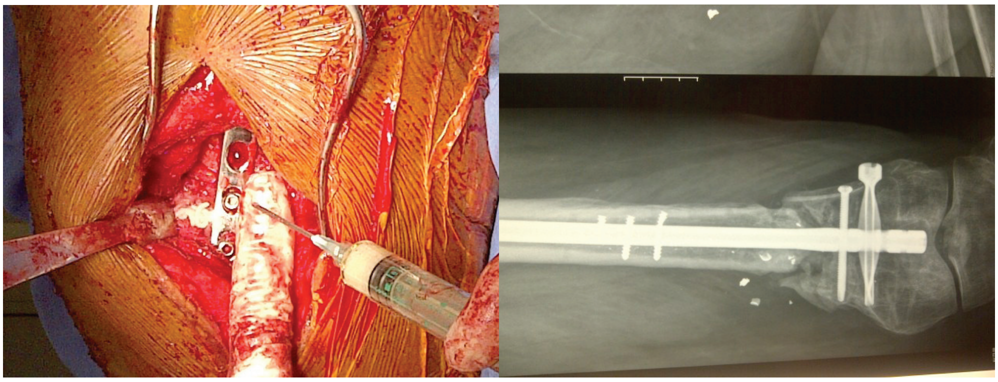
- Stimulate the development and commercialisation of technology-based services, processes and products
- Support the establishment and development of technology-based commercially viable enterprises
- Leverage TIA funds for co-investment
- Optimise the implementation of statutory requirements
- Facilitate the development of human capital for technology commercialisation and innovation
- Build a culture of innovation.

Highlights

The Technology Innovation Agency's mandate is to support and enable technology innovation across all sectors of the economy to achieve socio-economic benefits and enhance South Africa's global competitiveness. Studies confirm that it generally takes between five to ten years for research and development investment to be commercialised. Whilst TIA has just been recently formed, it has inherited a portfolio of projects from some of the entities that merged to form it that give a glimpse of the potential effects of technology innovations. The five technology innovations that are being discussed below are meant to demystify complicated scientific output in order to demonstrate a social and commercial return.

EASING THE BURDEN OF DISEASES

Altis Biologics (Pty) Ltd (Altis) is one of only three companies in the world that produce novel osteogenic products containing Bone Morphogenetic Proteins (BMP). Moreover, it is the first company (a pioneer) to develop and commercialise an injectable BMP product. Altis intends to exploit its unique high yield BMP extraction technology platform (with patents granted in USA, France, Germany, Finland, UK) to produce high yields of the active components (growth factors) that go into the fabrication of the only biomimetic osteogenic products that rely on the proven concept of the synergy of growth factors. The only two other companies in the world that produce and market BMP products produce mono-component (single BMP) recombinant human BMP (rhBMP) products that rely on "atom bomb" doses of BMP to achieve similar results. The medical device OBM (Osteogenic Bone Matrix) was launched in South Africa as a bone void filler in September 2011 and the first revenues for OBM were achieved in January 2012.



Locally, more than 50 000 patients can benefit from the product which can replace autogenous hip grafts, associated with longer hospital stay and medium term costs to treat pain and in some cases other complications. OBM is 70% cheaper than equivalent BMP devices.

OPENING NEW MARKET OPPORTUNITIES IN CITRUS PRODUCTION (FEATURED COVER STORY)

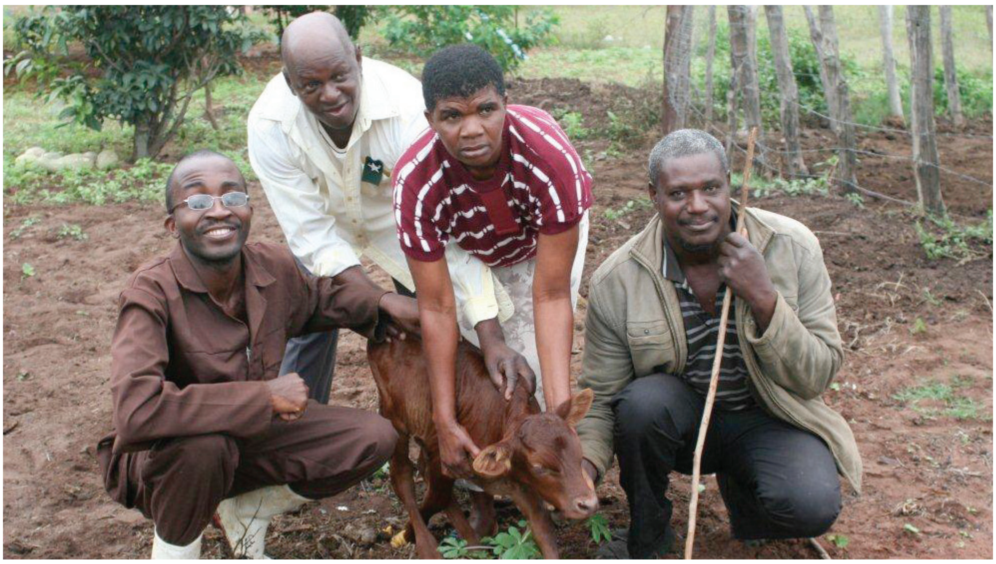
TIA is a 50% shareholder in Xsit (Pty) Ltd (Xsit), a technology innovation company that has developed and commercialised an environmentally friendly technology for the control of False Codling Moth in citrus fruit. False Codling Moths are known to become serious economic pests. They are also a major quarantine pest and certain importing nations place stringent restrictions on citrus fruit from known False Codling Moth infested areas. Increasingly strict regulations regarding pesticide usage in traditional importing countries are also forcing growers to consider non-pesticide control practices. Xsit has specialised facilities to grow and treat False Codling Moth, so that sterile males can be released in citrus production areas. The sterile males mate with the normal female population with no resultant reproduction. Surveillance data from Citrus Research International has shown a

95 percent decrease in False Codling Moth infestation in areas where the technology has been successfully deployed.

Xsit established its first facility in Citrusdal with TIA's assistance. The company has recently demonstrated that it could successfully transport treated insects from Citrusdal in the Western Cape to the Sunday's River production area in the Eastern Cape. This opens up new market opportunities and enables the company to service the largest production areas of Limpopo and Mpumalanga during its expansion phase. During the 2011/12 FY, Xsit assisted the exporters who used the environmentally friendly pesticide to achieve a 100% acceptance rate of produce to export markets, thus sustaining a local industry and jobs.

STIMULATING RURAL BEEF INDUSTRY

TIA, together with the Agriculture Research Council, invested in the development and use of assisted reproductive technologies (ART), to address the Nguni bull shortage through artificial insemination and embryo transfer techniques to South Africa's rural areas. The Agency, the Agricultural Research Council (ARC), the Limpopo Department of Agriculture, the local farmers and the community launched the project in Limpopo Province during the 2011/12 FY where three calves were born using the technology.



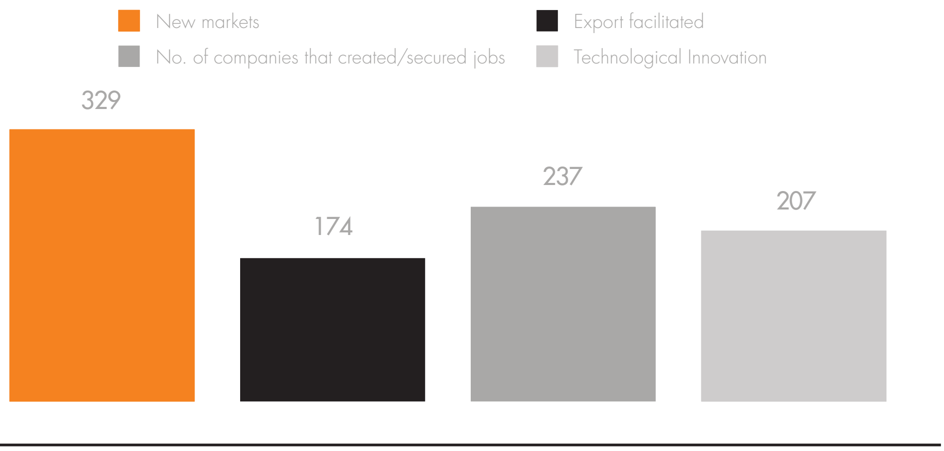
The project will be rolled out to the remaining eight provinces. The ART project aims to alleviate the cost of importing beef and stimulate the rural beef industry, through increasing the number of Nguni cattle in rural areas.

OPTIMISING REAL-TIME MINERAL PROCESSING

Blue Cube Systems (Pty) Ltd is a technology company that evolved from technology development funding from TIA. The company designs, manufactures, distributes and supports in-line mineral quantification instrumentation. The technology can be applied to a range of minerals from heavy mineral sands to various base metals (Copper, Nickel, Silver, Platinum and mineral sands). In 2011/12 FY, Blue Cube Systems, paid a dividend of just over R430 000 FY to TIA. In addition revenues generated from the technology developed with TIA funding support enabled the company to expand its product range to include state-of-the-art instrumentation for the on-line measurement of mineral grades in froth flotation concentrator plants. The technologies enable customers to optimise processes in real time, hence improving the process efficiencies and profitability. The Blue Cube MQi technology is currently operating in a variety of locations across Southern Africa and Australia.

SUPPORTING SMALL MICRO MEDIUM ENTERPRISE

The TIA Technology Station Programme (TSP) has assisted 329 clients to access new markets and 237 clients created and secured additional the employment. A total of 174 clients became internationally competitive and started exporting their products and/or services. Furthermore with the programme also assisted 207 clients with their technology innovations that would result in new patents (IP). The stations collectively conducted 305 technology demonstrations and 100 modules based training events, with 477 companies sending a number of their employees to attend.



In 2011/12 FY, a total of 251 major projects at Technology Stations were also conducted with university academic programmes to support the post graduates to pursue masters or doctorates in science and engineering.

The challenges of technology commercialisation: Lessons Learnt

The successful development and commercialisation of early-stage technologies is a complex process. TIA needs to stimulate the conception of promising technologies, identify and support those with the greatest potential, select appropriate business models for their exploitation, while managing high-risk transactions. In doing so, the following lessons were learnt:

- All-encompassing eco-systems can play a critical role in catalysing and absorbing technological innovations to create new ventures that are commercially viable. Studies show that the risks and uncertainties in converting innovations to commercial enterprises can be reduced through robust ecosystems with complementary resources and effective feedback loops. For example, government, as one component of the ecosystem, can stimulate technology innovation by procuring products that are new to the market, or by acting as a lead customer in the creation of new products and services.

- Finding private sources of funding to develop projects further is often difficult – even innovations that have demonstrated technical and commercial feasibility – still struggle. This is exacerbated by concerns that the market for such new products is unlikely to be large enough. The South African venture capital industry needs to be developed to help TIA support with commercialisation of technologies.

- TIA deals with innovations in the early stages of development and unproven. These innovations face significant market, technical, regulatory and sometimes political hurdles to successful commercialisation. Industry, recognising these risks and challenges, is generally averse to licensing technologies prior to proof of concept or demonstration through, for example, prototyping. This requires significant investment, but TIA has inadequate funding to pursue these innovations to the commercialisation stage.

- Defining the commercial potential of a specific technology and then advancing it to key commercial end-points requires highly specific business, managerial and technical expertise. The individual inventor or academic research group may not possess these skills, therefore an additional entrepreneurial individual within or outside the company would need to be brought in. Occasionally, this results in conflict – the inventor's interest in the technology's development and the company's management may change, which can lead to instability within the organisation.

- Universities often spin-out companies too quickly even before the technology is ready for the market or when the demand for the technology is insufficient. As a result, these companies fail to attract private equity. Universities need to consider nurturing their ideas for longer before going to the market for funding to ensure that the business is able to attract good-quality management and capital. In many instances, the dual challenges of successfully commercialising the technology while achieving operational efficiency result in most new enterprises failing within their first three years. One potential solution to this is to identify existing companies through which to license and further develop the technology.

Chairperson's Overview

The Board of the Technology Innovation Agency is pleased to present the Annual Report for the Financial Year 2011/12. Two sets of financial statements are presented to represent TIA stand alone and the TIA Group which incorporates the Agency's subsidiaries and associates.

The 2011/12 financial year marks an important milestone for TIA to be fully functional with a fulltime executive and the Board being able to perform its duties of governance and strategy formulation in a stable environment. During the 2011/12 financial year, the Agency's KPIs were still derived from the unfinished work of the transition process. Some of the activities had then to be reviewed in line with the TIA's mandate. Whilst the Board is pleased that some KPIs have been achieved, the executive has to strengthen those areas that have been identified as needing attention in the Auditor's Report.

The Agency continues to ask fundamental questions about its own definition of success. The primary objective of the Agency is to invest in technology innovative projects. In addition to the inherited portfolio of projects, the Agency managed to invest in new promising projects. One such project is the copper indium gallium selenide-based thin film solar technologies production process by Photovoltaic Technology Intellectual Process (PTIP). This project is significant in terms of the following fundamental outputs supported by the Agency:

- A green technology
- A heavily leveraged project (i.e for every two rands invested by TIA, the project has attracted additional nine rands from other funders)
- A locally developed technology

TIA continues to derive value from its Technology Stations and Platforms. These have been responsible for servicing SMMEs with high end technological services to produce products, prototypes and pilot manufacturing. Clients have been made internationally competitive through the services of technology stations and platforms.

All these activities have been part of the Agency's support of the DST's Ten Year Plan and are aligned with the New Growth Path.

The Board is encouraged by the blossoming collaboration between TIA, Science Councils, the Higher Education Institutions and other Financial Development Institutions (FDIs) such as the IDC locally. Collaboration is critical to enable the Agency to achieve the goal of reducing fragmentation and duplication of effort within South Africa's technology innovation systems. Increasingly important is the Agency's ability to attract more participants within the system to fund projects. Progress on this front has been well received and encouraged.

In the financial year 2010/11, TIA had an adverse audit opinion based on the lack of consolidated financial statements from associates and subsidiaries. The executive was given the task to deal with this issue of consolidating TIA's investments to comply with the statutory requirements as derived from the Public Finance Management Act of 1999 (PFMA) and Generally Recognised Accounting Practice (GRAP) standards. The executive was also tasked with engaging more with the National Treasury, the Accounting Standards Board and the Auditor General to discuss the alignment of the mandate of TIA and its listing in Schedule 3A to the PFMA. The current listing puts undue pressure on the Agency's ability to pursue its mandate. In particular, TIA has to invest in technology innovative companies and monitor their activities very closely to limit the inherent risks that are prevalent in this space. However, the listing in Schedule 3A requires the subsidiaries to comply with the PFMA as if they are public entities. During the financial year 2011/12, the Agency established a Workout Unit to assist the Chief Financial Officer (CFO) and her team with consolidation. The Office of the Accountant General also seconded a resource to the Work Out Unit at TIA to assist with the consolidation effort. TIA was therefore able to consolidate 49 companies. Most of the companies have no policies nor procedures in place to comply with all the statutory requirements as dictated by the PFMA. Consequently, irregular expenditure as dictated by the PFMA is being disclosed on behalf of the subsidiaries as noted by the auditors. The companies were never audited for compliance with PFMA prior to TIA. Whilst the Agency has put a lot of effort in complying with this legislative framework, it remains expensive and unsustainable. The Agency is pleased to have an unqualified audit opinion despite these onerous requirements.

It remains a top priority for the Agency to achieve an operating and accounting regime that is supportive of its mandate.

The Board therefore accepts audit opinion on the Consolidated annual financial statements as presented by the external auditors and commits to making greater efforts to tackling the remaining challenges.

ACKNOWLEDGEMENTS

I wish to express my deep gratitude for the support received from Minister Naledi Pandor, Deputy Minister Derek Hanekom and the Director General, Dr. Phil Mjwara and my fellow Board Members. My deep appreciation extends to the Chief Executive Officer, Mr Simphiwe Duma and his Executive, for their stewardship of the Agency under very challenging conditions.

Mamphela Ramphele
Chairperson of the Board

CEO's Summary

The Technology Innovation Agency is pleased to present its Annual Report for the financial year 2011/12. This represents another significant milestone in the existence of the Agency. The 2011/12 FY was dominated by the completion of the consolidation process and implementation of the Agency's mandate as set out in the inspirational TIA Act of 2008. The Agency takes the opportunity to present two Annual Reports in the form of TIA stand alone and TIA the Group incorporating subsidiaries and associates.

AGENCY MANAGEMENT AND OPERATIONS

The Agency experienced a staff turnover of less than 10% in the 2011/12 FY. This compares favourably with the national average of 10% and is considerably better than the previous financial year's 13%. A key factor has been the stability of the numerous Human Resource initiatives that the organisation has introduced. The intensive interaction by the organisations management to get key staff to rally behind the timeless mandate of the Agency is bearing fruit. Gaps and challenges continue to exist and are dealt with decisively.

The Agency continues to strengthen its leadership in key areas. Notably, TIA is pleased to have appointed Dr. Sibongile Gumbi as Group Executive for the Biotech Sectors and as a member of EXCO. The Information Technology (IT) and Knowledge Management (KM) have been strengthened by the appointment of Mrs Matshidiso Matlolane as the General Manager. The Office of the CFO has also been strengthened by the appointment of Mr Werner van der Merwe (a Chartered Accountant) as the Senior General Manager: Finance. Through these appointments, the Agency is demonstrating its commitment to equip the management with high quality leadership in order to deliver on its mandate.

TIA has embarked on the process of ISO: 9001 certification to enable the organisation to operate at world class level. It is envisaged that the ISO: 9001 certification would be awarded by 2013. New IT systems have also been implemented in order to increase the efficiency of the Agency's processes.

The Agency has increased its number of provincial offices from four to six during the 2011/12 financial year. It now has a presence in the Free State and Limpopo in addition to Eastern Cape, Gauteng, KwaZulu-Natal and Western Cape. These offices are able to service ALL the nine provinces adequately with all the Business Development Managers and Officers that have been appointed.

FUNDING INSTRUMENTS AND PROCESSES

The Agency's funding instruments are based on its Investment Policy. In the 2011/12 Financial Year, TIA introduced the Youth Technology Innovation Fund (YTIF) for its clients of ages between 18-30 years. The YTIF is meant to offer vouchers to this category of clients who need access to technology innovation support such as product certification, access to TIA Technology Stations and Platforms, business incubation and coaching from approved service providers. However, the Industry Matching Fund continues to be the Agency's most dominant instrument by far. The funding mechanisms take the form of a grant with an option for equity participation. There is also a loan with an option for repayment or equity participation.

All projects are taken through the Investment Access Committee (IAC) process that comprises of the different units of the organisation and chaired by the Group Executive for Industrial or Biotech Sectors. In the year under review, the organisation approved 17 projects for funding out of 167 that had gone for due diligence as per the recommendation of the IAC. The IAC process is critical to the organisation and has in the year 2011/12 taken 3 to 6 months for projects to be approved. This is an area the Executive Committee is doubling its efforts to improve and speed up.

TECHNOLOGY STATIONS AND PLATFORMS

TIA has 13 technology stations, 3 tooling stations and 15 platforms. These are used as part of the technology innovation value chain to provide high end equipment and technical skills to SME inventors. They are mostly housed at the country's higher education institutions. Through these technology stations and platforms, TIA has managed to assist more than 1700 with product development. Some of the products that have been developed through the Technology Stations and Platforms in the 2011/12 Financial Year are:

1. The Wheel Chair Car (Product Development Technology Station hosted at Central University of Technology in Bloemfontein)
2. The Automatic Rat Pill Press Machine (Product Development Technology Station hosted at Central University of Technology in Bloemfontein)
3. Enzyme Technologies– the project has successfully met its technical objectives during its occupancy and will be looking to graduate from the platform in the new 2012/13 FY (Umbongontwini Bioprocessing Platform)
4. Sliek (Pty) Ltd – was hosted to develop process technology to make an enzyme that addresses lactose intolerance in the general population (Umbongontwini Bioprocessing Platform).

These are some of the projects that have made use of the multimillion Rand equipment and world class technical skills that are available in the technology stations and platforms at the fraction of their cost. In addition to the product development and services, the Technology Stations and Platforms are used for skills development by Researchers and academic interns.

The Agency continues to operate South Africa's only three Institutes for Advanced Tooling (Tooling Stations) located at Walter Sisulu University of Technology (WSU), Tshwane University of Technology (TUT) and University of Stellenbosch (UoS). During the financial year 2011/12, the tooling stations have supported 99 SMEs with design and small scale manufacturing of products. In the year under review, 11 interns we sent to the Indo German Tool Room in Aurungabad, India on a six month capacity building programme sponsored by TIA. The programme is part of a long term cooperation agreement between India and South Africa that focuses on scarce skills.

INVESTMENT PORTFOLIO

The CORE business of the Agency is to invest in technology innovation. In the year 2011/12, the Agency continued to service the inherited portfolio whilst creating a new one. During the 2011/12 Financial Year, the Agency committed R274 million on investments and leveraged R424 million from other partners. In addition to the inherited portfolio, TIA approved the support of 16 new investments for financial year 2011/12. The TIA portfolio of investments is divided into Biotech and Industrial Sectors. The portfolio pipeline is dominated by the Biotech Investment on a ratio of 2:1.

It is however important to emphasise that TIA invests in high risk projects that have not yet managed to get revenue. Naturally, projects fail throughout the technology innovation value chain. The Agency has commenced during 2011/12 Financial Year to create a model for its value chain and expectation. Whilst this work is in progress, the current expectation is that one out of every ten projects undertaken in this area will fail. However, the successes of one will more than make up for the nine that have failed. This is the norm with other such entities international and within the Venture Capital industry.

STRATEGIC PARTNERSHIPS

TIA signed several local and international partnerships. In particular, the Agency is pleased to have established the South African Spanish Initiative with the Spanish Centre for the Development of Industrial Technology (CTDI). During the 2011/12 Financial Year, four companies have been evaluated for potential support by the South African Spanish Initiative programme.

TIA has continued to pursue strategic partnerships with a number of institutions within the National System of Innovation (NSI) and provinces. However, the partnership with the Industrial Development Corporation of South Africa Limited (IDC) is most significant outside the NSI. In the 2011/12 FY, TIA has committed to co-invest with IDC on a number of projects worth more than R200 million. This is a significant partnership for the country's efforts to harmonise the commercialisation value chain.

THE VENTURE CAPITAL WORKSHOP

South Africa's venture capital industry is not as fully developed yet to be of use to the high risk area investment in line with international trends. During the 2011/12, TIA together with IDC hosted the world renowned Head of Investment Studies at Harvard Business School, Prof Josh Lerner, to conduct a week long seminar on Venture Capital. This brought together academics, private sector and government department representatives. The workshop has been instrumental in assisting the country to understand the Venture Capital space better and TIA to foster more partnerships with potential funding partners.

KEY PERFORMANCE INDICATORS

The Agency had set itself six strategic goals for the 2011/12 financial year. Whilst most goals were achieved, others were abandoned for their lack of relevance. In particular, strategic objective 3 which dealt with the need to get a case by case exemption for investments from National Treasury. This was not done for new investments as the Agency used a different tool that made this objective irrelevant. TIA also abandoned the rollout of nine regional offices and stuck with six as these were deemed sufficient to cater for all nine provinces. The Agency, however, takes note of the external auditor's comments on the need to ensure verification and control systems for the authenticity of the performance information.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Agency received an MTEF allocation of R433 million in the financial year 2011/12. Other income of R16.9 million comprise of interest earned from investments and interest earned from the bank, royalties earned from investments and dividends. The total expenditure for the year under review came to R47.8 million (this includes non-cash expenditure of R61 million relating to impairments of investments and R9 million relating to depreciation) resulting in a surplus of R60.9 million. The Agency reversed a provision for a tax liability which was recognised as an expense in previous years. The reversal of the tax provision was based on an opinion received from an independent source.

During the year 2010/11, the Agency received an adverse audit opinion due to, amongst others, investments that were not consolidated on time for the audit. During the financial year 2011/12, the Agency established a Workout Unit to assist the CFO and her team with consolidation. The office of the Accountant General also seconded a resource to the Work Out Unit at TIA to assist with the consolidation effort. TIA was therefore able to consolidate 49 companies. The Agency expresses deep gratitude to the CFO, Ms Barbara Kortjass and her finance team; Advocate Arthur Maisela and members of the Work Out Unit; the Office of the Accountant General for their support and the guidance of the Audit and Risk Committee under the leadership of Ms Fundiswa Roji.

During his illustrious life, Professor Albert Einstein has been quoted as saying the following: *insanity is to do one and the same thing over and over again and expecting different results.* It is therefore incumbent upon the Agency to resist the temptation to do one and the same thing over and over again and expect different results. The path undertaken by the organisation is to continue to evaluate the relevance and success of all its programmes and processes. Hence the Agency accepts full responsibility for those programmes that do not work on condition that they can be changed expeditiously for the better.

ACKNOWLEDGEMENTS

I take the opportunity to express deep gratitude to the Board under the leadership of Dr. Mamphela Ramphele for their guidance and support. My profound appreciation also goes to Minister Pandor, Deputy Minster Hannekom, Director-General Mjwara and the many DST officials that assist TIA to deliver on its mandate. I continue to be inspired by the leaders without a title. They are the hard-working men and women of the Agency and my heartfelt appreciation goes to them for their efforts.

Simphiwe Duma
Chief Executive Officer

Section 1
Governance

Board Members

DR MAMPHELA RAMPHELE

Chairperson

(Non-executive)

Qualifications: MBCHB, PhD (Social Anthropology), BCom (Administration), Diplomas (Tropical Health and Hygiene, and Public Health)

Position/Affiliation: Founder of Letsema Circle and Chairperson of Gold Fields Ltd. Former Chairperson of Convenors of the Dinokeng Scenarios, Former Managing Director of the World Bank, Former Co-Chair on the Global Commission for International Migration, Former Vice-Chancellor of the University of Cape Town.

Field of Expertise: Physician and anthropologist. Academic governance structures, education and health policies, monitoring and evaluation.

DR PATRICK NGWENYA

Deputy Chairperson

(Non-executive)

Qualifications: PhD (Chemistry), MBA

Position/Affiliation: Executive Director of Tsiya Group (Pty) Ltd, former Chairman of the Nuclear Energy Corporation of South Africa (NECSA), non-executive director of Unisys Africa and CKS Investments.

Field of Expertise: Academic scientific research and lecturing at institutions of higher learning, public and private sector consulting in business strategy.

MS CHERYL CAROLUS

(Non-executive)

Qualifications: BA (Law), B Education

Position/Affiliation: Chairperson of South African Airways (SAA), Executive Chairperson of Peotona, board member of Investec Ltd and Investec plc, Mercedes Benz SA, International Marketing Council, PG Group, Gold Fields Limited, International Crisis Group, World Wildlife Fund and The Constitution Hill Trust.

Field of Expertise: Legal, tourism, business and biodiversity.

MR ILAN LAX

(Non-executive)

Qualifications: B Proc

Position/Affiliation: Attorney at Ilan Lax Attorneys, Chairman of Federation of South African Flyfishers, Wilderness Action Group, Rainman Landcare Foundation, Ukulungisa Project Preparation Fund, deputy Chairman of KZN Town Planning Appeals Board, Association for Rural Advancement; Treasurer of NADEL and Project Preparation Trust KZN.

Field of Expertise: Legal and justice system.

Board Members

MR ROSS NORTON

(Non-executive)

Qualifications: BSc (Chemical. Engineering), PMD

Position/Affiliation: Co-founder and Chairman of SA Bioproducts, Chairman of Ufion Pty Ltd and former chairman of Lifelab.

Field of Expertise: Technology development and commercialisation.

PROF SUSAN HARRISON

(Non-executive)

Qualifications: BSc (Chemistry and Microbiology), Microbiology (Honours), PhD (Chemical Engineering)

Position/Affiliation: Professor of Chemical Engineering at the (UCT), NRF-DST SARChI Research Chair in Bioprocess Engineering, former head of the department of Chemical Engineering at UCT, former Chair of Cape Biotechnology Trust, Board member of the UCT Research Committee and previously UCT Council.

Field of Expertise: Bioprocess engineering, metal extraction from minerals ores, bioenergy from algae and production of final chemicals, research experience is in both academic and industrial contexts, research management in the academic environment and commercialisation of research.

DR STEVEN CORNELIUS

(Non-executive)

Qualifications: BSc, BSc (Hons), BVMCh, BVSc (Hons), SEP

Position/Affiliation: Senior Lecturer in Veterinary Physiology at the University of Pretoria, Chairman of the Meat Industry Trust, acting Chairman of Onderstepoort Biological Products Board, external audit committee member of the Agricultural Research Council and member of the South African Veterinary Council. Former Chairman of BioPad and Head of Department of Agriculture and Rural Development in Gauteng.

Field of Expertise: Veterinary science

MS HELEN BROWN

(Non-executive)

Qualifications: BA Social Sciences, HDPM (PG Diploma in Management), DELF 4

Position/Affiliation: Senior Project Manager at MERSETA (Manufacturing Engineering & Related Sector Education Training Authority). Former board member of the Tshumisano Trust, technical advisory committee member of both the National Nuclear Manufacturing Centre at NECSA and the Institute of Advanced Tooling, and review panel member of AMTS-IU.

Field of Expertise: Human capital development, industrialisation of emission reduction technologies and project management.

MS FUNDISWA ROJI

(Non-executive)

Qualifications: BCom, PG Diploma (Financial Planning), BCompt (Honours), CA (SA)

Position/Affiliation: Director - Investments at Kagiso Tiso Holding (Pty) Ltd. Director of various Boards. Member of the Board of SAVCA. Member of the African Women Chartered Accountants (AWCA).

Field of Expertise: Financial management and Investments.

MS MARJORIE PYOOS

(Non-executive)

Qualifications: B Econ (Honours), Honorary Doctorate (CPUT)

Position/Affiliation: Former and long serving senior ranking official of the South African Government, including the Department of Science and Technology. Former Chairperson of Tshumisano Trust.

Field of Expertise: Science and Technology Policy.

MR SIMPHIWE DUMA

Chief Executive Officer

(Executive)

Qualifications: BSc Engineering (Electrical), M Engineering (Electronics), PG Diploma (Engineering Business Management)

Position/Affiliation: Former chief executive and chief engineer at Psidot Technology Holdings, former Chief Engineering Consultant at Lebone Engineering, Senior member of the South African Institute of Electrical Engineers, Professionally registered Engineer with the Engineering Council of South Africa, Fellow at South African Academy of Engineering

Field of Expertise: Engineering and Technology Innovation.

MS BARBARA KORTJASS*

Chief Financial Officer

(Executive)

Qualifications: B Com (Honours) Accounting, CA (SA)

Position/Affiliation: Financial Management Consultant at Litavhu Investments Holdings, Financial Director at OneCall Solutions (subsidiary of J&J Holdings), Tax Manager at PPC (subsidiary of Barloworld), Conducted training on public sector financial statements in Gauteng province.

Field of Expertise: Financial Management across Corporate, Industrial and Financial Services Sectors.

*Ms Barbara Kortjass, the CFO, is in permanent attendance of all Board meetings as per Board resolution of 12 November 2010.

Corporate Governance

BOARD RESPONSIBILITIES

The Board's responsibilities are governed by the Technology Innovation Agency Act. The Board approves the Agency's strategy, goals, operating policies and priorities and monitors policy compliance and TIA's progress on achieving objectives.

Other than the Chief Executive Officer (CEO) and the CFO, all Board members are non-executive. The members bring independent judgement to Board deliberations and decisions. The Board has the required minimum number of members and meets quarterly. In the 2011/12 FY, it met on 19 May 2011, 11 August 2011, 25 August 2011, 17 November 2011 and 21 February 2012.

The consolidated annual financial statements for 2011/12 FY were approved in August 2012. TIA Board has the following sub-committees: the Chairpersons' Committee, the Human Resources Committee, the Audit and Risk Committee and the Investment Committee. The committees complied with their respective terms of reference in 2011/12.

Summary of Attendence

Table 1: Number of Meetings Attended

Board Member	Board Meetings (5)	Chairpersons Committee Meetings (2)	Human Resources Committee Meetings (5)	Investment Committee Meetings (5)	Audit and Risk Committee Meetings (5)
Mamphela Ramphele	5	2			
Patrick Ngwenya	5	2	3		
Susan Harrison	4			3	4
Cheryl Carolus	5			3	
Ross Norton	5	2		4	5
Helen Brown	5		5		
Ilan Lax	5	2	5	5	
Fundiswa Roji	2	1			2
Steven Cornelius	5		5	5	5
Marjorie Pyoos	2				1
Simphiwe Duma	5	2	5	4	4
Barbara Kortjass	5	2	4	5	4

Table 2: 2011/12 Board meetings

Board Member	19 May 2011	11 Aug 2011	25 Aug 2011	17 Nov 2011	21 Feb 2012
Mamphela Ramphele	•	•	•	•	•
Patrick Ngwenya	•	•	•	•	•
Susan Harrison	•	•	•		•
Cheryl Carolus	•	•	•	•	•
Ross Norton	•	•	•	•	•
Helen Brown	•	•	•	•	•
Ilan Lax	•	•	•	•	•
Fundiswa Roji*				•	•
Steven Cornelius	•	•	•	•	•
Marjorie Pyoos*				•	•
Simphiwe Duma	•	•	•	•	•
Barbara Kortjass	•	•	•	•	•

* Appointed as a member from 1 October 2011

Table 3: Chairpersons' Committee meetings

Committee Member	4 May 2011	3 Nov 2011
Mamphela Ramphele	•	•
Patrick Ngwenya	•	•
Ross Norton	•	•
Ilan Lax	•	•
Fundiswa Roji		•
Simphiwe Duma	•	•
Barbara Kortjass	•	•

Table 4: Human Resources Committee meetings

Committee Member	14 Apr 2011	15 Sep 2011	26 Jan 2012	19 Mar 2012	23 Mar 2012
Patrick Ngwenya	•		•	•	
Helen Brown	•	•	•	•	•
Ilan Lax	•	•	•	•	•
Steven Cornelius	•	•	•	•	•
Simphiwe Duma	•	•	•	•	•
Barbara Kortjass	•	•	•	•	

Table 5: Investment Committee meetings

Committee Member	14 Jul 2011	3 Aug 2011	15 Sep 2011	18 Oct 2011	6 Dec 2011
Susan Harrison	•			•	•
Ilan Lax	•	•	•	•	•
Steven Cornelius	•	•	•	•	•
Ross Norton	•	•	•	•	•
Cheryl Carolus	•	•		•	
Lynette Milne**	•	•	•		•
Mark van Olst***				•	•
Simphiwe Duma	•		•	•	•
Barbara Kortjass	•	•	•	•	•

Table 6: Audit and Risk Committee meetings

Committee Member	27 May 2011	3 Aug 2011	15 Sep 2011	15 Nov 2011	8 Feb 2012
Fundiswa Roji				•	•
Ross Norton	•	•	•	•	•
Susan Harrison	•	•	•	•	
Marjorie Pyoos					•
Steven Cornelius	•	•	•	•	•
Lynette Milne**	•	•	•	•	•
Simphiwe Duma	•		•	•	•
Barbara Kortjass	•	•	•	•	

** Lynette Milne was coopted to be a Member of the Investment Committee and Audit and Risk Committee during the 2010/11 FY by virtue of her qualifications.

*** Mark van Olst was coopted to be a Member of the Investment Committee on 1 October 2011 by virtue of his qualifications.

Board committees

The current TIA Board was appointed at the Cabinet meeting of 15 April 2009.

Board powers and functions

The Board, established in terms of section 5 of the TIA Act, and is responsible for the management and control of the Agency. It is subject to the provisions of the TIA Act, the Public Finance Management Act (1999) and any other applicable law or regulatory provision.

The Board's responsibilities include the following:

- Act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders using sound corporate governance principles.
- Provide effective, ethical leadership.
- Give the Agency strategic direction, making recommendations for CEO appointments to the Minister of Science and Technology and ensuring that succession is planned.
- Prepare the consolidated annual financial statements and all related information.
- Define levels of materiality and significance, reserving specific power for itself and delegating other matters to the CEO.
- Determine policy and processes to ensure the integrity of the Agency's risk management and internal control procedures.

Human Resources Committee

The Human Resources Committee ensures that TIA develops a framework, policies, guidelines and an environment that allows it to attract and retain motivated, efficient and loyal employees. It also exercises oversight on Human Resources related matters on behalf of the Board.

Audit and Risk Committee

The committee helps the Board with the following responsibilities:

- Reporting on financial information.
- Applying accounting policies.
- Financial management.
- Internal control systems.
- Risk management systems.
- Protecting the Agency's assets.
- Complying with applicable laws, regulations, licenses, standards and best-practice guidelines.

In so doing, the committee reviews the following:

- The internal control system's effectiveness.
- The internal audit's effectiveness.
- Risk areas covered in internal and external audits.
- The adequacy, reliability and accuracy of financial information provided to management and other users.
- Accounting and auditing concerns identified as a result of internal and external audits.
- Compliance with legal and regulatory provisions; and the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- The external auditors' independence and objectivity.

Investment Committee

The committee approves appropriate investments up to a specific threshold. It is guided by the Board-approved Interim Operational Framework while the Investment Framework Policy, as prescribed by TIA is being promulgated by the Minister of Science and Technology, as stipulated by the TIA Act of 2008. The committee's responsibilities include the following:

- Review and approve the asset allocation policy and associated prudential limits within funds at least once a year.
- Make decisions to acquire or dispose investment assets within the Significance Framework.
- Make decisions to write off investment assets within the Significance Framework.
- Make decisions on shareholder consensus matters for companies where TIA holds shares.
- Recommend investment decisions to the Board where the proposed decision falls outside approved limits.
- Provide investment guidance and assistance to the Chairpersons' Committee.
- Consider appeals to all investment decisions.

Chairpersons' Committee

This is the executive committee of the Board. It defines the agenda for Board meetings and reviews recommendations from management and Board committees before they are presented to the full Board. The committee includes all committee chairpersons, the Board's chairperson and deputy chairperson.

Governance Support

During 2011/12 FY, a strategic risk register was developed through a review of risk relevance, changes in risk level, progress and relevance of mitigation actions. It also incorporated risks from the operational risk registers. This review identified the Agency's top 10 strategic risks, which were presented and accepted by the Audit and Risk Committee and management.

The risks listed below are key to the delivery of the Agency's objectives:

1. Loss of business continuity due to disaster/disruptions
2. Reputational risk due to lack of TIA branding and focus on image
3. Inability to develop technology innovation skills
4. Insufficient attraction of relevant investments
5. Non-compliance with applicable statutory requirements
6. Loss of resources due to fraud and unethical conduct
7. Inability to attract co-funding opportunities
8. Inability of investments to have an impact due to poor governance and reporting by TIA investee companies
9. Inability to implement TIA strategy
10. Inability to stimulate a culture of innovation.

Internal audits were performed, including follow-up audits from the external audit report. The internal audits ensured that management focused on improving the Agency's internal control environment and that the prospect of repeat findings was reduced. A risk-based approach for internal audit has been adopted for current and future assignments and a co-sourcing model for an internal audit service has been implemented.

Occupational health and safety policies and systems were developed to ensure a safe and healthy working environment for all Agency employees and stakeholders. TIA will hold awareness sessions to inform employees and stakeholders of their health and safety responsibilities and rights.

The business continuity management policy and strategy were developed and approved by the Audit and Risk Committee and management. The strategy includes a proposed disaster recovery plan, which sets out specific actions and responsibilities, and a communication plan.

TIA does not tolerate fraud, corruption, maladministration or any other dishonest activities of a similar nature. Such activities will be investigated and action will be taken against those found responsible.

The National Anti-Fraud and Corruption Hotline service was approved in January 2012 by the Public Service Commission. Employees and members of the public can anonymously report alleged corruption using the following toll-free number: 0800 701 701 (open 24 hours a day, seven days a week).

BUILDING A WORLD-CLASS INNOVATION AGENCY

TIA strives to be a world-class innovation Agency. It is implementing International Organisation for Standardisation (ISO) 9001:2008 to ensure operational excellence by improving efficiency and service-delivery quality.

ISO champions from various business units were appointed as advocates for the project. Implementation will be completed during 2012/13 FY, resulting in a quality management system that complies with world standards, as well as the South African Bureau of Standards and the South African National Accreditation System requirements.

IT GOVERNANCE

Information technology (IT) governance ensures that the Agency applies the King Report on Corporate Governance (King III) IT requirements and that the Board's fiduciary duties are met. An IT steering committee composed of various senior-management stakeholders was appointed to oversee IT governance requirements. The committee reports to the Executive Committee and the Board.

STRONG CORPORATE GOVERNANCE

The Agency initiated forensic investigations by an external professional service provider into the operations of one investee company and TIA. The investigation focused on allegations reported on the National Anti-Corruption Hotline relating to the misuse of funds and various related irregularities.

As a result of these investigations, the Agency was able to deal with the individuals concerned. It also helped the Agency to implement appropriate measures to ensure that investee companies have strong corporate governance structures and that the innovators receive appropriate non-financial support. The work of strengthening governance structures at investee companies is ongoing.

Section 2
Performance Information Report

Performance Information Report 2011/2012

Rating Key:

A= Target achieved

N = Target not achieved

No.	KPI	Annual Target 2011/2012	Actual Performance 2011/2012	Comments and reasons for variances	Rating
SO 1.	To stimulate the development and commercialisation of technology based services, processes and products				
1	Fully operational TIA	Dissolution of previous entities' Trusts by Master of High Court by 31 March 2012	**0**	This could not be done as the audits for the trusts were not finalised and there were no zero balance bank statements by 31 March 2012. However all the trusts have since been audited with only 1 zero balance bank statement still outstanding	N
2	Number of TIA regional offices	**5** TIA regional offices in all provinces by 31 March 2012	**2** TIA Regional Offices were launched in Limpopo and Free State on the 1st and 15th February 2012 respectively	The target was not met. Actual performance will serve as an indicator or baseline for future performance	N
3	Number of high impact (flagship) projects per regional office	**1** High impact (flagship) project launched by 31 March 2012	**1** The Nguni Cattle ART project was launched in Limpopo in February	The achievement is in line with the target	A
4	Number of new technology products/ processes/services developed with TIA funding	**22** New technology products, processes or services	**751** These are mainly products and process improvements for SMMEs that utilise the TIA Technology Stations & Platforms	The target was exceeded in TIA's first year of applying the National Treasury Framework for managing programme performance information indicating a higher than projected demand for TIA's services, going forward the actual performance will serve as a baseline for future performance	A
5	Number of new technology products/ processes/services commercialised	**7** New technology products/ services/ processes commercialized	**5** - The Crypta Key and Asset Management system (CKAM) by TUT tech station and INCOMA. -The EZWaste pedal system refuse bin by TUT tech station and EZWaste (Pty) Ltd - The ostoeogenic bone matrix trauma product by Altis Biologics - Beta Pro™, a wettable granule concentrate used as a bacterial insecticide for the population reduction of target pest, Butterflies and Moths by Becker Underwood - The ARC/CSIR consortium has licensed a bio-control agent against potato wilt disease to Microbial Solutions (Pty) Ltd	The target figure of 7 was based on the number of potentially commercialisable projects in the inherited portfolio plus potential new applications for commercialisation. Taking into account that this was TIA's first year of applying the National Treasury Framework for managing programme performance information, and that the organisation had to build on public awareness of its offerings, the actual performance would serve as an indicator/ baseline for future performance	N

Performance Information Report 2011/2012

No.	KPI	Annual Target 2011/2012	Actual Performance 2011/2012	Comments and reasons for variances	Rating
SO 2. To support the establishment and development of technology based commercially viable enterprises					
6	Number of technology-based enterprises supported	9 technology-based enterprises supported	**1152** Technology based enterprises supported with TIA funding	The target was exceeded in TIA's first year of applying the National Treasury Framework for managing programme performance information indicating a higher than projected demand for TIA's products or services, going forward the actual performance will serve as a baseline for future performance	A
7	Number of green technology-based enterprises supported	1 green technology based enterprises supported by 31 March 2011	**2** - Greenpack project at Stellebosch University Tech Station - Fuel Performance Catalyst to reduce CO_2 emissions and reduced fuel consumption at TUT tech station	The target was exceeded in TIA's first year of applying the National Treasury Framework for managing programme performance information indicating a higher than projected demand for TIA's products or services, going forward the actual performance will serve as a baseline for future performance	A
8	Number of technology stations/platforms developed to support enterprises	1 new technology platforms or stations by 31 March 2012	**1** New Technology Station for Process & Environmental Engineering opened at the University of Johannesburg (Gauteng)	The achievement is in line with the target	A

No.	KPI	Annual Target 2011/2012	Actual Performance 2011/2012	Comments and reasons for variances	Rating
SO 3. To leverage TIA funds for co- investment					
9	Number of new co-funded investments	Up to 7% of new investments	**60%** **6** New projects[1] were approved for co-funding In total TIA approved 10 new projects	The target was exceeded in TIA's first year of applying the National Treasury Framework for managing programme performance information, going forward the actual performance will serve as a baseline for future performance	A
10	Number of TIA projects attracting second-round funding from external parties	Up to 2% of the current portfolio	**4%** **6** Projects[2] were approved for follow-on funding with external parties In total TIA had 167 projects in its portfolio	The target was exceeded in TIA's first year of applying the National Treasury Framework for managing programme performance information, going forward the actual performance will serve as a baseline for future performance	A
11	Number of co-funded high impact projects	Up to 8% of all high impact (flagship) projects	**0**	No high impact projects were co-funded	N

Note: Re-investment on technologies previously funded by the historical TIA entities was not counted as new investments.

No.	KPI	Annual Target 2011/2012	Actual Performance 2011/2012	Comments and reasons for variances	Rating
SO 4. To optimise the implementation of statutory requirements					
12	PFMA exemptions obtained	Case-by-case exemptions on Section 51 (g) of the PFMA for the establishment of all new companies that TIA applies for	**0** No exemptions obtained in 2011/12	The funding tools used for investment did not require application for exemption	N

No.	KPI	Annual Target 2011/2012	Actual Performance 2011/2012	Comments and reasons for variances	Rating
SO 5. To facilitate the development of human capital for technology commercialisation and innovation					
13	TIA HCD programmes established to develop internal and external human resources	**77** Skills for Industry	**130** Interns were hired at Tech Stations to support on SMME projects. These have been hired since August 2011. The internship is ongoing	The target was exceeded in TIA's first year of applying the National Treasury Framework for managing programme performance information, going forward the target actual performance will serve as a baseline for future performance	A
		26 Skills for technology innovation	**22** Students have been placed in TIA regional offices and sectors	Two of the four interns declined the offers just before date of commencement, the Eastern Cape office appointment was put on hold due to mentoring resource constraints	N
		Development Programmes implemented for Commercialisation Managers, Investment Project Managers by 31 March 2012	Commercialisation Manager Programme (CMP) = 6 New recruits, Investment Project Management (IPM) = 10 new recruits	The achievement is in line with the target	A
		Continuation of the inherited IP Attorney and CHUMA development programmes	The programme has been successfully completed with all 5 candidates obtaining their MBA's and 4 of them employed within TIA and the NSI	The achievement is in line with the target	A

Performance Information Report 2011/2012

No.	KPI	Annual Target 2011/2012	Actual Performance 2011/2012	Comments and reasons for variances	Rating
SO 6. To build a culture of innovation					
14	TIA showcased at national science, technology and innovation promotional events	**4** Promotional events	**23** Promotional events & sponsorships	The target was exceeded in TIA's first year of applying the National Treasury Framework for managing programme performance information, going forward the actual performance will serve as a baseline for future performance	A
15	Implementation of National Innovation Competitions	**2%** Increase in participation, compared to previous year by 31 March 2012	**100%** The National Innovation Competition has been revived and there are currently 22 participants in the program	The target was exceeded in TIA's first year of applying the National Treasury Framework for managing programme performance information, going forward the actual performance will serve as a baseline for future performance	A

(Footnotes)

1 Developmnet of a continuous crystral seed process for sugar production
Weldcore
Marine Gyro
Interactive Driver education
Endogrowth
South Access Technologies

2 Azargen
Geratech
PTIP
Quorus Biotechnology/Synexa
Microwave Egg Pasteuriser
SAMI Co-funding from MMV

* The Performance Information report refers to TIA, and not the subsidiaries and associates.

Section 3
Consolidated Annual Financial Statements

Consolidated Annual Financial Statements

for the year ended 31 March 2012

Board's Responsibilities and Approval of the Consolidated Annual Financial Statements

The Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the consolidated annual financial statements fairly present the state of affairs of the entity and its subsidiaries as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and were given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The Board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Board have reviewed the group's cash flow forecast for the year to 31 August 2013 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The consolidated annual financial statements set out on pages 43 to 90, which have been prepared on the going concern basis, were approved by the Board on 29 August 2012 and were signed on its behalf by:

Dr Mamphela Ramphele
Chairperson

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2012.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The membership of the Committee comprises of six independent external members as listed hereunder.

F Roji (Chairperson)
J H R Norton
L Milne
S Cornelius
M Pyoos
S Harrison

The Committee met five times during the year under review. A detail of attendance at meetings is shown on page 24 of the Annual Report. During the period under review, the following changes to the membership of the Committee took place:

- J H R Norton resigned as the Chairperson but remained a member.
- F Roji was appointed as a member and the new Chairperson of the Committee.
- M Pyoos was appointed as a new member.

The CEO, CFO and the Enterprise Risk Manager have a standing invitation to attend the meetings of the Committee. In addition, the Auditor General is invited to the meetings. Internal and External Auditors are also invited to attend the meetings of the Committee.

AUDIT COMMITTEE RESPONSIBILITY

The Committee reports that it has complied with its responsibilities arising from the prevailing Treasury Regulations and the PFMA. The Committee operates in terms of the Audit and Risk Committee Charter, which has been adopted by the Board of TIA. The Committee has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The Committee monitors and evaluates the activities of the Internal Audit function, which function is carried by an independent service provider acting as Internal Auditors. Through this engagement, the Committee is able to report on the effectiveness of the internal control systems.

The Committee is satisfied that TIA's risk management process is operating adequately. This process is focused on identifying, assessing, managing and monitoring all risks, strategic and operational, across all operations.

In the conduct of its activities, the Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems;
- The strategic and operational risks areas of TIA;
- The adequacy, reliability and accuracy of financial information provided to management, the Board, and other users of such information;
- Any accounting and auditing concerns identified as a result of internal and external audits;

- Compliance with legal, accounting, and regulatory frameworks;
- The independence and objectivity of external auditors.

As this is the second year of TIA becoming operational, policies, systems and processes are still being developed and as such, the system of internal controls is at a development stage. The Committee has evaluated all significant and material issues raised in reports issued by both Internal and External Auditors, and is satisfied that they have been or are being appropriately addressed. The suggested enhancements to the controls and processes are being implemented. The Committee is satisfied with improvements in the control systems achieved during the period under review.

MANAGEMENT OF THE FINANCIAL FUNCTION

The financial function has been appropriately strengthened from a skills and competence perspective. Experience has been brought through the appointment of senior financial managers.

EVALUATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Committee has:

- Reviewed and discussed with the External Auditors and management, the audited consolidated annual financial statements included in the Annual Report;
- Reviewed the impairment provisions proposed by management;
- Reviewed the External Auditors' management letter and management's responses thereto;
- Reviewed the accounting policies and practices;
- Reviewed compliance with laws and regulations;
- Reviewed significant adjustments resulting from the audit; and
- Reviewed TIA's Report on Performance Information.

The Committee has taken the responsibility to ensure that standard operating procedures for collecting and reporting Performance Information are in place to ensure usefulness and reliability of Performance Information.

TIA has certain oversight responsibilities regarding the trading entities it controls. These subsidiaries were taken over by TIA as part of the merger of the seven entities that formed TIA. These trading entities had never operated in line with the PFMA and as such they have in the past year continued to operate on that basis. TIA has started putting plans in place to drive compliance with PFMA in these entities.

The Audit and Risk Committee concurs and accepts the External Auditor's conclusions on the consolidated annual financial statements, read together with the report of the External Auditors.

Fundiswa Roji
Chairperson of the Audit and Risk Committee

Report of the Independent Auditors

To the members of Parliament on the Technology Innovation Agency

REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

We have audited the consolidated annual financial statements of the Technology Innovation Agency as set out on pages 43 to 90, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the accounting authority's report.

Accounting authority's responsibility for the consolidated financial statements

The board of directors, which constitutes the Accounting Authority, is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with South African Standards of Generally Recognised Accounting Practice ("SA Standards of GRAP") and the requirements of the Public Finance Management Act of South Africa ("PFMA"), and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Technology Innovation Agency as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the Public Finance Management Act of South Africa.

Emphasis of matter

Separate financial statements

These financial statements are the consolidated financial statements of the Technology Innovation Agency. Separate financial statements of the Technology Innovation Agency have also been published by the Accounting Authority.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Public Audit Act Requirements (PAA)

In accordance with the Public Audit Act of South Africa, and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the Performance Information Report as set out on pages 29 to 32 of the annual report, and reported thereon to the Accounting Authority.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

The material findings from our report to the Accounting Authority are as follows:

Usefulness of information

Performance information not specific

The National Treasury Framework for managing programme performance information (FMPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 36% of the targets relevant to

- stimulating the development and commercialisation of technology based services, processes and products;
- supporting the establishment and development of technology based commercially viable enterprises and
- leveraging TIA funds for co-investment, were not specific in clearly identifying the nature and the required level of performance.

Performance information not verifiable

The National Treasury Framework for managing programme performance information (FMPPI) requires that it must be possible to validate the processes and systems that produce the indicator. A total of 71% of the indicators relevant to

- stimulating the development and commercialisation of technology based services, processes and products;
- supporting the establishment and development of technology based commercially viable enterprises;
- leveraging TIA funds for co-investment and
- facilitating the development of human capital for technology commercialisation and innovation were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of key controls in the relevant systems of collection, collation, verification and storage of actual performance information.

In addition to the above material findings, we drew attention to the following matter in our report to the Accounting Authority.

Achievement of planned targets

Of the total number of planned objectives, only 11 were achieved during the year under review. This represents 35% of the objectives not being achieved during the year under review. The reasons for not achieving the targets have been disclosed in the Performance Information Report.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Procurement and contract management

Section 51(1)(b)(ii) of the PFMA requires the Accounting Authority to take appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the entity. The current policies and procedures were not effective in preventing these types of expenditures. Notes 30 and 31 to the consolidated financial statements indicate instances of irregular expenditure and fruitless and wasteful expenditure incurred by TIA.

Strategic planning and performance management

Formal policies and procedures, prepared in terms of section 51(1)(a)(i) of the PFMA and describing how the entity's processes of performance planning, monitoring, measurement, review and reporting should be conducted, organised and managed, have not been prepared and embedded into the operational activities of the entity. This is also contrary to the requirements of the National Treasury Framework for Managing Programme Performance Information.

Consolidated Financial Statements

Sections 55(1) and 55(2) of the PFMA require the Accounting Authority to keep full and proper records of the financial affairs of the entity and prepare and submit consolidated financial statements that fairly present the state of affairs of the entity, its business, its financial results, its performance against predetermined objectives, and its financial position as at the end of the financial year concerned. The consolidated financial statements submitted for audit included material misstatements that were corrected during the audit.

Internal control

We considered internal control relevant to our audit of the consolidated financial statements, Performance Information Report and compliance with laws and regulations but not for the purpose of expressing an opinion on the effectiveness of the internal control. The matters reported below are limited to the significant deficiencies relating to leadership, financial and performance management and governance that resulted in the findings on the Performance Information Report and compliance with laws and regulations as included in this report.

- Policies and procedures to enable and support the understanding and execution of internal control objectives, processes, and responsibilities were not always established and communicated throughout the organisation to ensure accurate and reliable financial and performance reporting.
- Pertinent information was not identified and communicated across the group to support the achievement of reporting objectives.
- Effective oversight responsibility was not exercised during the year regarding compliance with laws and regulations and the related internal controls specific to entities under the ownership and control of TIA. This is evidenced by the fact that entities under the ownership and control of TIA have not complied with the PFMA and related Treasury Regulations. The Accounting Authority assumed control of these entities as a result of the merger of the Trusts which migrated to TIA.

Other matter

The matters contained in the Report on Other Legal and Regulatory Requirements are not considered to affect our opinion contained in our Report on the Consolidated Financial Statements.

KPMG Inc.
Registered Auditor
Per MMA Masemola
Chartered Accountant (SA)
Registered Auditor
Director
29 August 2012

Report of the Accounting Authority

for the year ended 31 March 2012

INTRODUCTION

On behalf of the Technology Innovation Agency ("TIA" or "Agency") Board, we hereby submit to Parliament, through the Minister of Science and Technology, this report and the audited consolidated annual financial statements for TIA for the period ended 31 March 2012. In the opinion of the TIA Board, the consolidated annual financial statements reflect the financial position of the Agency as at 31 March 2012 and the results of its operations for the period then ended.

PRINCIPAL ACTIVITIES OF THE TECHNOLOGY INNOVATION AGENCY

The object of the Agency is to support the State in stimulating and intensifying technological innovation in order to improve economic growth and quality of life of all South Africans by supporting the development and exploitation of technological innovations.

FINANCIAL RESULTS

The financial results of the Technology Innovation Agency are set out on pages 44 to 90 of the consolidated annual financial statements. In the financial year 2010/11, TIA had an adverse audit opinion due to the consolidation process that could not be undertaken as the required information was not available. The executive was given the task to deal with this issue of consolidating TIA's investments to comply with the statutory requirements of the Public Finance Management Act (PFMA) and Generally Recognised Accounting Practices (GRAP) standards. The executive was also tasked with engaging more with the National Treasury, the Accounting Standards Board and the Auditor General to discuss the alignment of the mandate of TIA and the listing as a Schedule 3A of the PFMA. Being listed as a Schedule 3A puts undue pressure on the Agency's ability to pursue its mandate. In particular, TIA has to invest in technology innovative companies and monitor their activities very closely to limit the inherent risks that are prevalent in this space. Whilst the Agency has put a lot of effort in complying with the legislative framework, it remains expensive and unsustainable. The Agency is pleased to have an unqualified audit opinion on the consolidated annual financial statements despite these onerous requirements. It remains a top priority for the Agency to achieve an operating and accounting regime that is supportive of its mandate.

EVENTS SUBSEQUENT TO THE END OF THE YEAR

The Board is not aware of any event which might impact on the entity after year end.

CONTACT PERSONS

Adv. Arthur Maisela, Board Secretariat.

The registered address of Technology Innovation Agency is:

83 Lois Avenue

Menlyn

Pretoria

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Statement of Financial Position
as at 31 March 2012

	Note(s)	2012 R '000	2011 R '000
Assets			
Current Assets			
Trade and other receivables	3	7,055	9,769
Cash and cash equivalents	4	301,503	223,814
		308,558	233,583
Non-Current Assets			
Property and equipment	5	35,237	42,477
Intangible assets	6	304	254
Investments in controlled entities	7	-	-
Investments in associates	8	16,928	28,840
Loans and receivables	9	37,955	39,721
Other financial assets	10	3,084	3,084
		93,508	114,376
Total Assets		402,066	347,959
Liabilities			
Current Liabilities			
Taxation payable		1,312	910
Finance lease liability	11	246	335
Operating lease liability		867	-
Trade and other payables	12	22,230	20,139
Provisions	13	-	2,157
Income received in advance		180	1,869
Other liabilities	14	-	35,411
		24,835	60,821
Non-Current Liabilities			
Loans from shareholders	15	2,295	2,171
Committed conditional grants and receipts	16	44,364	29,274
		46,659	31,445
Total Liabilities		71,494	92,266
Net Assets		330,572	255,693
Net Assets			
Net Assets Attributable to Net Asset Holders of Controlling Entity			
Accumulated surplus		337,010	260,642
Non-controlling interest		(6,438)	(4,949)
Total Net Assets		330,572	255,693

Statement of Financial Performance

for the year ended 31 March 2012

	Note(s)	2012 R '000	2011 R '000
Revenue			
Revenue from non-exchange transactions	17	486,934	594,866
(Deficit)/Surplus on (acquisition)/sale of investment in controlled entity		(7,710)	1,228
Other income	18	6,129	11,110
Interest received	19	13,147	11,831
Total Revenue		498,500	619,035
Expenditure			
Employee related costs		(114,425)	(98,671)
Project funding expenditure	20	(170,362)	(265,623)
Project funding expenditure - Ring Fenced		(43,158)	(41,770)
Impairment of investments	21	(36,325)	(10,055)
Finance costs		(112)	(53)
Depreciation and amortisation		(12,582)	(12,287)
Impairment loss on assets	22	(3)	(6,206)
Repairs and maintenance		(523)	(1,120)
Other operating expenses	23	(55,200)	(68,402)
Investment sourcing and management		(8,328)	(2,641)
IT expenses		(10,739)	(6,263)
Marketing expenses		(6,346)	(4,945)
Innovation skills development		(9,950)	(2,509)
Total Expenditure		(468,053)	(520,545)
Profit/(Loss) from equity accounted investments		350	(31,368)
Taxation		(1)	(360)
Reversal of tax provision	14	35,411	-
Surplus for the year		66,207	66,762
Attributable to:			
Net Asset holders of the controlling entity		67,560	68,474
Non-controlling interest		(1,353)	(1,712)

Statement of Changes in Net Assets

for the year ended 31 March 2012

	Accumulated surplus R'000	Non-controlling interest R'000	Total R'000
Opening 1 April 2010	192,168	(3,237)	188,931
Surplus 2011	68,474	(1,712)	66,762
Closing 1 April 2011	260,642	(4,949)	255,693
Acquistion of a controlled entity	8,808	(136)	8,672
Surplus 2012	67,560	(1,353)	66,207
Closing balance	337,010	(6,438)	330,572

Cash Flow Statement

for the year ended 31 March 2012

	Note(s)	2012 R '000	2011 R '000
Cash flows from operating activities			
Receipts			
Grants		486,934	594,866
Interest income		6,743	4,626
Other receipts		9,273	15,953
		502,950	615,445
Payments			
Employee costs		(114,425)	(98,671)
Project funding expenses		(213,520)	(307,393)
Other payments		(88,437)	(143,062)
		(416,382)	(549,126)
Net cash flows from operating activities	24	86,568	66,319
Cash flows from investing activities			
Purchase of property and equipment		(7,835)	(20,711)
Proceeds from sale of property and equipment		172	402
Purchase of investments in associates		-	(21,000)
Cash acquired from acquisition of controlled entity		48	-
Loans granted		(17,502)	(27,531)
Repayment of loans from economic entities		1,106	917
(Increase)/decrease in loans to/from Shareholders		42	(58)
Cash balances inherited from entities		-	97,859
Net cash flows from investing activities		(23,969)	29,878
Cash flows from financing activities			
Movement in conditional grants balance		15,090	16,488
Net increase/(decrease) in cash and cash equivalents		77,689	112,685
Cash and cash equivalents at the beginning of the year		223,814	111,129
Cash and cash equivalents at the end of the year		301,503	223,814

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

ACCOUNTING POLICIES

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand, which is the functional currency of the entity.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements are the annual financial statements of the entity presented as those of a single entity. The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as cost on initial measurement of a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date. When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of the entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the non-controlling party in a consolidated controlled entity may exceed the non-controlling interest in the controlled entity's net assets. The excess, and any further losses applicable to the non-controlling parties, are allocated against the controlling interest except to the extent that the non controlling party has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the controlling interest until the non-controlling party's share of losses previously absorbed by the controlling party has been recovered.

Investment in associates

An associate is an entity over which the entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the entity's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the entity's share of net assets of the investee. The surplus or deficit of the entity includes the entity's share of the surplus or deficit of the investee.

The entity's share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

The most recent available annual financial statements of the associate are used by the entity in applying the equity method. When the reporting date's of the entity and the associate are different, the associate prepares, for the use of the entity, annual financial statements as of the same date as the annual financial statements of the entity unless it is impracticale to do so.

When the annual financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the entity's annual financial statements. In any case, the difference between the reporting date of the associate and that of the entity is more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

The entity's consolidated annual financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the entity's interest in that associate are recognised only to the extent that the entity has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the entity resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in surplus or deficit.

Surpluses and deficits on transactions between the entity and an associate are eliminated to the extent of the entity's interest therein.

The entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for the investment in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement

1.2 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements in conformity with GRAP, management is required to make judgements, estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. These estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision effects both current and future periods. Significant judgements include:

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Trade receivables and loans and receivables

The entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on an individual and collective basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing (non-financial assets)

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions used may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities into cash generating units. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and other assets are inherently uncertain and could materially change over time.

1.3 Property and equipment

Property and equipment are tangible non-current assets that are held for use in the supply of services or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property and equipment is initially measured at cost.

The cost of an item of property and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Where an item of property and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Items of property and equipment held under a finance lease are recognised in line with this accounting policy and depreciated over the term of the lease contract.

Property and equipment is carried at cost less accumulated depreciation and impairment losses.

Property and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property and equipment have been assessed as follows for current and comparitive periods:

Item	Average useful life (in years)
Buildings	20 - 25
Furniture and office equipment	3 to 10
Motor vehicles	4 to 5
Leasehold improvements	Period of the lease agreement
Other property, plant and equipment	5 to 10
Laboratory equipment	1 to 25

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit.

Items of property and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, is valued at its fair value as at the date of acquisition.

Where intangible assets are acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values in the current and comparative period, as follows:

Item	Useful life
Computer software	2 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments). Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

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Class	Category
Investment in controlled entities	Financial assets at cost
Investment in associates	Financial assets at cost
Other investments	Financial assets at cost
Cash and cash equivalents	Financial assets at cost
Loans to shareholders	Financial asset as amortised cost
Loans and receivables	Financial asset at amortised cost
Trade and other receivables	Financial asset at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Loans from shareholders	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity derecognises a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised in the statement of financial position as an operating lease asset or liability.

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation). Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Costs of disposal are incremental costs directly attributable to the disposal of an asset.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goodsor services such as housing, cars and cellphones) for current employees.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments as accruals when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

1.9 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each reporting period to reflect the passage of time. This increase is recognised as an interest expense in surplus or deficit.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Contingent assets and contingent liabilities are not recognised in the statement of financial position.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from exchange transactions include interest, royalties and dividends earned as well as profit on sale of assets.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised in surplus or deficit, as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Management fees are earned and recognised in surplus or deficit in line with the stipulations of the applicable funding contract.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes, such as transfer of government grants from the shareholder or recognition of revenue in line with expenses incurred on contitional grants received.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Finance costs

It is inappropriate to capitalise finance costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current. Finance costs are recognised as an expense in surplus or deficit in the period in which they are incurred.

1.14 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirements of any applicable legislation, including the PFMA.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular, fruitless and wasteful expenditure are charged against the respective class of expenditure in the statement of financial performance in the period in which they are incurred and disclosed in a note in the period that is identified.

1.15 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and Interpretations early applied

The entity has chosen to early apply the following standards and interpretations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised, and recognise an amount equal to that reduction as revenue in surplus or deficit.

The proposed effective date of the standard is for years beginning on or after 01 April 2012 but has been early adopted by the entity.

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an entity in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an entity provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states for Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

The proposed effective date of the standard is for years beginning on or after 01 April 2013 and will be applied by the entity in that period.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an entity considers the substance of the contract and not just the legal form.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost.

An entity measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An entity is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an entity can however designate such an instrument to be measured at fair value.

An entity can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an entity has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an entity has transferred control of the asset to another entity.

An entity derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An entity cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an entity's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an entity is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An entity is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

The proposed effective date of the standard is for years beginning on or after 01 April 2012.

The entity has adopted the standard for the first time in the 2012 consolidated annual financial statements.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

3. TRADE AND OTHER RECEIVABLES

	2012 R '000	2011 R '000
Trade receivables	2,986	3,796
Prepayments	892	-
Deposits	1,006	1,897
Other receivables	2,171	4,076
	7,055	9,769

Fair value of trade and other receivables

The entity is of the opinion that the carrying value approximates the fair value of trade and other receivables at period end.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2012, R 216 000 (2011: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2012 R '000	2011 R '000
1 month past due	593	78
2 months past due	159	85
3 months past due	1,002	403
More than 6 months past due but considered receivable	216	-

Trade and other receivables impaired

The amount of the provision for doubtful debts was R 297,316 as of 31 March 2012 (2011: R 993,604).

The ageing of these balances are as follows:

	2012 R '000	2011 R '000
Over 6 months	297	994

Currencies

The carrying amount of trade and other receivables are denominated in the following currencies:

	2012 R '000	2011 R '000
Rand	7,042	9,769
US Dollar	13	-

Reconciliation of provision for impairment of trade and other receivables

	2012 R '000	2011 R '000
Opening balance	994	-
Provision for impairment	24	994
Amount reversed as payment was received	(721)	-
	297	994

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit.

No collateral is held as security.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2012 R '000	2011 R '000
Cash on hand	5	9
Bank balances	301,498	223,805
	301,503	223,814

No guarentees have been issued or restrictions on funds instated on these accounts.

The entity is of the opinion that the carrying value approximates the fair value of cash and cash equivalents at period end.

5. PROPERTY AND EQUIPMENT

	2012			2011		
	Cost R '000	Accumulated depreciation and accumulated impairment R '000	Carrying value R '000	Cost R '000	Accumulated depreciation and accumulated impairment R '000	Carrying value R '000
Buildings	8,379	(4,768)	3,611	6,921	(4,221)	2,700
Furniture and office equipment	12,475	(4,853)	7,622	10,505	(3,032)	7,473
Motor vehicles	303	(124)	179	298	(154)	144
Leasehold improvements	23,685	(13,167)	10,518	26,376	(9,644)	16,732
Other property, plant and equipment	8,069	(7,382)	687	3,687	(2,707)	980
Laboratory equipment	20,753	(8,133)	12,620	19,765	(5,317)	14,448
Total	73,664	(38,427)	35,237	67,552	(25,075)	42,477

Reconciliation of property and equipment - 2012

	Opening balance R '000	Additions R '000	Additions through business combinations R '000	Disposals R '000	Depreciation R '000	Closing balance R '000
Buildings	2,700	29	1,183	-	(301)	3,611
Furniture and office equipment	7,473	3,975	8	(880)	(2,954)	7,622
Motor vehicles	144	113	-	(14)	(64)	179
Leasehold improvements	16,732	1,966	-	(2,655)	(5,525)	10,518
Other property, plant and equipment	980	-	86	(49)	(330)	687
Laboratory equipment	14,448	1,289	-	(22)	(3,095)	12,620
	42,477	7,372	1,277	(3,620)	(12,269)	35,237

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

5. PROPERTY AND EQUIPMENT (CONTINUED)

Reconciliation of property and equipment - 2011

	Opening balance R '000	Additions R '000	Acquisitions through entity combinations R '000	Disposals R '000	Fair value adjustment on assets acquired at zero value R '000	Depreciation R '000	Impairment loss R '000	Closing balance R '000
Buildings	-	-	6,487	-	-	(212)	(3,575)	2,700
Furniture and office equipment	2,644	3,483	2,932	(116)	463	(1,933)	-	7,473
Motor vehicles	-	186	266	(218)	-	(90)	-	144
Leasehold improvements	311	14,455	8,350	-	-	(6,384)	-	16,732
Other property, plant and equipment	-	-	1,949	(4)	-	(271)	(694)	980
Laboratory equipment	-	2,435	18,556	(2,383)	-	(3,022)	(1,138)	14,448
	2,955	20,559	38,540	(2,721)	463	(11,912)	(5,407)	42,477

Pledged as security

None of the assets above has been pledged as security or have restrictions on title.

The book value of Assets included in Furniture and Office equipment under finance leases: R208,000 (2011: R134,000)

6. INTANGIBLE ASSETS

	2012 Cost R '000	2012 Accumulated amortisation and accumulated impairment R '000	2012 Carrying value R '000	2011 Cost R '000	2011 Accumulated amortisation and accumulated impairment R '000	2011 Carrying value R '000
Computer software	1,181	(877)	304	1,081	(827)	254

Reconciliation of intangible assets - 2012

	Opening balance R '000	Additions R '000	Disposals R '000	Amortisation R '000	Total R '000
Computer software	254	462	(100)	(312)	304

Reconciliation of intangible assets - 2011

	Opening balance R '000	Additions R '000	Acquisitions through entity combinations R '000	Amortisation R '000	Total R '000
Computer software	132	152	345	(375)	254

Restricted title

None of the above intangible assets have restriction in title or have been pledged as security.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

7. INVESTMENTS IN CONTROLLED ENTITIES

Name of company	Reporting period end	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
African Clinical Research Organisation (Pty) Ltd	31 Mar	81.67%	78.25%	-	-
Cape Carotene (Pty) Ltd	28 Feb	100.00%	100.00%	-	-
Biotec Laboratories (Pty) Ltd	28 Feb	100.00%	100.00%	-	-
Keep the Dream 278 NPC	28 Feb	100.00%	100.00%	-	-
Keep the Dream 279 NPC	28 Feb	100.00%	100.00%	-	-
ZA Biotech (Pty) Ltd	28 Feb	98.00%	98.00%	-	-
Bio2Biz (Pty) Ltd	31 Dec	58.75%	58.75%	-	-
QuantuMDx (Pty) Ltd	31 Mar	100.00%	100.00%	-	-
Capelands Nurseries (Pty) Ltd	31 Mar	100.00%	100.00%	-	-
ARVIR (Pty) Ltd	31 Mar	100.00%	100.00%	-	-
East Coast Rapid Diagnostics (Pty) Ltd	31 Mar	100.00%	100.00%	-	-
Genecare Molecular Genetics (Pty) Ltd	30 Sep	100.00%	100.00%	-	-
Cape Gourmet Mushrooms (Pty) Ltd	28 Feb	58.17%	58.17%	-	-
Natural Carotenoids South African (Pty) Ltd	31 Mar	98.83%	33.00%	-	-
				-	-

Controlled entities' reporting date is different from that of the controlling entity

A number of controlled entities have reporting dates that differ from the controlling entity. If the reporting date is within a 3 month period of the reporting period of the controlling entity, the annual financial statements for that period will be used in consolidating the results of the entity. The management accounts for the entities were reviewed in order to ensure that no significant changes took place between the reporting date and 31 March 2012.

Where the reporting dates differ with more than 3 months, a review of the financial affairs of the entity was performed up to the reporting date of the controlling entity and this is used for consolidation purposes.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

8. INVESTMENTS IN ASSOCIATES

Name of company	Reporting period end	% holding 2012	% holding 2011	Carrying amount 2012 R'000	Carrying amount 2011 R'000
Adept (Pty) Ltd	28 Feb	25.00%	25.00%	-	-
Aloe Verox/Pedal trading (Pty) Ltd	28 Feb	48.00%	48.00%	-	-
Blue Cube Systems (Pty) Ltd	31 Dec	25.00%	25.00%	3,285	3,044
Citrogold (Pty) Ltd	31 Mar	34.00%	34.00%	2,545	2,130
Commercial Aquaculture (Pty) Ltd	28 Feb	34.00%	34.00%	-	-
Edgi Tech (Pty) Ltd	28 Feb	26.00%	26.00%	-	-
Elevation Biotech (Pty) Ltd	28 Feb	46.00%	46.00%	-	-
Everpix (Pty) Ltd	28 Feb	20.00%	20.00%	-	-
Geratech Zirconium Benefication (Pty) Ltd	28 Feb	48.02%	48.02%	-	-
Inqaba Biotech (Pty) Ltd	28 Feb	37.00%	37.00%	3,272	3,262
Jerihsa Medical (Pty) Ltd	28 Feb	31.00%	31.00%	-	-
Kapa Biosystems (Pty) Ltd	31 May	49.00%	49.00%	-	-
Natural Carotenoids South Africa (Pty) Ltd***	31 Jul	98.83%	33.00%	-	-
Niocad (Pty) Ltd	28 Feb	22.00%	22.00%	-	-
Nkomazi Chemicals (Pty) Ltd	30 Jun	35.74%	35.74%	-	-
Nulane Investments 219 (Pty) Ltd	28 Feb	26.00%	26.00%	-	-
Ribotech (Pty) Ltd	31 Aug	35.00%	35.00%	-	-
Robonica (Pty) Ltd	31 Mar	41.00%	41.00%	-	-
Safe Eggs (Pty) Ltd	30 Apr	26.00%	26.00%	-	-
Tenacent SA (Pty) Ltd	28 Feb	20.00%	20.00%	-	-
Vibol Systems (Pty) Ltd	28 Feb	26.50%	26.50%	-	-
Bio Gold Holdings (Pty) Ltd	28 Feb	33.30%	33.30%	1,109	181
Azitu Biotech (Pty) Ltd **	31 Mar	60.00%	60.00%	-	-
Control Maze Trading (Pty) Ltd **	28 Feb	51.00%	51.00%	29	29
Femtech (Pty) Ltd **	28 Feb	69.00%	69.00%	-	8,277
iKhambi le Nala (Pty) Ltd **	28 Feb	59.60%	59.60%	3,950	9,340
Ithemba Pharmaceutical (Pty) Ltd **	31 Dec	50.10%	50.10%	-	-
Optimal Energy (Pty) Ltd	28 Feb	33.80%	52.00%	-	-
Xsit (Pty) Ltd **	31 Mar	50.00%	50.00%	2,738	2,577
Bio Career Technology (Pty) Ltd **	28 Feb	51.00%	51.00%	-	-
Mycoroot (Pty) Ltd	28 Feb	25.00%	25.00%	-	-
LifeAssay (Pty) Ltd	28 Feb	26.00%	26.00%	-	-
Pure Proteins (Pty) Ltd	28 Feb	26.00%	26.00%	-	-
Eyeborn (Pty) Ltd	31 Mar	25.00%	25.00%	-	-
Centre of Proteomic & Genomic Research NPC*	31 Mar	50.00%	50.00%	-	-
				16,928	28,840

* This associate is a NPC company and the purpose of the company is not to make profit. No share in profit/loss has been recognised.

** Although the controlling entity holds more than 50% of the voting powers in these entities, the investment is not considered a controlled entity because the controlling entity does not have control over the entity due to voting rights/appointment powers of directors. These investments are therefore classified as investments in associates.

*** Natural Carotenoids South Africa (Pty) Ltd became a controlled entity during the year.

The carrying amounts of associates are shown net of impairment losses.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Movements in carrying value

	2012 R '000	2011 R '000
Opening balance	28,840	3,013
Share of surplus/(deficit)	1,881	(3,101)
Acquisition of investment in associate	-	21,000
Dividends received	(432)	(80)
Transfer of business - migrating entities	-	10,192
Impairment of investments in associates	(13,361)	(2,184)
	16,928	28,840

Principal activities

Legal name	Principal activity
Bio Career Technology (Pty) Ltd	Online career recruitment portal for SA science
Adept (Pty) Ltd	Development and commercialisation of general aviation engine
Aloe Verox/Pedal Trading (Pty) Ltd	Development of pharmaceutical components
Blue Cube Systems (Pty) Ltd	Development of real-time IT systems for Mining applications
Citrogold (Pty) Ltd	Commercialisation of PBRs of crop varieties
Edgi Tech (Pty) Ltd	Development of a modular fixture for knockdown products
Elevation Biotech (Pty) Ltd	Development of cargo and container seal
Everpix (Pty) Ltd	Development of unique oil extraction technology
Geratech Zirconium Benefication (Pty) Ltd	Production of zirconium chemicals and oxides
Kapa Biosystems (Pty) Ltd	Manufacture of next generation novel enzymes
Natural Carotenoids South Africa (Pty) Ltd	Production and sale of astaxanthin as feed for fish
Niocad (Pty) Ltd	Development of NIOCAD software
Nkomazi Chemicals (Pty) Ltd	Establishment of a large scale commercial Hydrotalcite Manufacturing Plant
Nulane Investments (Pty) Ltd	Distillation of water
Origin Source (Pty) Ltd	Manufacturing of drugs through mushrooms
Ribotech (Pty) Ltd	Manufacturing of rHOG-CSF. Product is used in cancer treatment
Safe Eggs (Pty) Ltd	Pasteurising of eggs
Vibol Systems (Pty) Ltd	Production of knuckle joints and exhaust systems
Azitu Biotech (Pty) Ltd	Propagation of plants using tissue culture
Control Maze Trading (Pty) Ltd	Development of edible mushroom spawn
Femtech (Pty) Ltd	Production of recombinant proteins
iKhambi le Nala (Pty) Ltd	Development of a self-sampling device for private cervical cancer screening
Ithemba Pharmaceutical (Pty) Ltd	Developing medicines for urgent health needs
Optimal Energy (Pty) Ltd	Development of electrical motor vehicle
Xsit (Pty) Ltd	Biocontrol using sterile techniques in citrus industry

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

All the above entities are incorporated in South Africa

Summary of controlled entity's interest in associate	2012 R '000	2011 R '000
Total assets	345,657	325,984
Total liabilities	442,524	409,823
Net assets/(liabilities)	(96,867)	(83,839)
Revenue	148,217	107,262
Surplus/(deficit)	(91,908)	(195,673)

Associates with different reporting dates

A number of associate entities have reporting dates that differ from that of the entity. If the reporting date is within a 3 month period of the reporting period end of the entity, the annual financial statements for that period will be used in the results of the entity using equity accounting. The management accounts for the entities were reviewed in order to ensure that no significant changes took place between reporting date and 31 March 2012.

Where the reporting date differs with more than 3 months, a review was done of the financial affairs up to the reporting date of the entity and this is used for equity accounting purposes.

9. LOANS AND RECEIVABLES

Associates	2012 R '000	2011 R '000
Optimal Energy (Pty) Ltd *	-	-
Adept Airmotive (Pty) Ltd **	-	3,734
Lifeassay Diagnostics (Pty) Ltd	864	-
The loan has no fixed repayment terms and accrues interest at prime plus 1%.		
Vibol (Pty) Ltd **	-	-
Citrogold (Pty) Ltd *	-	1,063
Xsit (Pty) Ltd	8,190	8,235
The loan has no fixed repayment terms and accrues interest at prime less 1%		
Nkomazi Chemicals (Pty) Ltd **	-	-
Biocareers (Pty) Ltd *	-	-
Pedal Trading (Pty) Ltd - Aloe Verox *	905	929
	9,959	13,961

* These loans have no fixed repayment terms and do not accrue interest.

** These loans have no fixed repayment terms and accrue interest at the prime interest rate.

Management does not intend to realise these loans within the next 12 months.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

9. LOANS AND RECEIVABLES (CONTINUED)

Other entities		
Biovac Institute (Pty) Ltd *	25,461	25,461
Golden Oaks Mushrooms (Pty) Ltd *	-	-
Synexa (Pty) Ltd	-	-
The loans have no fixed repayment terms and accrues interest at prime less 2.162%.		
Altis Biologics (Pty) Ltd **	299	299
Bermuda - DJOZ (Pty) Ltd **	-	-
Cerdak (Pty) Ltd *	-	-
Korwe Software (Pty) Ltd *	-	-
Ostecs (Pty) Ltd *	-	-
Robonica (Pty) Ltd *	-	-
Sunspace (Pty) Ltd *	-	-
Justick International (Pty) Ltd *	-	-
EnerQi Technologies (Pty) Ltd	153	-
The loan will be repaid in monthly installments from the second anniversary of loan date and accrues interest at prime.		
TMI Consultancy CC	1,083	-
The loan will be repaid in bi-annual installments commencing 18 months after granting of the loan and accrues interest at prime.		
Cipla Medpro *	1,000	-
	27,996	25,760

* These loans have no fixed repayment terms and do not accrue interest.

** These loans have no fixed repayment terms and accrue interest at the prime interest rate.

Management does not intend to realise the loans within the next 12 months.

Loans and Receivables include the following categories:		
Loans to associates	9,959	13,961
Loans to other entities	27,996	25,760
	37,955	39,721

Loans to associates and other entities impaired

As of 31 March 2012, loans to associates and other entities of R 166 223 225 (2011: R 141 657 595) were impaired and provided for.

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when the recovery of such amounts is improbable.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of loan mentioned above. The entity does not hold any collateral as security.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000
10. OTHER FINANCIAL ASSETS		
Financial assets at cost - Unlisted shares		
Disa Vascular (Pty) Ltd	3,070	3,070
Biotechnologies and Vaccines Institute of Southern Africa	14	14
Justick International (Pty) Ltd	-	-
Silver Lake Trading 537 (Pty) Ltd	-	-
	3,084	3,084

	2012 R '000	2011 R '000
11. FINANCE LEASE LIABILITY		
Minimum lease payments due		
- within one year	166	140
- in second to fifth year inclusive	126	291
	292	431
less: future finance charges	(46)	(96)
Present value of minimum lease payments	246	335
Present value of minimum lease payments due		
- within one year	132	90
- in second to fifth year inclusive	114	245
	246	335

It is the entity's policy to lease certain office equipment under finance leases.
The average lease term was 5 years and the average effective borrowing rate was 25% (2011: 18%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

	2012 R '000	2011 R '000
12. TRADE AND OTHER PAYABLES		
Trade payables	9,000	7,313
Employee related accruals	9,986	2,451
Other payables	3,244	10,375
	22,230	20,139

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

13. PROVISIONS

Onerous contract provision		
Opening balance	2,157	-
Additions/(Reversals)	(2,157)	2,157
Closing balance	-	2,157

This provision was in respect of a lease entered into between TIA and JHI Investments for the lease of U15-17 Office Block at the Innovation Hub Pretoria. A three year lease contract was entered into on 1 March 2010. The lease was terminated after the first year of the contract.

During the 2011/2012 financial year, TIA was released from future lease payments and a final invoice was received and accrued for.

14. OTHER LIABILITIES

At the date of transfer of business of PlatBio and Cape Biotech Trust, TIA took over the tax liabilities which were provided for in the Trust accounts. During the current year, TIA obtained a tax exemption. Since the Trusts operated on the same business model as TIA, management is of the view that the Trusts would have also qualified for tax exemption. This assessment was also confirmed by an opinion from senior counsel. Therefore, the tax liability recognised in prior year was reversed and a contingent liability has been disclosed in note 27.

Provision for tax		
Opening balance	35,411	-
Movement in current year	(35,411)	35,411
	-	35,411

15. LOANS FROM SHAREHOLDERS

Loans from shareholders These loans are non-interest bearing and has no fixed repayment terms.	(2,295)	(2,171)

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

16. COMMITTED CONDITIONAL GRANTS AND RECEIPTS

	2012 R '000	2011 R '000
Committed conditional grants and receipts comprises of:		
Deferred income: Bio Safety	-	5,000
Deferred income: Bio-fuels	16,482	10,000
Deferred income: ICT flagship program	3,000	3,000
Deferred income: South Africa Malaria Institute	745	2,875
Deferred income: South African HIV Research and Innovation Platform	2,427	1,112
Deferred income: Sugarcane	6,639	6,533
Deferred income: South African TB Research and Innovation Initiative	7,444	650
Deferred income: Advanced Manufacturing Technology Strategy	7,024	-
Deferred income: Alternative Energy	250	-
Deferred income: Technology Station Program	299	-
Other grants	54	104
	44,364	29,274

17. REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2012 R '000	2011 R '000
DST allocation received during the year	442,688	544,189
Ring-fenced funding: Advanced Manufacturing Technology Strategy	18,772	-
Ring-fenced funding: South African TB Research and Innovation Initiative	1,106	5,850
Ring-fenced funding: South African Malaria Institute	2,750	4,256
Ring-fenced funding: South African HIV Research and Innovation Platform	16,681	33,071
Ring-fenced funding: Alternative Energy	1,250	-
Ring-fenced funding: Bio Safety	-	7,500
Ring-fenced funding: Bio-fuels	3,687	-
	486,934	594,866

18. OTHER INCOME

	2012 R '000	2011 R '000
Royalties received	1,020	3,058
Other income	2,966	7,836
Rent received	-	216
Management fees	2,143	-
	6,129	11,110

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000
19. INVESTMENT INCOME		
Interest received		
Interest earned - Impaired Loans and receivables	6,404	7,205
Interest earned - Bank	6,072	4,012
Interest earned - Loans and receivables	671	614
	13,147	11,831
20. PROJECT FUNDING EXPENDITURE		
Project grants - third party	170,362	265,623
21. IMPAIRMENT OF INVESTMENTS		
Impairment of Financial assets at cost	13,361	2,184
Impairment of Financial assets at amortised cost	22,964	7,871
	36,325	10,055
22. IMPAIRMENT LOSS ON ASSETS		
Impairment of property and equipment	-	5,407
Impairment of current assets	3	452
Impairment of inventory	-	22
Impairment of biological assets	-	325
	3	6,206
23. OTHER OPERATING EXPENSES		
Included in other operating expenses are the following:		
Auditors remuneration	1,593	753
Consulting and professional fees	9,286	19,759
Consumables	1,171	1,548
Lease rentals on operating lease	9,349	11,199
Fuel and oil	-	46
Placement fees	2,330	1,497
Printing and stationery	1,580	1,112
Staff welfare	1,392	1,088
Subscriptions and membership fees	304	1,894
Travel and accomodation	10,954	12,980
Electricity	2,605	1,722

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

24. NET CASH FLOWS FROM OPERATING ACTIVITIES

	2012 R '000	2011 R '000
Surplus	66,207	66,762
Adjustments for:		
Depreciation and amortisation	12,581	12,287
Income from equity accounted investments	(350)	31,368
Fair value adjustments on assets	-	(463)
Loss on sale of assets	3,548	2,319
Dividends received	432	80
Impairment loss on assets	3	6,206
Impairment on investments	36,325	10,055
Loss on disposal of investment	7,710	(1,228)
Movement in provisions	(2,157)	2,157
Increase in provision for doubtful debts	24	994
Business transfer	(236)	(76,721)
Finance income accrued for on loan accounts	(6,404)	(7,205)
Reversal of other liabilities	(35,411)	-
Changes in working capital		
Trade and other receivables	2,714	2,974
Trade and other payables	3,271	14,865
Income received in advance	(1,689)	1,869
	86,568	66,319

25. RELATED PARTIES

Relationships

Members	*Refer to emoluments note 26*
Controlled entities	Refer to note 7
Associates	Refer to note 8
National Department	Ministry of Science and Technology
National Government Business Enterprises	Council for Scientific and Industrial Research
National Public Entities	National Research Foundation
Shareholders	Refer disclosure below
Members of key management	Director of Cecil Nurse - resigned from this company during 2011/2012 year.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000
25. RELATED PARTIES (CONTINUED)		
Related party balances		
Loan accounts - Owing to related parties		
ACRO - Batswadi Pharmaceuticals (Pty) Ltd	(2,625)	(2,625)
Cape Gourmet Mushrooms - H Henderson	(55)	(94)
NCSA - Gradchem Solutions CC	(82)	-
Amounts included in Trade Payable regarding related parties		
Capelands Nurseries - Vitrocom (Pty) Ltd	(185)	(271)
Committed conditional grants		
TIA - Ministry of Science and Technology	(44,310)	(29,170)
Loan accounts - Owing by related parties		
ACRO - ACRO Kenya	-	110
ACRO - Batswadi Pharmaceuticals (Pty) Ltd	379	405
ACRO - Loans from directors	92	36
Related party transactions		
Sales to related parties		
ACRO - Batswadi Pharmaceuticals (Pty) Ltd	(7)	(39)
Purchases from related parties		
ACRO - Batswadi Pharmaceuticals (Pty) Ltd	-	41
Allocations received		
TIA - Ministry of Science and Technology	(486,934)	(594,866)
Management fees earned		
TIA - Ministry of Science and Technology	(2,143)	-
Grants disbursed		
TIA - Council for Scientific and Industrial Research	21,665	30,095
TIA - National Research Foundation	-	4,746
TIA - Adept (Pty) Ltd	2,454	-
TIA - Femtech (Pty) Ltd	5,515	485
TIA - Ithemba Pharmaceuticals (Pty) Ltd	4,602	2,408
Expenses incurred		
TIA - Cecil Nurse Furniture Business (a subsidiary of Bidvest)	-	243

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

26. MEMBERS' EMOLUMENTS

Executive

2012	Emoluments R'000	Incentive paid R'000	Allowances* R'000	Other R'000	Total R'000
TIA					
Mr S Duma (CEO)	1,478	66	246	-	1,790
Ms B Kortjass (CFO)	1,450	57	91	-	1,598
Dr B Okole	1,249	48	18	-	1,315
Dr B Gumede	1,004	39	29	-	1,072
Dr J Chantson	1,017	39	37	-	1,093
Ms L Moalusi	1,060	41	17	-	1,118
Ms M Mkhwanazi	861	38	267	-	1,166
Mr N Rassool	789	33	110	-	932
Mr N Ndou	1,033	41	12	-	1,086
Ms P Maruping	1,361	57	323	-	1,741
Dr S Ntutela	994	39	24	-	1,057
Mr W van der Merwe (from 01/12/2011)	396	-	4	-	400
Adv A Maisela	717	30	72	-	819
ACRO	-	-	-	-	-
Ms M Richardson	1,311	-	-	106	1,417
ZA Biotech	-	-	-	-	-
Mr R Blower	938	-	-	-	938
	15,658	528	1,250	106	17,542

2011	Emoluments R'000	Bonus R'000	Allowances* R'000	Total R'000
TIA				
Dr N Msomi (interim CEO) (to 31/12/2010)	505	750	70	1,325
Mr F Hendricks (to 30/11/2010)	645	-	23	668
Dr D Paho (to 31/10/2010)	629	-	86	715
Ms B Kortjass (CFO)	1,162	-	18	1,180
Mr S Duma (CEO) (from 01/09/2010)	803	-	116	919
Ms P Maruping (from 01/02/2011)	218	-	11	229
Dr B Okole (from 01/02/2011)	573	-	-	573
Dr S Ntutela (from 01/02/2011)	156	-	2	158
Dr G Gumede (from 01/02/2011)	156	-	2	158
Dr J Chantson (from 01/02/2011)	156	-	2	158
Ms M Mkhwanazi (from 01/02/2011)	163	-	49	212
Mr D Raftesath (to 31/01/2011)	694	68	191	953
Mr M Sibanda (to 28/02/2011)	693	75	241	1,009
ACRO	-	-	-	-
Ms M Richardson	1,123	-	-	1,123
Biotec Laboratories	-	-	-	-
Dr D Sanyahumbi	258	-	-	258
Cape Carotene	-	-	-	-
Dr D Sanyahumbi	209	-	-	209
ZA Biotech	-	-	-	-
Mr R Blower	977	-	-	977
	9,120	893	811	10,824

* Allowances include the following: Cell phone allowances, Car allowances, Acting allowances, Transport allowances and Subsistance allowances.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

26. MEMBERS' EMOLUMENTS (CONTINUED)

Board

2012	Members' fees R'000	Other fees R'000	Total R'000
TIA			
Dr M Ramphele	138	-	138
Dr P Ngwenya	189	1	190
Ms C Carolus	96	6	102
Prof S Harrison	175	19	194
Dr S Cornelius	282	9	291
Ms H Brown	143	19	162
Ms M Pyoos (from 01/10/2011)	73	-	73
Mr I Lax	246	43	289
Mr R Norton	253	26	279
Ms F Roji (from 01/10/2011)	90	-	90
Ms L Milne *	108	26	134
Mr C Venter (to 06/06/2011)	-	18	18
Mr M van Olst **	38	-	38
ACRO (non-executive directors)	-	-	-
Mr D du Toit	8	-	8
Mr C Whitfield	9	-	9
ZA Biotech (non-executive directors)	-	-	-
Mr R Gordon	14	-	14
Mr C Whitfield	14	-	14
	1,876	167	2,043

* Ms L Milne was a co-opted member of the Audit and Risk committee as well as the Investment committee during the financial year.

** Mr M van Olst was a co-opted member of the Investment committee during the financial year and attended the first meeting on 18 October 2011.

2011	Members' fees R'000	Other fees ** R'000	Total R'000
TIA			
Dr M Ramphele	173	613	786
Dr P Ngwenya	97	135	232
Ms C Carolus	54	53	107
Prof S Harrison	94	53	147
Dr S Cornelius	154	53	207
Ms H Brown	102	53	155
Dr N Msomi	-	701	701
Mr I Lax	218	234	452
Mr R Norton	162	234	396
Mr C Venter	16	53	69
Ms L Milne *	61	53	114
ZA Biotech (non-executive directors)	-	-	-
Mr R Gordon	7	-	7
Mr C Whitfield	7	-	7
	1,145	2,235	3,380

* Ms L Milne is a co-opted member of the Audit and Risk committee

** The money referred to was paid to Board Members for their specialist consulting role during the transitional merger period. This does not amount to a payment in lieu of attendance of meetings of the Board (and therefore does not fall within the ambit of Section 9 of the TIA Act) but is in recognition of their specialist services rendered during the period leading to the merger, which constitute consulting services of a short term nature. In determining the amount payable to Members, TIA utilised the guide on hourly fee rates for consultants (published by DPSA in January 2003).

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

27. CONTINGENCIES

Contingent liabilities

Legal proceedings

During the 2010/2011 financial year a legal matter in relation to an alleged repudiation of a funding agreement was brought against the entity to the value of R63.9 million. Subsequent to year end this case was settled in favour of TIA.

Taxation

TIA has been granted tax exemption in terms of section 10(cA) of the Income Tax Act during the financial year. A tax opinion was obtained which indicated that, based on the operations of the Trusts, the Plantbio Trust and Lifelab Trust will not be liable for taxation raised in the 2010/2011 financial year to the value of R35 million and as a result this amount has been disclosed as a contingent liability.

Roll over of funds

In terms of section 53(3) of the PFMA an entity may not accumulate suplusses unless prior written approval is obtained from National Treasury. For the 2011/2012 financial year, TIA has applied to retain accumulated funds. The financial impact of the final outcome of this application on the financial statements as well as the timing of the potential outflow of economic benefit could not be determined at period end.

Project funding

Project funding under the Research and Development and Capacity Building Programmes in terms of funding agreements entered into by TIA.

	2012 R '000	2011 R '000
Funding agreements	167,264	202,461

These agreements will be funded using surplus and funds to be allocated in the financial periods in which these agreements become payable.

Contingent assets

Tshumisano Trust, one of the entities which migrated to TIA, invested funds to the value of R5 381 739 with Corporate Money Managers (Pty) Ltd, which was placed under curatorship in previous periods. At the date of this report no finality has been reached on claims instated against the fund.

28.COMMITMENTS

	2012 R '000	2011 R '000
Authorised capital expenditure		
Already contracted for but not provided for:		
•Property, plant and equipment	642	-
•Intangible assets	422	-
	1,064	-

This committed expenditure relates to office equipment and computer software and will be financed by available funds.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

28. COMMITMENTS (CONTINUED)

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	7,725	10,681
- in second to fifth year inclusive	17,476	25,541
	25,201	36,222

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

29. RISK MANAGEMENT

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide benefits for its stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of cash and cash equivalents disclosed in note 4, and reserves as disclosed in the statement of financial position.

There are no externally imposed capital requirements and there have been no changes in what the entity does to manage capital.

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

29. RISK MANAGEMENT (CONTINUED)

Liquidity risk

The entity manages liquity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities. The maturity profiles of the financial instruments are summarised as follows:

At 31 March 2012	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
Trade and other payables	22,230	-	-	-
Finance lease liability	132	114	-	-
Loans from shareholders	-	-	-	2,295

At 31 March 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	20,139	-	-	-
Finance lease liability	90	132	113	-
Loans from shareholders	-	-	-	2,171

Market risk

Interest rate risk

Changes in interest rates will affect the revenue from exchange transaction revenue stream as the return on investments of surplus funds are linked to the prime rate.

Cash flow interest rate risk

Financial instrument	Current interest rate %	Due in less than a year R'000	Due in one to two years R'000	Due in two to five years R'000
Trade and other receivables - normal credit terms	-%	7,055	-	-
Cash in current banking institutions	-%	301,503	-	-
Cash reserves at CPD	5.50%	253,130	-	-
Cash reserves at Standard Bank of South Africa	4.00%	34,654	-	-
Other cash reserves at commercial banks	Variable interest rates	13,719	-	-

Credit risk

Potential concentrations of credit risk consist mainly of cash and cash equivalents and trade receivables. The entity limits its counterparty exposures from its bank accounts by investing surplus funds with well-established financial institutions with a high quality credit standing. The credit exposure to any one counterparty is managed by monitoring transactions.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. At year end 31 March 2012, the entity did not consider there to be any significant concentration of credit risk which had not been adequately impaired for. The amount in the statement of financial position is the maximum exposure to credit risk.

Loans and receivables, investment in controlled entities, investment is associates and other investments consist mainly of funding granted to start up companies. The exposure to credit risk is managed through ongoing review of the operating results and financial position of the investee companies. Should the entity have doubt over the recoverability of the loan or the value of the investment, the loan/investmet is impaired and further funding is reduced.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

29. RISK MANAGEMENT (CONTINUED)

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

	2012	2011
Cash and cash equivalents	301,503	223,814
Trade and other receivables	7,055	9,769
Loans and receivables	37,955	39,721
Investment in controlled entities	-	-
Investment in associates	16,928	28,840
Other financial assets	3,084	3,084

The entity has little doubt over the recoverability of Trade and other receivables not considered to be impaired at year end.

The entity has reviewed the financial position of each of the entities where they have not impaired the loan disbursed to or investment made to the investee company and based on this, management is of the opinion that at period end the amount is recoverable.

Foreign exchange risk

Foreign currency exposure arise from the sale of goods by entities within the group.

The entity does not hedge foreign exchange fluctuations.

Foreign currency exposure at statement of financial position date:

	2012	2011
Current assets		
Trade debtors, USD 1 650 (2011 : USD -) receivable 31 March 2012	13	-

Exchange rates used for conversion of foreign items were:

USD: 7.69

The entity reviews its foreign currency exposure, including commitments on an ongoing basis.

Notes to the Consolidated Annual Financial Statements *for the year ended 31 March 2012*

	2012 R '000	2011 R '000

30. IRREGULAR EXPENDITURE

Irregular Expenditure incurred by TIA - current year	26,263	40,088
Irregular Expenditure incurred by controlled entities - current year	4,423	15,696
Less: Amounts condoned	(26,263)	(40,088)
	4,423	15,696

TIA

Irregular expenditure was incurred due to non-compliance with Treasury Regulation 16A 6.1, which is the result of the TIA policy and procedure not been aligned with the detail requirements of the PFMA and Treasury Regulations. A new Supply Chain Policy was approved on 4 April 2012.

Included in the R26 263 000 for 2011/2012 is contractual commitments of TIA that were condoned in full by the Board.

Controlled entities

The 14 controlled entities were inherited when the trusts were combined to form TIA. The subsidiaries were not set up to comply with the detail requirements of Treasury Regulations 16A 6.1. Management will continue to investigate the legislative compliance requirements for Controlled Entities with National Treasury.

31. FRUITLESS AND WASTEFUL EXPENDITURE

Interest and penalties on PAYE - TIA	57	273
Rental paid on 3rd floor in Central Building, Black River Park - TIA	-	425
Fruitless and wasteful expenditure incurred by controlled entities	68	428
Condoned by the TIA Board	(57)	(698)
	68	428

TIA

During the 2011/2012 year, the Pay-As-You-Earn taxation payable on fees owed to Board members was not accurate. The final assessment was received toward the end of the financial year and interest and penalties provided for. The instance was investigated and found that no one could be held liable.

Controlled entities

Full compliance with the PFMA requirements in controlled entities were not actively monitored as interest in these entities were acquired without the intention of full compliance. The nature of the expenses that could have been avoided are penalties, interest and legal fees.

List of Abbreviations

ACTS	Automotive Components Technology Station (now eNtsa)
ATS	Agri-Food Processing Technology Station
BEE	Black Economic Empowerment
CDC	Coega Development Co – Operation
CE	Conformité Européenne
CEO	Chief Executive Officer
CPUT	Cape Peninsula University of Technology
CRPM	Centre of Rapid Prototyping and Manufacturing
CSIR	Council Scientific and Industrial Research
CTDI	Spanish Centre for the Development of Industrial Technology
CTP	Committee of Technikon Principal
CUT	Central University of Technology
DALA	Department of Agriculture & Land Administration
DBSA	Development Bank of South Africa
DCTS	Downstream Chemicals Technology Station
DED	Department of Economic Development
DEDP	Department of Economic Development & Planning
DoE	Department of Education
DoL	Department of Labour
DST	Department Of Science and Technology
DUT	Durban University of Technology
EXCO	Executive Committee
EC	Eastern Cape
FDI	Financial Development Institutions
FET	Further Education and Training
FY	Financial Year
GAAP	Generally Acceptable Accounting Practice
GRAP	Generally Recognised Accounting Practice
GP	Gauteng Province
GEP	Gauteng Enterprise Propeller
GTZ	German Technical Cooperation
HCD	Human Capital Development
HEI	Higher Education Institutions
HESA	Higher Education of South Africa
IAT	Institute for Advanced Tooling
IAT-TUT	Institute Of Advanced Tooling in Tshwane University Of Technology
IAT-WC	Institute Of Advanced Tooling in University of Stellenbosch
IAT - WSU	Institute of Advanced Tooling in Walter Sisulu University
IDC	Industrial Development Cooperation
IGTR	Indo – German Tool room
KM	Knowledge Management
KPA	Key Performance Area
KPI	Key Performance Indicator
LATS	Limpopo Agrofood Technology Station
MC	Management Committee
MCTS	Metal Casting Technology Station
MEGA	Mpumalanga Economic Growth Agency
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
M&PT-Vaal	Technology Station in Materials and Processing Technology
MUT	Mangosuthu University of Technology
MSI	Middleburg Stainless Steel Initiative
NMMU	Nelson Mandela Metropolitan University
NQF	National Qualification Framework
NVC	New Venture Creation
PDI	Previous Disadvantage Individuals
PDTS	Product Development Technology Station
PFMA	Public Finance Management Act of 1999
PGWC	Provincial Government of the Western Cape
PMU	Project Management Unit
PPP	Public Private Partnership
QMS	Quality Management System

List of Abbreviations

R&D	Research and Development
RALIS	Rapid Appraisal of Local Innovation Systems
SABS	South African Bureau Of Standard
SAIF	South African Institute of Foundry men
SC	Science Councils
SEDA	Small Enterprise Development Agency
SETA	Skills Education Training Authorities
SETA	Sector Education and Training Authority
SME	Small and Medium Enterprises
SMT	Surface – Mount Technology
TASA	Tooling Association of South Africa
TAF	Technical Advisory Forum
TDM	Tool and Die Making
TS	Technology Stations
TSMC	Technology Station in Metal Casting
TSM&PT	Technology Station in Material and Processing Technologies
TSC-Man	Technology Station in Chemicals based at Mangosuthu Technikon
TSCT	Technology Station in Clothing and Textile
TSC-TUT	Technology Station in Chemical based at Tshwane University Of Technology
TSE	Technology Station in Electronics
TSP	Technology Stations Programme
TSPD	Technology Station in Product Development
TS R&MP	Technology Station in Reinforced & Moulded Plastics
ToR	Terms of Reference
TSIS	Technology Station Information System
TUT	Tshwane University of Technology
UoT	University of Technology
UoJ	University of Johannesburg
VC	Vice Chancellor
VUT	Vaal University of Technology
WC	Western Cape

Notes

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