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1.1 Vision
Chemin's vision is to be the principal agent in establishing small and micro enterprises in the downstream chemical manufacturing sector in South Africa.

1.2 Mission
Chemin's mission is to stimulate launch and/ or grow sustainable SME's in the downstream chemical sector.

1.3 Objectives
Chemin's long term objectives are as follows:
- The facilitation of technology and entrepreneurial training.
- The provision of access to infrastructure and services for appropriate technology and business incubation.
- Significantly increase BEE within the chemical industry.
- The establishment of networks linking global and local companies.

1.4 Expansion
Chemin has been operating in two cities, Port Elizabeth and East London in the Eastern Cape. Due to Chemin's success since it was established, Chemin started considering to expand to other provinces. There was a great emphasis placed on opening centres in the KwaZulu Natal and Northern Cape provinces in the 2012/13 financial year. This vision was realized when Seda approved the KZN expansion in 2013 with an incubation centre at UKZN, Westville campus. Due to the number of high technology projects that are in Chemin's portfolio from the University of KwaZulu Natal, the institutions signed an agreement to collaborate in commercialising innovative research projects.

Further opportunities exist to open centers in Free State as well as Gauteng Province, but these will be considered in the 2013/14 financial year. Chemin anticipates to complete all expansion programmes in the 2014/15 financial year, with the establishment of an additional seven incubation centres. These new incubation centres will be in Volkrust/Majuba Power Station, Upington, Kimberley, Krugersdorp, Welkom, Thokoza Fabrication Laboratory and Sedibeng Industrial Hive Centre in Thembisa.

Chemin is currently assisting a network of about 98 clients. Through various training and skills development programmes and astute mentorship capabilities, Chemin assists in the growth of the respective client businesses. The needs will invariably change from one client to another and Chemin therefore assess the levels in which assistance is needed and the areas where assistance is mostly required.

Chemin is now actively soliciting Corporate Social Investment and Enterprise Development Funds from the Private Sector in addition to Government funding. Combined, this funding is applied as a Seed Fund in assisting in the development, sustainability and ultimate financial and operational independence of SME's. It is our firm view that incubation offers a long term solution to business sustainability therefore enabling the local community to be indefinitely self-sustainable.
It has been another successful year for the South African Chemical Technology Incubator. The Chemical manufacturing industry in South Africa accounts for approximately 25% of the manufacturing industry and a total of 5% to South Africa’s GDP. The downstream Chemical sector remains relatively underdeveloped in South Africa making Chemin’s mandate to be the principal agent in establishing micro enterprises in the downstream chemical sector even more relevant today.

The Incubator has experienced vast success in the Eastern Cape, which has led to the expansion to other provinces. Chemin is extremely excited to be launching the KwaZulu Natal Centre at Westville Campus (UKZN) and have so much more to look forward to. An apparent and calling need to have more incubation centres has emerged and these hubs will bring about much needed aid and support to local rural communities.

There have been many structural changes to business incubation and business incubation support in South Africa. The emphasis is now more than ever on creating strong, vibrant and sustainable SMEs with globalisation and export potential. South Africa has the potential to compete in global markets and Chemin is playing an active role in making this vision a reality for our South African counterparts and entrepreneurs. Chemin secured a R4.9 million grant from Eskom foundation to procure manufacturing equipment and start a Pilot Plant for the recycling of Compact Florescent Lamps at UKZN. We are pleased to announce that all the equipment has been delivered and fully installed. The new equipment enables the quality of products being manufactured to be tested and improved, it will also lead to more effective formulations and consistent batch manufacturing which will ultimately aid in innovative product design and the quest for export opportunities.

I would like to extend a warm thank you to Seda Technology Programme, DEDEAT, CHIETA, Eskom Foundation, Chemin Board Members and staff for exceeding expectations and overcoming all challenges and obstacles diligently with the shared goal and vision of creating a sustainable economy for South Africa through the development of SME’s.
The 2012/13 financial year was a year of consolidation of performance and re-capitalisation of Chemin. This included the renovation of Port Elizabeth Incubation Centre and the acquisition of laboratory equipment for both the Port Elizabeth and East London incubation centres.

Chemin exceeded KPIs agreed with key funders – Seda, DEDEAT and Eskom Foundation for the 2012/13 financial period. Client supported reached 98, with 18 SMEs created, over 40 SMEs supported and jobs created exceeding 60 for the 2012/13 financial period. This would not have been possible without the following sponsorship:
- R4.9 million funding from Eskom Foundation,
- R3 million funding from Seda,
- R1.8 million funding from DEDEAT,
- R978 000 funding from CHIETA.

Chemin was also approved funding to expand to KwaZulu Natal Province for the 2013/14 financial year – the centre is under development at the University of KwaZulu Natal – Westville Campus. Chemin will also be seeking to develop to Northern Cape, Gauteng and Free State Provinces during the 2013/14 financial year as well as implement the commercialisation of Fly ash related initiatives in Mpumalanga Province for the 2013/14 financial year onwards. In addition, Chemin will be commencing the certification process for ISO 17025 for incubator laboratories, ISO 9001:2008 (Quality Management System), commercialisation of incubator laboratories and continued capitalisation of incubation centres, particularly Chemin laboratories in all the incubation centres.

I would like to thank DEDEAT, Seda, Eskom Foundation and CHIETA for the financial support they have extended to Chemin and their commitment to innovation and enterprise development. In addition to the sponsors of Chemin, I would like to thank the Chemin staff and Board of Directors for their passion and commitment to promoting the activities of Chemin and SME development in the country.
4.1 Board of Directors

The board of directors for the South African Chemical Technology Incubator (Chemin) are legally responsible for the overall governance of Chemin and are therefore accountable for all policy formulation, planning and evaluating the work of the incubator. The board of Chemin is committed to good corporate citizenship and organisational integrity in the operations of the incubator. The board further promotes good corporate governance.

Table 1: The list of Chemin's Current Board Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Abisha Tembo (Chairperson)</td>
<td>Independent Director</td>
<td>DTI</td>
</tr>
<tr>
<td>2. Gordon Turner</td>
<td>Independent Director</td>
<td>Ambiton Financial Services</td>
</tr>
<tr>
<td>3. Sam Matlala</td>
<td>Director</td>
<td>CMCS</td>
</tr>
<tr>
<td>4. Herman Berry</td>
<td>Director</td>
<td>ChemCity</td>
</tr>
<tr>
<td>5. Claudy Steyn</td>
<td>Director</td>
<td>DTI</td>
</tr>
<tr>
<td>6. Siphiwo Soga</td>
<td>Director</td>
<td>Stp</td>
</tr>
<tr>
<td>7. Colin Mkhonta</td>
<td>Executive Director</td>
<td>Chemin</td>
</tr>
</tbody>
</table>

Chemin is a section 21 company that has members who get to vote for independent directors at the annual general meeting.

The members of Chemin are:
- Seda Technology Programme
- SASOL Chemcity and
- Chemical Marketing Consulting Services

The board is further responsible for the appointment of the Executive Manager (CEO) of the incubator. The CEO is the accounting officer of Chemin and is responsible for the day to day management, execution and implementation of policies as well as operations of Chemin. The CEO is also responsible for the formulation of the incubation model based on the policy guidelines determined by the board of directors.
4.2 Board Committees

The chemistry incubator has three board committees, namely;
Executive Committee (EXCO): the committee is made up of Board Chairperson, STP Project Officer and the Chief executive officer. EXCO is responsible for implementation of the board’s policies, procedures and delegations.

Internal Audit Committee: the committee is made up the financial manager and two board members. This committee is responsible for reviewing and auditing internal control systems of the centre as well as auditing the utilisation of funds.

Investment committee: this committee is made up of two board members. They are responsible for investment of specific funds raised by the incubator on various incubatees.

4.3 Auditors and PFMA

The current auditors for Chemin are KPMG. The auditors are appointed by the Board of Directors at the AGM meeting. Chemin Policies and Procedures are also in line with Stp Policy Guidelines for all incubators funded by DTI through Stp. Chemin adheres to effective, efficient and transparent financial management and internal control systems in accordance with PFMA, Section 51 (1) (a). This is also imperative since the incubator is also funded through government funds. The procurement of goods and services is also fair, transparent, equitable, competitive and cost-effective in line with PFMA (Public Finance Management Act, Act 1 of 1999) and Treasury Regulations (National Treasury, March 2005) and PPPFA and PFMA, Section 38 (j).

4.4 Board meetings

The following board meetings were held during the 2012/13 financial year.
Table 2: Board meetings attendance.

<table>
<thead>
<tr>
<th>Date</th>
<th>Type of Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 July 2012</td>
<td>Board Meeting</td>
</tr>
<tr>
<td>23 August 2012</td>
<td>Board Meeting</td>
</tr>
<tr>
<td>06 December 2012</td>
<td>Board Meeting</td>
</tr>
<tr>
<td>26 March 2013</td>
<td>Board Meeting and AGM</td>
</tr>
</tbody>
</table>
Organisational Structure

Figure 1: Organisational Structure

CEO
Colin Mkhonza

Business Development Manager
Pezisa Sobuza

Financial Manager
Nombulelo Booi

Cluster Manager – KZN
Senzo Xulu

Cluster Manager – EC
Matthew Speelman

Project Officer – KZN
Vacant

Project Officer – EC
Vacant

Project Officer – EL
Vacant

Project Officer – PE
Vacant

Project Assistant – KZN
Chwayita Gebeda

Project Assistant – EC
Lindiwe Dlamini

Project Assistant – EL
Phumzile Gonya

Project Assistant – PE
Lungile Zini

Administrative Assistant – KZN
Vacant

Administrative Assistant – EC
Vacant

Administrative Assistant – EL
Phumzile Gonya

Administrative Assistant – PE
Lungile Zini

General Office Assistant – KZN
Vacant

General Office Assistant – EC
Vacant

General Office Assistant – EL
Lindiwe Dlamini

General Office Assistant – PE
Lungile Zini

Intern – PE
Zingiswa Mqokozo

Finance Officer
Noxolo Jantjies

Intern – PE
Zingiswa Mqokozo

Financial Assistant
Haydree Van Niekerk

Thursday, 25 July 13
Chemin’s History

Chemin is in its eleventh year of operation. The Incubator’s vision was revised to be more focused on the Eastern Cape Province to prove its incubation model works before expanding to other provinces. Throughout this period, the Incubator has experienced various levels of success and difficulties.

The change in vision has enabled the Incubator to be a significant player in new business development in the Eastern Cape Province and to use its limited financial resources more productively. Despite this narrow focus, Chemin continues to sign high technology projects located in and outside the province. Now that the incubation model has proved to be successful, the Incubator seeks to expand its outreach beyond the Eastern Cape and KwaZulu Natal to the Free State Province.

Furthermore, Chemin was permitted to take clients utilizing formulation technology, which is easily replicable and can be rolled out more easily. This has also an added advantage in that it can be rolled out into the rural areas of the province.

The end result has been a significant improvement on the Incubator key performance indicators (KPIs) to levels not seen previously. For the first time in the history of Chemin:
- The incubator has grown to three incubation centres in Port Elizabeth, East London (EL IDZ) and at the University of KwaZulu Natal (UKZN),
- The client list has reached the 98 clients as at the end of 2012/13 financial year,
- The Incubator Centres are fully equipped with shared equipment for manufacturing chemical detergents and laboratory equipment,
- The incubation centres are also used for training on Manufacturing Chemical Detergents, Quality, EHS as well as Hazardous Material Handling and Storage. This training is undertaken by Incubator Staff, and
- Now the incubator seeks to expand outreach to the rest of the country.
Chemin Incubation Model and Services

Chemin’s Incubation Model is based on DOW Chemical Company’s comprehensive approach to managing business creation processes from early idea to commercialisation. It is made up of 5 stages, which also form part of key milestones and deliverables as depicted in the picture below:

**Figure 2: Incubation Model**

6.1 Concept Shaping Stage (Pre-Incubation)

In the chemical sector, entrepreneurs generally have reasonable levels of technical skills. However, the skills required for evaluating, developing and commercialising identified business opportunities are generally lacking. Hence, considerable assistance is required to get the business opportunity into a format and to a level of sophistication that enables the development of a conceptual business plan that identifies the technical and commercial parameters needing validation.

The necessary careful guidance and mentoring at this early stage must be given to focus the attention of the aspiring entrepreneur on the skills required to take a new start-up through the various phases of development and finally, onto becoming a successful business. The following parameters are covered during this stage:

**Technology:** The transformation of chemicals must be the fundamental part of the business.

**Impact of project:** The product or process must impact on the downstream of the chemical industry.
Proven technology: The technology or process must at least be proven at laboratory scale.
Market: The market potential of the product or process must be clearly stated.
Profitability: The project must be clearly profitable.

6.2 Analysis and Validation Stage

Chemin, in collaboration with a network of service providers, provides business validation, development and nurturing services to incubator clients. The establishment of a new business calls for initial funding to enable the entrepreneur to examine the whole concept to establish the demand for the product, and whether the technology exists or can be developed to produce and market it at a profit.

6.3 Development

Due to the nature of projects within the chemical industry and their development, conceptual, basic and detail engineering design is a critical support function, and is provided through Chemin’s service providers and/or network members. This process forms a critical element of the development stage and normally involves the construction of a pilot facility. The products generated in the pilot facility are used to test the market. The development stage consists of the following activities:

- Market development including identification and structuring of supply chain issues. Examples of activities include market segmentation, pricing, distribution, product registration, branding, packaging, promotion and advertising.
- Technology refinement including resolving engineering issues associated with manufacturing the product.
- Business development issues such as trademark registration, commercialization issues, staffing, etc.
- Product trial run including pilot issues, sampling issues, quality analysis, process scale up and plant design.
- IP registration and management.

The development stage culminates in the compilation of a bankable business plan.

6.4 Implementation and Graduation

Chemicals related projects are characterized by high capital costs for the plant and equipment required for full-scale production. Funding of this scale can be secured in the open market. Preparing the new company for this process (a well structured enterprise, with a well prepared management team and competitive technology) and supporting it to secure the necessary funds is a fundamental function of the incubator. This stage involves the soliciting of funds and the implementation of the business plan once the business is funded. The stage culminates with the graduation of the client business from the incubator.
6.5 Post-Graduation

Post graduation support includes assisting the clients with the following:

- **Marketing**: Involving graduated companies in all exhibitions where the incubator is involved as well as exposing the companies to a variety of events and functions.
- **Networking**: Involving graduated companies in all networking activities organised by the incubator or where the incubator is invited to attend.

Chemin has also just introduced a six (6) months programme to assist companies that need to expand as well as companies that need to develop technology or products. This is financed through a seed fund sourced from private sector through Enterprise Development. The fund is used as follows:

- **Developmental Fund** – to finance incubates in detailed engineering, piloting and market development, and
- **Accelerator Fund** – to assist graduated incubates in marketing; putting in place HR and financial systems as well as assist in production for export markets.
Support Services

The question of “what is out there and what can be done to best support SMMEs” set the key theme for the services that Chemin provides to the clients. The SMMEs support includes:

**Manufacturing space**
- Fully equipped manufacturing space in an attractive environment for incubatees

**Technology feasibility evaluation**
- Assist in raising funding for feasibility studies on condition that the resultant commercialization entity will be incubated by Chemin.
- Assist with researching technical and business opportunity or problem, identify and document business and technical solutions.
- Assist in identifying risks with each solution and selecting preferred business and technical solutions for implementation.

**Techno-economic evaluation**
- Assist with analysis of production costs
- Assist with the analysis of production process
- Assist with the analysis of profit margins
- Assist with the analysis of the entire product life cycle

**Piloting**
- Provide all equipment and raw material requirements for piloting
- Assist with process scale up and plant design

**Technical and business skills training**
- Provide training to all clients on formulation manufacturing, quality, environmental health and safety as well as hazardous material handling and storage.
- Facilitate all business skills training for incubatees

**Process and product development refinement**
- Assist in refining the technology or product using external service providers or partner institutions

**IP management and trademark registrations**
- Coordinate the process of IP registrations and management
- Provide assistance with registrations of trademarks
Analytical services and quality test
- Assist with the analysis of client products using external service providers for quality analysis, biological behaviors analysis

Market research and assessment
- Assist with research into defining what people want or need
- Assist incubatees define how they are going to market their products
- Assist incubatees to identify the different commodities in the market and the demand and supply for those commodities

Partnering and network assistance
- Facilitate negotiations for potential partners into incubatee's businesses
- Facilitate interactions with industry role players and stakeholders
- Accounting management support
- Provide full bookkeeping and account management support
- Can be extended to administrative assistance

Business structuring
- Provide assistance in structuring business and funding

Compilation of bankable business plan
- Assist service providers compile incubatee's business plans.
- Coordinate the entire process of compiling incubatees business plans and provide information where possible

Company formation
- Assist with company registration with CIPC

Office space
- Fully furnished and serviced offices
- Self service tea, coffee and purified chilled water
- Tea, coffee and purified chilled water can be provided for business meetings

Boardrooms and meeting rooms
- Exclusive use boardrooms for meetings
- Professional offices that facilitate your meeting requirements and equipment

Telecommunications
- Telephone PABX with conference call facility, internal and external transfer, and direct dial line
- Reception services
- Itemized telephone billing

Information Technology
- Access to latest computer technology and software
- Access to internet and personalised email facilities
- Full network monitoring and management
Chemin Highlights for 2012/13 FY

8.1 Eskom Foundation Funding

Chemin was extremely privileged and fortunate to receive grant funding to the value of R4.9 million from Eskom Foundation for the procurement of laboratory equipment. This grant funding went towards upgrading manufacturing facilities and laboratory equipment. The equipment is essential because it will ultimately be used for quality testing which is essential for our vibrant SMEs to compete and have export potential. This new equipment is a great addition and will aid in developing manufacturing economic activity in the Chemicals sector in the Eastern Cape.

The new equipment will ensure that products being manufactured are of an excellent quality and performance. SMEs will now to able to save time and manufacture in larger batches, which will assist them in increasing their revenue by being able to supply more widely and potentially on a global level as their capacity has largely been increased. With the time saved clients will be able to focus and spend more time on other areas of their businesses such as marketing and sales. Our SMEs now have the capacity to supply a greater demand at a phenomenal quality due to the tools and equipment which has been generously donated by Eskom Foundation. The new equipment will help small businesses in the sector by leaps and bounds in this regard which will hopefully in turn will reduce overall incubation time.

The new laboratory facilities has the potential to increase SMEs product ranges due to various advancements such as temperature gauges. The equipment is well calibrated, more accurate and precise therefore benefitting users / clients by having the built in functionality to test the quality of the final products produced. Cleaning detergents are made by using generic formulations, therefore, due to the ability to test the quality of these formulations, it will be rivaled with commercial store competitors as the product output and quality is exactly the same. Another aspect increasing the quality is the fact that clients are now able to purify the water used in their manufacturing processes and products whereas in the past they were using plain tap water. There are many challenges in using tap water as the quality varies making the output different every time compromising the consistency and efficacy.
8.2 Launch of the East London Incubation Centre

Chemin was proud to be represented by the various stakeholders at its official launch in July 2012. EMonti Science Park where Chemin is located (East London IDZ) was buzzing with activity as the guests filled the marquee. The VIP guests were afforded the wonderful opportunity to tour the centre and view the manufacturing premises, equipment and laboratories.

The centre opened in 2010 but was only officially launched to Stakeholders and the public on 26 July 2012. Words of inspiration filled the marquee as industry leaders gave their heart filled speeches about business incubation and economic development of South Africa. Khanyisa Gazi from DEDEAT officially launched the centre by saying a couple of inspired words of thanks and encouragement and then proceeded to cut the ribbon.

Chemin made the strategic decision to open a centre in East London which was motivated by the economic development in the surrounding areas. The chemical incubator was experiencing an influx of clients. The opening of the centre proved to be a successful fit in terms of fulfilling economic needs and affording people the right assistance and help to ensure that their businesses are successful. The launch was a celebration of good decision making and success for the Eastern Cape.

8.3 Netherlands Expert Assistance

PUM is a Manager Deployment Program which is a combination of senior experts from Netherlands who have at least 30 years of experience in any business environment. These experts voluntarily devote their knowledge and time to perform short term, compact consultancy projects on upcoming entrepreneurs in different sectors around the world.

Chemin was privileged to have experienced a two weeks training by one of PUM’s experts, Mr Evert Boelhouwers. Mr Boelhouwers spent two weeks at Chemin sharing his knowledge, expertise and innovative ideas with three of Chemin’s project assistants i.e. Ms Hoza, Ms Dumani and Ms Gebeda.
Mr Boelhouwers trained the staff on the following expertise;
- Analysing samples from various sources to provide information on compounds or quantities of compounds present in the products.
- Utilising analytical techniques and instrumentation, such as high performance liquid chromatography (HPLC), and spectroscopy (infrared and ultraviolet, amongst others).
- Interpreting data and adhering to strict guidelines on documentation when recording data. Reporting scientific results.
- Using a range of analytical techniques, instrumentation and software.
- Ensuring good laboratory practices and adhering to health and safety issues in all aspects of the work undertaken.

Chemin is highly grateful for the know-how and competitive skills gained during the successful two week training.

### 8.4 Road Shows

In an attempt to establish itself throughout the Eastern Cape Province, Chemin has set a strategy to visit small and rural towns in the Eastern Cape. On the 20th August 2012, Chemin conducted a road show to Queenstown. The main aim of this visit was to create awareness about the services that the incubator offer as well as encourage communities to start thinking about entrepreneurship in order to sustain themselves. A one day session was held at the Queenstown Seda branch office. Companies that operate in the chemical sector were invited through the Seda Chris Hani branch. Out of the session, four companies were signed in to join the business incubator.

Chemin’s strategy of incubating SMEs located in rural areas fits perfectly with the Eastern Cape Province. The Chemin incubation model assists in the development of rural based communities. The manufacturing of chemical detergents presents an entry level into the chemical manufacturing sector. Project proponents are trained on manufacturing and other critical functions of their businesses. This has the following advantages:
- Increase the skill base in the rural areas,
- Improve the basic knowledge on manufacturing, quality and general business knowledge in the rural areas,
- Result in skills transfer and technology diffusion in the rural to semi-rural areas of the EC Province, and
- Increasing manufacturing growth points and serve as an entry level for entrepreneurs to the downstream manufacturing sector.

### 8.5 Networking Sessions

In 2012/13, eight networking sessions were held in the two centres. The purpose of the networking sessions is to get the SMEs informed about services offered in different institutions that assist small businesses. These sessions are also used as a platform for SMEs to network and share ideas. Institutions that were invited to share ideas and inform
SMES of their services include the following: ABSA, Nedbank, Standard Bank, NYDA, Seda, DTI, NRCS and SARS etc. Chemin’s incubatees are encouraged to attend these sessions as they keep them well informed of the trends and initiatives aimed at assisting them.

8.6 Incubation Day

Incubation Day 2013 was a much anticipated calendar entry and did not disappoint. The Eastern Cape Event was hosted by Chemin and although it had a very slow start it ended off on a high note. As the day progressed the event became more and busier despite the rain and bad weather conditions. Chemin, Dact, InvoTech, Seda Construction Incubator and Seda Nelson Mandela Bay ICT Incubator all exhibited their centres with displays of fantastic client products and incubation services. There was a diverse group of guests which were interested in various sectors and centres.

The speakers were extraordinary and gave all SMEs, as well as aspiring SMEs motivation and information especially about the services on offer. Tervern Jaftha, Seda Senior Quality Manager spoke about the various ways in which Seda is there to help SMEs and that the focus going forward will be less on Incubation Centres and more on SMEs and development. Tervern also touched on various new initiatives which Seda was working on such as marketing workshops for SMEs, which will be presented by Seda.

Mr A. Mfenyana, DEDEAT HOD delivered a phenomenal speech about the importance of Incubation and how it can be used as a vehicle to drive sustainable enterprise development forward. Mr Mfenyana focused on the economic upliftment that these initiatives offer. Aside from the main speakers, incubation centres were invited to present their centres and services which they have on offer. The presentations were elaborate which lead to great guest participation. The incubation centres all generated quite a lot of interest. The event did truly celebrate incubation in South Africa and was a great success. Chemin was very proud to be the hosting centre of this phenomenal event.
Chemin Graduates for 2012/13 FY

9.1 Gilgal Kingdom Trading Chemicals

Denzil Dyce, with a law degree and nine years of practice, decided to quit his job and pursue his dream of becoming a business man. He joined Chemin in November 2010, and his turn-over was already above R5000. His dedication and hard work allowed him to grow his business so much that he had to find his own premises where he can manufacture in volumes that are demanded by his clientele. Gilgal has since created six permanent jobs and is turning over R540 000 per annum.

9.2 Chemweb

Chemweb have come a long way since joining Chemin’s incubation programme in 2010. The business started with two directors, but due to business operations and demand, the company has grown to include 6 employees. Chemweb has celebrated three (3) years of successful business relationships, one of which was with the ILembe District Municipality, where they were contracted to solve overflowing toilet problems in Maphumulo and Indwendwe. The trial was very successful and thus they were granted the contract. Chemweb innovatively solved the problem by manufacturing anti-bacterial products for sanitation use. Their solution is designed to dissolve waste and acidic matter, thereby making ablution blocks safer and less hazardous to users. The contract they were awarded entailed sanitation for 1000 houses (500 in Maphumulo and 500 in Ndwedwe, including a total of 22 wards between the two). Chemweb successfully delivered on this project in the space of 3 weeks despite the space between houses in each area.

The residents and councilors were greatly impressed by the effectiveness of the products, which made their ablution spaces very manageable and minimal to no odour was expressed. This innovative solution saved the municipality a lot of money, as they previously had to use more labour-intensive methods to relieve pits every three months, making it extremely difficult to bear. Chemweb offered them an easy solution that not only saved financial and labour resources but also made the environment much safer and friendly. The benefits go far beyond...
solving the immediate problem as the use of Chemweb’s anti-bacterial solutions has helped to reduce the spread of disease in the community. Due to the ongoing fantastic level of service and great savings, there have been talks between Chemweb and ILembe District Municipality to not only continue with the contract but also to expand the programme to more areas as it has proven to be a great solution with a very excellent success rate.

9.3 Mamande Cooperative

What is known today as Mamande Chemicals started out as a one-man-operation called Zama Zama. Zama, the founding member previously worked with domestic chemicals and in the laundry industry for 15 years until deciding in 2000 to learn how to manufacture chemicals himself.

Zama had bigger dreams and together with his son registered Mamande, a cleaning detergents business in 2001. Mamande grew quickly and so more members were incorporated. This changed the dynamics of the organisation and gave the decision making process a motherly perspective. The inclusion also lead to a laundry service division diversifying the company product offerings. The company has moved from strength to strength and over the years Mamande Chemicals has mastered the art of providing quality products and quality service.

Mamande’s vision is to be a market leader in the manufacturing of quality cleaning detergents, and to provide safety from infectious diseases, by ensuring that their products are effective and thorough. Mamande aspires to be a Proudly South African chemical manufacturer of quality, effective and affordable cleaning detergents and laundry products. Mamande also strives to achieve socio-economic development by affording opportunities to previously disadvantaged people.

Mamande offers a range of products today from Chemical manufacturing of soaps, multipurpose cleaners, fabric softeners, pine gel etc. One of the ways in which the business has become fully sustainable is owning its entire supply chain. The business offers cleaning and laundry services as well as sells manufactured products. By using their own products they are able to offer competitive prices for their services giving them a competitive edge over their rivals.
9.4 His Grace Industries

In June 2009, His Grace Industries cc began operations. His Grace Industries manufactures hair care products which are distributed and sold throughout hair salons across South Africa. Wilson Isibor had the dream of establishing a local cosmetics manufacturing company and made that dream a reality in 2005 after conducting extensive research into the feasibility of a cosmetics manufacturing company in East London. Wilson definitely had the vision and passion to make his dream a reality. His Grace Industries was registered in February 2007 as a closed corporation company and has since built an empire and a trust worthy brand in the Eastern Cape.

It wasn’t always all smooth sailing for Wilson as he had various challenges such as inadequate working capital. As a result the business could not function effectively, and His Grace Industries could not hire the skilled compliment of staff he so desired to have. This was just a mere obstacle, which with the help of Chemin and our business support services helped Wilson to overcome.

Wilson further had the challenges of the newness of the products and not having market trust. That soon changed with Chemin’s marketing assistance and Wilsons excellent networking skills. His Grace Industries started off by selling products door-to-door, which got people talking. Due to the fantastic quality of His Products word spread and this gained the interest of a number of Salons in both the Eastern Cape and Johannesburg. One of the biggest contracts with Just on Cosmetics (PTY) Ltd has seen the Gella hair care range in 7 of the 9 provinces in South Africa. Wilson’s perseverance will be to be successful and being a true inspiration to the incubator and we know Wilson will be extremely successful and realize his full potential.
South Africa is at present experiencing power supply shortages, which are expected to continue until such a time as the new power generation plants being built by Eskom, the national power supplier come online (Kohler 2008). Eskom’s “49 Million” campaign is an attempt to encourage South Africans to find ways to save energy as an interim measure. One of the initiatives being promoted is the replacement of old incandescent light bulbs with compact fluorescent light (CFL) bulbs.

These CFLs require substantially less electricity than incandescent light bulbs yet provide a similar lighting level. They operate by using electricity to excite a mercury vapour, which in turn radiates ultraviolet light, which causes phosphorescent (luminescent) materials to fluoresce. This produces visible light. The phosphorescent materials consist of solid inorganic materials, including oxides of rare earth metals, such as yttrium (II) oxide and europium (II) oxide. In 2009, 97% of the world production of rare earth metal oxides occurred in China. Due to the restriction of trade of these metals by China, the prices have been dramatically increased.

The presence of mercury in the CFLs means that the disposal of the CFLs in landfill sites is not an environmentally viable option, due to the subsequent mercury emissions. Other means of disposing of the CFLs therefore need to be developed. With the rapid increase in the price of these rare earth metal oxides, it has become a viable option to recycle the rare earth metal oxides from CFLs alongside the glass and other components.

A process for the recovery of the yttrium and europium oxides from the CFLs was developed by the University of KwaZulu-Natal, in collaboration with the Institute of Chemical Process Fundamentals at the Czech Academy of Sciences in the Czech Republic. This process has since been patented. The first stage of the CFL recycling plant is a CFL bulb crushing unit which separates the CFL bulbs into their various components, including a glass fraction and a phosphorescent material fraction. The rare earth metals that are recovered in the second stage of the process are extracted from this phosphorescent material. The second stage comprises of a dissolution unit, wherein the rare earth metals are leached from the phosphorescent material, and a solvent extraction stage, wherein the rare earth metals are separated and purified.

The CFL recycling plant has been designed with the ability to be used for full-scale commercial operations. Chemin has shown interest in this project, and has provided funding to the value of R 3 000 000 for the construction of the second stage, which was provided by Eskom Foundation. At present, the construction of the second stage has progressed into the commissioning phase. The plant is expected to be operational by the end of August 2013.
There is, however, a cash shortfall for the purchase of the bulb crushing unit for the first stage of the CFL recycling plant. Initially the crushing of the bulbs will be outsourced, however it is imperative that is done internally as it has implication on the revenue streams and quality issues which all directly affects the viability and sustainability of this Venture. A spin off company has been formed by the University and Chemin for the purpose of driving this project forward.

10.2 Chemev Coatings

Chemev Coatings was started in February 2010 by Wayne Boggenpoel, and joined the Incubator in November 2010. The business was started because there was no local Paint Manufacturer in Port Elizabeth, hence a gap in the market was open for him. At the time the business had just started operating and the company faced the following challenges:

- Minimal and outdated equipment
- No systems in place
- No capital to procure raw materials
- No operating space

Chemin assisted Chemev coatings through many integral phases of his personal and business development through sending him on various skills training programmes and initiatives. They have also been assisted with linkages to markets through the DTI and Seda. The Business received funding for procurement of equipment through Technology Transfer Fund (TTF) which Chemin applied for on his behalf. Chemev Coatings products have also been SABS approved through Seda and other accreditation such as QMS were also implemented. This has led to an increase in number of customers since their products are SABS approved and tested to be safe and trusted.

Through Chemin’s assistance, Chemev Coatings’ brand has been developed and they now have visible marketing such as signage. Chemin’s assistance has helped Chemev Coatings business operations tremendously as previously there were certain functions they couldn’t perform but can now do especially in line with the consistent quality of paint which has now been achieved with the new equipment procured through TTF.

The quality of products have drastically improved as the new equipment ensures that batches which are manufactured are consistent and of the best possible quality. The training Chemev Coatings has received from Chemin has been most beneficial especially in line with Health and Safety and waste management. This training has also assisted in the implementation of the new QMS system.

Since inception, Chemev Coatings has created 10 jobs through their business operations. Chemev Coatings has realized a massive increase in turnover since Chemin’s intervention, from R30 000 a month to R100 000 a month.
10.3 Fresh & Clean

Fresh and Clean are a truly South African fully black owned business from the Eastern Cape. Fresh and Clean is a cleaning detergents manufacturing company but their services don't stop there. This dynamic company started off manufacturing cleaning detergents and have since expanded their business to include a range of other services such as on-site hygiene inspection and surveys – completely free of charge, expert hygiene advice from highly trained and informed sales executives, free delivery of products, installation and repair services of their equipment, janitorial training, deep chemical cleaning of ablution facilities and the list continues.

This highly energised team is led by an industry expert, Nosipho Cadogan who is currently the managing member. She has a dedicated team of highly trained sales team members and accounts managers which focus on customer service and delivery.

The company is based in Uitenhage (just outside of Port Elizabeth) and has grown from strength to strength since inception. This highly successful business has plans of expansion this year (2013) says spokeswoman Kholosa Yosa. Fresh and Clean have done phenomenally well to date and are currently in the process of acquiring an all new QMS system which will definitely put this Bay business ahead of the pack.
It is pleasing to note that the incubator over achieved on most of its KPI targets again for the 2012/13 financial year. The following points seek to explain major KPI variances experienced in the 2012/13 financial year:

The incubator over achieved on its target for the SMMEs established. The combined Incubatees turnover was above R 5 million.

The figures below illustrate the key performance achievements during the financial year 2012/13.
FY 2010/11
FY 2011/12
FY 2011/12
SMME Supported
6
16
24
Projects
14
15
29
Total Clients
20
31
53

SMMEs - Balanced Portfolio

<table>
<thead>
<tr>
<th>Percentage</th>
<th>FY 2010/11</th>
<th>FY 2011/12</th>
<th>FY 2012/13</th>
</tr>
</thead>
</table>
| High Technology Clients | ![Graph](image1)
| Low Technology Clients | ![Graph](image2)
Balanced Portfolio

Key Performance Indicators
### Total Clients

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Total Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>31</td>
</tr>
<tr>
<td>2007/08</td>
<td>40</td>
</tr>
<tr>
<td>2008/09</td>
<td>53</td>
</tr>
<tr>
<td>2009/10</td>
<td>48</td>
</tr>
<tr>
<td>2010/11</td>
<td>55</td>
</tr>
<tr>
<td>2011/12</td>
<td>72</td>
</tr>
<tr>
<td>2012/13</td>
<td>98</td>
</tr>
</tbody>
</table>

*Number of clients supported increased to 98 by the end of 2012/13. Most of the clients are located in the Eastern Cape province.*

### Clients Supported

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>SMME Supported</th>
<th>Projects</th>
<th>Total Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>10</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>2007/08</td>
<td>25</td>
<td>13</td>
<td>38</td>
</tr>
<tr>
<td>2008/09</td>
<td>35</td>
<td>18</td>
<td>53</td>
</tr>
<tr>
<td>2009/10</td>
<td>21</td>
<td>27</td>
<td>48</td>
</tr>
<tr>
<td>2010/11</td>
<td>29</td>
<td>26</td>
<td>55</td>
</tr>
<tr>
<td>2011/12</td>
<td>32</td>
<td>50</td>
<td>82</td>
</tr>
<tr>
<td>2012/13</td>
<td>50</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

*SMME Supported, Projects, Total Clients*
Most of Chemin clients are formulation (low tech) clients as compared to the low number of High Tech. This is due to the change in strategy by the Chemin board to start incubating formulation projects. These include manufacturing of fast moving consumer goods such as cleaning detergents, cosmetics, perfumes, paints, etc.

A significant number of clients are located in the Eastern Cape Province compared to other provinces. The incubator is slowly increasing its footprint in the KwaZulu Natal with five clients currently supported virtually and one successful client that graduated in the 2011/12 FY.
The incubator recorded a significant improvement in performance from 2007/08 to 2012/13 financial year.

SMEs created and graduations increased tremendously from the 2006/07 to the 2008/09 financial year. In the 2009/10 financial year, the board made a decision not to graduate any client, but to seek to improve client revenues, merge the struggling SMEs to cooperatives as well as implement a post graduation support methodology before graduating clients. Graduations were opened up again from the 2011/12 financial year.
Chemin is currently heavily dependent on government grant funding but has put strategies in place to source private funding in the next financial year.
Chemin Staff

Port Elizabeth
East London

KwaZulu-Natal
Financial Reports & Annual Statements
Chemistry Incubator NPC
(Reg no. 2002/06519/08)
Annual Financial Statements
for the year ended 31 March 2013
 Chemistry Incubator NPC

Annual Financial Statements
for the year ended 31 March 2013

Contents

The reports and statements set out below comprise the financial statements presented to the members:

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<td>Statement of directors' responsibility</td>
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<tr>
<td>Directors' report</td>
<td>2-3</td>
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<tr>
<td>Independent auditor’s report</td>
<td>4-5</td>
</tr>
<tr>
<td>Statement of financial position</td>
<td>6</td>
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<tr>
<td>Statement of comprehensive income</td>
<td>7</td>
</tr>
<tr>
<td>Statement of changes in reserves</td>
<td>8</td>
</tr>
<tr>
<td>Statement of cash flows</td>
<td>9</td>
</tr>
<tr>
<td>Notes to the financial statements</td>
<td>10-20</td>
</tr>
</tbody>
</table>

The following supplementary information does not form part of the financial statements and is material:

- Statement of comprehensive income: 21

Preparation of the audited financial statements

The annual financial statements of Chemistry Incubator NPC have been audited in compliance with S304 of the Companies Act.

These financial statements for the year ended 31 March 2013 were published on 7 October 2013.

Nomthi Sibi CA (SA) (Financial Manager) from Chemistry Incubator NPC prepared the audited financial statements.
Directors’ responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Chemistry Incubator NPC, comprising the statement of financial position as 31 March 2013, and the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards for Small and Medium-sized Entities, and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors’ report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of internal control as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead. Refer to going concern note (note 17).

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of Chemistry Incubator NPC, as identified in the first paragraph, were approved by the board of directors on 7 October 2013 and signed by:

Mc Malcom
(Authorised Director)

DD Turner
(Authorised Director)
Chemistry Incubator NPC

Directors' report
for the year ended 31 March 2013

The directors submit their report for the year ended 31 March 2013.

1. Incorporation

The company was incorporated in South Africa on 19 March 2002 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations.

The company is engaged in the provision of support services for technology and business development. Grants are received from the SEDA Technology Programme (STP) and the Department of Economic Development and Environmental Affairs and Tourism (DEDTEAT) to fund the activities of the company.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net profit of the company was R1 483 363 (2012: R536 677 net profit).

3. Going concern

As at 31 March 2013, the company’s current liabilities exceed its current assets by R 246 893. In the prior financial year current assets exceeded current liabilities.

The ability of the company to continue as a going concern is dependent on the continuation of existing levels of finance by the SEDA Technology Programme (STP) and the Department of Economic Development and Environmental Affairs and Tourism (DEDTEAT).

The specific funding secured for the operational costs for the next financial year is:

- SEDA: R 5 640 000
- DEDTEAT: R 800 000

The specific funding secured will only be provided if the company meets its key performance indicators. The directors have the following plans in place to ensure the company will be a going concern and meet its key performance indicators:

- Management will submit all quarterly reports and supporting documentation on a timely basis in terms of the funding arrangements.
- The Executive Director will monitor the cash flow of the entity on a monthly basis and ensure actual results versus the approved budget.
- The Directors will continue to actively negotiate alternative sources of funding.
- The Directors will ensure the cash flow and cash flow forecasts of the entity at each of the board meetings.

Should the company not meet its key performance indicators and therefore not receive funding from STP and DEDTEAT, there exists a material uncertainty which may cast significant doubt on the company’s ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.
Chemistry Incubator NPC

Directors’ report (continued)
for the year-ended 31 March 2012.

4. Directors

The directors of the company during the year and to date of this report are as follows:

AD Groothoom
MC Mkhonta
HL Berry
JC Festcher
MS Mkhaza
ML Mgche
GD Turner
PA Tambo
R Makani
P Swart
LP Steenkamp
S Sepe
K Williams
C Steyn

(Resigned 30 March 2012)
(Executive director)
(Resigned 30 March 2012)
(Resigned 30 March 2012)
(Resigned 30 March 2012)
(Resigned 30 March 2012)
(Resigned 30 March 2012)

5. Secretary

KPMG Services Proprietary Limited performed the secretarial duties during the current year.

6. Auditors

KPMG Inc. will continue in office in accordance with section 90(2) of the Companies Act, 2008.

7. Subsequent events

No events have occurred between financial year end date and the date of approval of the financial statements which would materially affect the financial statements.
Independent Auditor’s Report

To the Members of Chemistry Incubator NPC:

We have audited the financial statements of Chemistry Incubator NPC, which comprise the statement of financial position at 31 March 2013, and the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 20.

Directors’ Responsibility for the Financial Statements

The company’s directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine 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 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 judgment, 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 financial statements present fairly, in all material respects, the financial position of Chemistry Incubator NPC at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Emphasis of Matter

We draw attention in note 17 to the financial statements which indicates that the company’s current liabilities exceeded its current assets by R246 993. This note states that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the company’s ability to continue as a going concern. Our opinion is not qualified in respect of this matter.
Other Matter

The supplementary schedule set out on page 21 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

Other Reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2013, we have read the Directors’ Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. The Directors’ Report is the responsibility of the Directors. Based on reading the Directors’ Report we have not identified material inconsistencies between this Report and the audited financial statements. However, we have not audited the Directors’ Report and accordingly we do not express an opinion thereon.

KPMG Inc.

Per E. Bachelet
Chartered Accountant (SA)
Registered Auditor
Director
7 October 2013
Chemistry Incubator NPC

Statement of financial position
for the year ended 31 March 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
</tbody>
</table>

**Assets**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>5</td>
<td>5 639 215</td>
</tr>
</tbody>
</table>

|                      |       |      |
| Current assets       |       |      |
| Receivables and prepayments | 2 | 4 467 486 | 3 014 050 |
| Inventory            | 4     | 108 879 |
| Cash and cash equivalents | 6 | 273 953  | 208 867  |
|                      |       |      |
| Total assets         |       |      |
|                      | 7 489 533 | 4 558 953 |

**Reserves and liabilities**

|                      |       |      |
| Reserves             |       |      |
| Accumulated funds    |       |      |
|                      | 3 356 130 | 1 872 767 |

**Liabilities**

|                      |       |      |
| Non-current liabilities |     |      |
| Deferred grants expense | 8  | 2 036 192 | 2 086 192 |

|                      |       |      |
| Current liabilities  |       |      |
| Trade and other payables | 8 | 2 097 211 | 599 904 |
|                      |       |      |
| Total liabilities    |       |      |
|                      | 4 133 403 | 3 686 186 |

**Total reserves and liabilities**

|                      |       |      |
|                      | 7 489 533 | 4 558 953 |
Chemistry Incubator NPC

Statement of comprehensive income
for the year ended 31 March 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Revenue</td>
<td>5</td>
<td>6 050 000</td>
</tr>
<tr>
<td>Other income</td>
<td>9</td>
<td>5 827 244</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>10</td>
<td>(10 402 775)</td>
</tr>
<tr>
<td>Operating surplus</td>
<td>11</td>
<td>1 474 469</td>
</tr>
<tr>
<td>Finance income</td>
<td>11.1</td>
<td>21 425</td>
</tr>
<tr>
<td>Finance expense</td>
<td>11.2</td>
<td>(12 531)</td>
</tr>
<tr>
<td>Surplus before taxation</td>
<td>12</td>
<td>1 483 363</td>
</tr>
<tr>
<td>Taxation</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td>Comprehensive income for the year</td>
<td></td>
<td>1 483 363</td>
</tr>
</tbody>
</table>
Chemistry Incubator NPC

Statement of changes in reserves
for the year ended 31 March 2012

<table>
<thead>
<tr>
<th></th>
<th>Accumulated funds</th>
<th>Total Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 April 2011</strong></td>
<td>1 536 090</td>
<td>1 536 090</td>
</tr>
<tr>
<td>Total Comprehensive income for the year</td>
<td>336 677</td>
<td>336 677</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2012</strong></td>
<td>1 872 767</td>
<td>1 872 767</td>
</tr>
<tr>
<td><strong>Balance at 1 April 2012</strong></td>
<td>1 872 767</td>
<td>1 872 767</td>
</tr>
<tr>
<td>Total Comprehensive income for the year</td>
<td>1 483 363</td>
<td>1 483 363</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2013</strong></td>
<td>3 356 130</td>
<td>3 356 130</td>
</tr>
</tbody>
</table>
Chemistry Incubator NPC

Statement of cash flows
for the year ended 31 March 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013 (R)</th>
<th>2012 (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from donors and customers</td>
<td>10 876 356</td>
<td>7 718 554</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(8 719 619)</td>
<td>(6 955 545)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>2 156 737</td>
<td>763 009</td>
</tr>
<tr>
<td>Finance income</td>
<td>21 425</td>
<td>7 718</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(12 531)</td>
<td>(60 223)</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>2 165 631</td>
<td>706 594</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(2 100 545)</td>
<td>(988 864)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(2 100 545)</td>
<td>(988 864)</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>65 086</td>
<td>(280 360)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>208 867</td>
<td>489 227</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>273 953</td>
<td>208 867</td>
</tr>
</tbody>
</table>
Chemistry Incubator NPC

Notes to the financial statements
for the year ended 31 March 2013

Accounting policies

1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities and the requirements of the Companies Act, 2008. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS for Small and Medium-sized entities requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 March 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

1.1 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or replace part of it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
Chemistry Incubator NPC

Notes to the financial statements (continued)
for the year ended 31 March 2013

1. Property, plant and equipment (continued)

The company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is recognized in profit or loss on a straight-line basis to write down the cost, less estimated residual value, over the useful life of the property, plant and equipment, which is as follows:

- Factory equipment: 15 years
- Office equipment: 15 years
- Computer equipment: 5 years
- Leasehold improvements: 50 years

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and has significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss in the period.

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

1.3 Financial instruments

Financial instruments at cost

All financial assets whose fair value cannot otherwise be measured reliably, and which do not meet the criteria to be designated as instruments measured at amortised cost, are measured at cost less impairments.

Trade and other receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.
Chemistry Incubator NPC

Notes to the financial statements (continued)
for the year ended 31 March 2013.

1.2 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade and other payables:

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

1.3 Current and deferred income tax

Current income tax assets and liabilities

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting period date.

Deferred income tax assets and liabilities

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amounts of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting period date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levies by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Tax expenses

Income tax expense comprises current and deferred tax. Tax is recognized in profit or loss, except where a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.
Chemistry Incubator NPC

Notes to the financial statements (continued)

for the year ended 31 March 2013

1.4 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.

Operating leases – lessor

Operating lease payments are recognised as an expense as incurred.

1.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

Government grants and deferred income

Government grants are recognised when there is reasonable assurance that:
- the company will comply with the conditions attached to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income.

Grants related to income are presented as a credit in the profit or loss separately.

When the conditions attached to government grants have been met and the grant has been received, they are recognised as profit or loss on a systematic basis over the periods necessary to match them with the related costs. When they relate to expenses or losses already incurred, they are recognised in profit or loss immediately. The unrecognised portion of a project at the reporting date is presented as deferred income.

Government grants are recorded in deferred income when they become receivable and are then recognised as income on a systematic basis over the periods necessary to match the grants to related costs, which they are intended to compensate.

1.6 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration.
Chemistry Incubator NPC

Notes to the financial statements (continued)
for the year ended 31 March 2013.

1.7 Provisions

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwindings of the discount is recognized as a finance cost.

1.8 Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

1.9 Inventories

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is calculated using the first-in, first-out (FIFO) method.
Chemistry Incubator NPC

Notes to the financial statements
for the year ended 31 March 2015

2. Receivables and payables

- Trade receivables
- Trade receivables includes a provision for doubtful debts of R 483 103 (2012: R 306 058)
- VAT

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>1 398 960</td>
<td>372 858</td>
</tr>
<tr>
<td>VAT</td>
<td>419 995</td>
<td>97 711</td>
</tr>
<tr>
<td>Total</td>
<td>1 467 456</td>
<td>470 569</td>
</tr>
</tbody>
</table>

3. Cash and cash equivalents

Cheque accounts
Call deposits
Cash on hand

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Cheque account</td>
<td>268 891</td>
<td>36 670</td>
</tr>
<tr>
<td>Call deposit</td>
<td>2 219</td>
<td>172 707</td>
</tr>
<tr>
<td>Cash on hand</td>
<td>2 843</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2 830</td>
<td>172 707</td>
</tr>
</tbody>
</table>

4. Inventory

Raw material stock

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
</tr>
<tr>
<td>Raw material stock</td>
<td>108 879</td>
</tr>
</tbody>
</table>

The raw materials are purchased for the incubators, incubates to buy and manufacture their products. The sales are made at cost.

3. Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accumulated</td>
<td>Carrying</td>
<td>Accumulated</td>
<td>Carrying</td>
</tr>
<tr>
<td></td>
<td>depreciation</td>
<td>value</td>
<td>depreciation</td>
<td>value</td>
</tr>
<tr>
<td>Building</td>
<td>1 098 688</td>
<td>(254 734)</td>
<td>843 954</td>
<td>(254 734)</td>
</tr>
<tr>
<td>Office equipment</td>
<td>366 825</td>
<td>(188 859)</td>
<td>177 966</td>
<td>(188 859)</td>
</tr>
<tr>
<td>Office equipment &amp;</td>
<td>655 902</td>
<td>(409 584)</td>
<td>246 318</td>
<td>(409 584)</td>
</tr>
<tr>
<td>School equipment</td>
<td>119 154</td>
<td>(19 727)</td>
<td>99 427</td>
<td>(19 727)</td>
</tr>
<tr>
<td>Furniture</td>
<td>2 714 857</td>
<td>(584 276)</td>
<td>2 129 581</td>
<td>(584 276)</td>
</tr>
<tr>
<td>Total</td>
<td>6 055 041</td>
<td>(1 110 877)</td>
<td>4 944 164</td>
<td>(1 110 877)</td>
</tr>
</tbody>
</table>
Chemistry Incubator NPC

Notes to the financial statements
for the year ended 31 March 2013

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2013

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>Depreciation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant equipment</td>
<td>1 655 945</td>
<td>1 489 794</td>
<td>(1 499 905)</td>
<td>1 605 517</td>
</tr>
<tr>
<td>Office equipment</td>
<td>941 473</td>
<td>91 382</td>
<td>(23 065)</td>
<td>909 789</td>
</tr>
<tr>
<td>Computer equipment &amp; software</td>
<td>96 118</td>
<td>177 208</td>
<td>(70 340)</td>
<td>203 086</td>
</tr>
<tr>
<td>Total</td>
<td>2 453 436</td>
<td>2 468 384</td>
<td>(289 250)</td>
<td>4 630 570</td>
</tr>
</tbody>
</table>

Reconciliation of property, plant and equipment – 2012

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>Transaction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant equipment</td>
<td>378 004</td>
<td>953 492</td>
<td>(610 388)</td>
<td>721 108</td>
</tr>
<tr>
<td>Office equipment</td>
<td>179 042</td>
<td>148 208</td>
<td>(14 819)</td>
<td>292 431</td>
</tr>
<tr>
<td>Computer equipment &amp; software</td>
<td>23 682</td>
<td>53 774</td>
<td>(13 447)</td>
<td>63 899</td>
</tr>
<tr>
<td>Total</td>
<td>570 728</td>
<td>59 274</td>
<td>(79 254)</td>
<td>590 748</td>
</tr>
</tbody>
</table>

6. Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>1 302 961</td>
<td>2 662 049</td>
</tr>
<tr>
<td>Accrued leave pay</td>
<td>60 140</td>
<td>11 887</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>789 840</td>
<td>306 058</td>
</tr>
<tr>
<td>Credit-card facility</td>
<td>24 270</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2 097 211</td>
<td>3 089 994</td>
</tr>
</tbody>
</table>

7. Deferred grant income

The special grant received of R2 300 000 in the 2003 year was for the expansion of facilities. The amount has been treated as deferred income and will be released to income over the useful life of the facility, being 50 years.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of year</td>
<td>2 086 192</td>
<td>2 136 192</td>
</tr>
<tr>
<td>Released through the income statement</td>
<td>(50 000)</td>
<td>(50 000)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>2 036 192</td>
<td>2 086 192</td>
</tr>
</tbody>
</table>
Chemistry Incubator NPC

Notes to the financial statements for the year ended 31 March 2013

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant revenue</td>
<td>6 056 000</td>
<td>5 360 000</td>
</tr>
</tbody>
</table>

Grant income is funding received annually from STIP and ODELETA, with the aim of fostering technology-based SMME development.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fees</td>
<td>-</td>
<td>444 000</td>
</tr>
<tr>
<td>Income - repayments from claims</td>
<td>260 231</td>
<td>584 515</td>
</tr>
<tr>
<td>Other income</td>
<td>5 517 013</td>
<td>1 998 350</td>
</tr>
<tr>
<td>Released from deferred income</td>
<td>50 000</td>
<td>50 000</td>
</tr>
<tr>
<td>Rental income</td>
<td>8 058</td>
<td>8 058</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5 927 244</td>
<td>1 885 423</td>
</tr>
</tbody>
</table>

Other income includes assets donated by the Eskom Foundation to the value of R4 911 953 (2012: R 735 890).

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating surplus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating surplus for the year is stated after accounting for the following:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractual amounts</td>
<td>114 954</td>
<td>73 862</td>
</tr>
<tr>
<td>Lease rentals on operating lease</td>
<td>115 269</td>
<td>210 241</td>
</tr>
<tr>
<td>Contractual amounts</td>
<td>230 223</td>
<td>286 103</td>
</tr>
<tr>
<td>Depreciation on property, plant and equipment</td>
<td>308 386</td>
<td>153 355</td>
</tr>
<tr>
<td>Employee costs</td>
<td>1 557 246</td>
<td>1 415 817</td>
</tr>
<tr>
<td>Key management compensation</td>
<td>2 651 410</td>
<td>2 318 247</td>
</tr>
<tr>
<td>Direct project related expenses</td>
<td>2 811 943</td>
<td>483 322</td>
</tr>
</tbody>
</table>

Included in other operating expenses (direct project related expenses) is an amount of R2.9 million utilized from the Eskom Foundation funding to purchase a pilot plant for an incubator as per the funding requirement.
Chemistry Incubator NPC

Notes to the financial statements
for the year ended 31 March 2013

11. Finance income and finance costs

11.1 Interest received - Bank
Total finance income

21 425
21 425

11.2 Interest paid
Total finance expense

(12 531)
(12 531)

Net finance income/(expense)

8 894
(14 623)

12. Income tax expense

Reconciliation of the income tax expense:

Reconciliation between accounting profit and tax expense:

Accounting profit

1 483 363
336 677

Tax at the applicable tax rate of 28% (2012: 28%)

(415 342)
(94 279)

Tax effect of adjustments to taxable income:
Non-deductible expenses

1 557
15 771

Exempt income

(210 000)
-

Grant income

(14 000)
(14 000)

Temporary Differences

(81 018)
50 274

Assessed loss utilised

(111 381)
(126 315)

No income tax expense has been recognised, as the company has an extended carry-forward
computed loss of R2 264 949 at 31 March 2013 (2012: R2 664 542). The related deferred tax
assets of R720 336 (2012: R813 122) has not been recognised, as the realisation of the related tax
benefit through future taxable profits is not probable.

13. Auditing’s remuneration

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- External Audit</td>
<td>59 000</td>
<td>58 000</td>
</tr>
<tr>
<td>- Internal Audit</td>
<td></td>
<td>26 000</td>
</tr>
<tr>
<td>Other services</td>
<td>22 120</td>
<td>8 200</td>
</tr>
<tr>
<td>Prior year under provision</td>
<td>13 389</td>
<td>12 000</td>
</tr>
<tr>
<td></td>
<td>94 439</td>
<td>101 200</td>
</tr>
</tbody>
</table>
Chemistry Incubator NPC

Notes to the financial statements
for the year ended 31 March 2013

14. Cash generated from operations

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus before taxation</td>
<td>1,483,363</td>
<td>336,677</td>
</tr>
<tr>
<td>Adjustments (net)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>308,386</td>
<td>153,355</td>
</tr>
<tr>
<td>Release from deferred income</td>
<td>(50,000)</td>
<td>(30,000)</td>
</tr>
<tr>
<td>Finance income</td>
<td>(21,425)</td>
<td>(1,718)</td>
</tr>
<tr>
<td>Finance expense</td>
<td>12,531</td>
<td>60,223</td>
</tr>
<tr>
<td>Changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables and prepayments</td>
<td>(864,456)</td>
<td>533,132</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,497,217</td>
<td>(268,666)</td>
</tr>
<tr>
<td>Inventory</td>
<td>(108,879)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,156,737</td>
<td>763,009</td>
</tr>
</tbody>
</table>

15. Commitments

Operating leases – as lessee (expense)

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum lease payments due:</td>
<td>213,683</td>
<td>11,431</td>
</tr>
<tr>
<td>- within one year</td>
<td>564,718</td>
<td>14,702</td>
</tr>
<tr>
<td>- in second to fifth year inclusive</td>
<td>778,401</td>
<td>60,133</td>
</tr>
</tbody>
</table>

The company leases land and buildings under an operating lease agreement with Nelson Mandela Metropolitan University. The lease agreement is for an indefinite period subject to the right of either party to terminate the agreement by giving six months’ written notice. The rental is fixed at R1 700 per month.

The company also leases various office equipment under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

16. Subsequent events

No events have occurred between financial year end date and the date of approval of the financial statements which would materially affect the financial statements.
Chemistry Incubator NPC

Notes to the financial statements
for the year ended 31 March 2013

17. Going concern

As at 31 March 2013, the company’s current liabilities exceeded its current assets by R 246 893. In the prior financial year current assets exceeded current liabilities.

The ability of the company to continue as a going concern is dependent on the continuation of existing levels of finance by the SEDA Technology Programme (STP) and the Department of Economic Development and Environmental Affairs and Tourism (DEDEAT).

The specific funding secured for the operational costs for the next financial year is:

- SEDA: R5 680 600
- DEDEAT: R1 800 000

The specific funding secured will only be provided if the company meets its key performance indicators. The directors have the following plans in place to ensure the company will be in a sound position and meet its key performance indicators:

- Management will submit all quarterly reports and supporting documentation as required by the terms of the funding arrangements.
- The Executive Director will monitor the cash flow of the entity on a monthly basis and inspect actual results versus the approved budget.
- The Directors will continue to actively negotiate alternative sources of funding.
- The Directors will also monitor the cash flow and cash flow forecasts of the entity at each of the board meetings.

Should the company not meet its key performance indicators and therefore not receive funding from STP and DEDEAT, there exists a material uncertainty which may cast significant doubt on the company’s ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.
## Chemistry Incubator NPC

### Statement of comprehensive income

**For the year ended 31 March 2013**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant revenue</td>
<td>R 6 850 080</td>
<td>R 5 705 080</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Release from deferred income</td>
<td>R 53 000</td>
<td>R 39 000</td>
</tr>
<tr>
<td>Sales and other income</td>
<td>R 5 777 244</td>
<td>R 1 825 422</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>R 6 827 244</td>
<td>R 1 823 322</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>R 11 270</td>
<td>R 12 412</td>
</tr>
<tr>
<td>Auditor’s remuneration</td>
<td>R 94 430</td>
<td>R 110 200</td>
</tr>
<tr>
<td>Bank charges</td>
<td>R 32 814</td>
<td>R 34 325</td>
</tr>
<tr>
<td>Board fees</td>
<td>R 135 124</td>
<td>R 190 755</td>
</tr>
<tr>
<td>Board debt provision</td>
<td>R 213 490</td>
<td>R 306 068</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment</td>
<td>R 305 386</td>
<td>R 137 335</td>
</tr>
<tr>
<td>Direct project related expenses</td>
<td>R 2 811 943</td>
<td>R 886 323</td>
</tr>
<tr>
<td>Employee costs</td>
<td>R 4 288 656</td>
<td>R 734 364</td>
</tr>
<tr>
<td>Entertainment</td>
<td>R 196 941</td>
<td>R 46 163</td>
</tr>
<tr>
<td>General expenses</td>
<td>R 773 978</td>
<td>R 87 608</td>
</tr>
<tr>
<td>IT support and maintenance</td>
<td>R 89 011</td>
<td>R 25 270</td>
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<td>Insurance</td>
<td>R 297 039</td>
<td>R 125 521</td>
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<td>Lease rentals on operating leases</td>
<td>R 236 221</td>
<td>R 167 142</td>
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<tr>
<td>Legal expenses</td>
<td>R 7 537</td>
<td>R 5 894</td>
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<tr>
<td>Magazines, books and periodicals</td>
<td>R 4 026</td>
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<tr>
<td>Marketing</td>
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<tr>
<td>Outsourced and client services</td>
<td>R 49 463</td>
<td>R 187 981</td>
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<tr>
<td>Postage and courier fees</td>
<td>R 12 173</td>
<td>R 5 874</td>
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<tr>
<td>Printing and stationery</td>
<td>R 79 780</td>
<td>R 58 122</td>
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<td>Recruitment fee</td>
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<td>Repairs and maintenance</td>
<td>R 169 183</td>
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<td>Subscriptions</td>
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<td>Telephone and fax</td>
<td>R 43 480</td>
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<td>Training</td>
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<td>Travel</td>
<td>R 354 394</td>
<td>R 58 601</td>
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<td>Utilities</td>
<td>R 127 933</td>
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<td>Workshops and conferences</td>
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<td><strong>Total operating expenses</strong></td>
<td>R 3 322 840</td>
<td>R 718 775</td>
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<td><strong>Operating surpluses</strong></td>
<td>R 1 474 409</td>
<td>R 393 167</td>
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<tr>
<td><strong>Finance costs</strong></td>
<td>(R 12 531)</td>
<td>(R 60 223)</td>
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<td><strong>Finance income</strong></td>
<td>R 21 425</td>
<td>R 3 374</td>
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<td><strong>Surplus for the year</strong></td>
<td>R 1 483 363</td>
<td>R 356 077</td>
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*The summary figures presented above are based on the financial statements and are consistent.*
Acknowledgements

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