

**CHAIRMAN AND CHIEF EXECUTIVE STATEMENT**

Inqo Investments Limited ('Inqo' or 'the Company') is a South African based social impact company that acquires and invests in businesses that tackle poverty and the social needs of low income earners at the base of the economic pyramid in Sub-Saharan Africa.

**COMMENTARY**

The period since October 2014 to date has been one of consolidation for Inqo. Between October 2014 and April 2016, we renegotiated loans with institutions which will result in a total saving of R30 million in interest repayments and during this period we listed Inqo on the ISDX Growth Market in London.

The results for this year reflect a loss before tax for the year of R4,718,271 (2015: Profit of R8,974,270) equating to 0.62 cents per share with revenues of R10,650,195 (2015: R11,249,300). The company incurred listing expenses amounting to R1.5 million during the year and these are viewed as once-off costs that will not recur each year. Finance costs during the year amounted to R1.1 million mainly related to the convertible loans which were converted to equity before year end and this is also a non-recurring expense. The loan negotiations and the convertible loan restructuring has resulted in the company being free of any borrowings and loans.

**Investee companies****Kuzuko Lodge**

The trading losses at Inqo group level are mainly attributable to losses at Kuzuko Lodge, Inqo's main trading subsidiary of R950,638 (2014:R1,992,798). Whilst the lodge operation has essentially been profitable, conservation and habitat rehabilitation work on the reserve continues to require funding, resulting in losses. Kuzuko Lodge continues to see improvements in its trading position reflecting a reduced loss in comparison to the previous year. Our main thrust with Kuzuko Lodge in the 2015/6 year was to increase the average rate achieved per room to provide a platform to get the operation to profitability. We are pleased to report that while the annual occupancy decreased by 8% due to changes in visitor visa requirements affecting the whole industry, the average room rate achieved increased by 30%. We are pleased to report that this trend has continued in the first quarter of 2016/7. Kuzuko Lodge is now in its 8<sup>th</sup> season and we expect to see further improvements as we continue to build its reputation.

**Spekboom Trading**

We continue our interaction with the Department of Environmental Affairs (DEA) to obtain a further reforestation grant to extend the planting of spekboom on the Kuzuko Game Reserve. When agreement is reached with the DEA we will create some 100 new jobs in the local community. To date, the company has re-planted 500 acres of spekboom on degraded land.

**Bee Sweet Honey**

We concluded negotiations in the first quarter with Bee Sweet Honey Limited a Zambian commercial producer of honey with 60,000 beehives and 12,000 farmers in its programme. Output for 2016 is expected to be 200 tons of honey for export. Inqo invested an initial tranche of US\$60 000 in this venture that will allow Bee Sweet to acquire and supply an additional 5,000 hives and recruit 500 new farmers to the honey production programme. The bee hives are harvested twice a year and Inqo expects to earn its first revenues in the next financial year.

**Medical Diagnostech**

The company manufactures rapid point-of-care (POC) tests for HIV/AIDS, malaria, drugs of abuse and pregnancy.

The company produced 800,000 test kits in 2015/6.

## OUTLOOK

In the current year Inqo expects to benefit from the improved trading at Kuzuko Lodge and first revenues from its Bee Sweet Honey investment.

The improved room rates that have been achieved and the increased occupancies experienced at Kuzuko Lodge in the latter part of the 2015/6 year and the first quarter of 2016/7 are expected to continue on the back of the fact that the Rand remains weak against other currencies, making South Africa an attractive destination for tourists.

A factor that must be borne in mind in the current 2016/7 year is that the DBSA long term loan was settled in April 2016, being the final part of the restructuring exercise that the group entered into in 2015. The settlement of R15 million made and the resulting write back of interest historically charged of a further R14 million that will arise as a result of the loan settlement will strengthen the financial position of the company and reflect positively on the groups trading results for the 2016/7 year.

## SUMMARY OF SOCIAL & ENVIRONMENTAL METRICS SINCE PROJECT COMMENCEMENT

- 39,000 acres of former farmland restored as a game reserve in a region of endemic poverty in the poorest province in South Africa.
- Increased income tax paid year on year, currently 55 fulltime and 12 part-time and contracted staff employed.
- All staff living at Kuzuko in standard housing with flush toilets, power, water and solar panels.
- Conservation of 3 endangered species.
- Reforestation of 500 acres of degraded land with spekboom providing work for 81 part time staff.
- 800,000 low cost medical diagnostic tests for infectious diseases manufactured and supplied.
- 60,000 beehives in the field providing 12,000 farmers with increased income.

## STAFF

The directors would like to take this opportunity to thank all the operating staff in the group for their contribution and commitment to the group's objectives.

## FINANCIAL INFORMATION

During the year the group and company identified that the revaluation reserve has always excluded deferred tax relating to the land revaluation, whereas the revaluation reserve should have been reflected net of deferred tax. In prior years, the company and group had been in an overall deferred tax asset position which was not recognised due to the uncertainty of the timing of future taxable income. However, due to the change in the capital gains tax rate notified in the South African February 2016 budget speech, the company and group moved into a deferred tax liability position at 29 February 2016.

The financial information set out in this announcement does not constitute statutory financial statements. This financial information has been extracted from Inqo's audited group financial statements for the year ended 29 February 2016. A copy of these audited financial statements will be available on the company website by 31 July 2016.

## DIVIDEND

The company has not declared a dividend for the year ended 29 February 2016.

K.S Tan  
Chairman

C.J Bertie  
Chief Financial Office

**Statement of comprehensive income**  
for the year ended 29 February 2016

	<b>Audited Year ended 29 February 2016 R'000</b>	Restated Audited Year ended 28 February 2015 R'000
<b>Revenue</b>	<b>10 650</b>	11 249
<b>Cost of Sales</b>	<b>(1 650)</b>	(1 799)
<b>Gross profit</b>	<b>9 000</b>	9 450
Other income	<b>1 134</b>	14 977
Selling and administrative expenses	<b>(14 795)</b>	(15 809)
<b>Operating (loss)/profit</b>	<b>(4 661)</b>	8 618
<b>Net financing (costs)/income</b>	<b>(57)</b>	356
<b>(Loss)/profit before taxation</b>	<b>(4 718)</b>	8 974
Taxation	<b>259</b>	905
<b>(Loss)/profit for the year</b>	<b>(4 459)</b>	9 879
Other comprehensive income	<b>(2 896)</b>	3 946
Revaluation of land	-	4 851
Deferred tax on revaluation	<b>(2 896)</b>	(905)
<b>Total comprehensive income for the year</b>	<b>(7 355)</b>	13 825
(Loss)/earnings per share (cents)	<b>(0.62)</b>	0.48
Diluted (loss)/earnings per share (cents)	<b>(0.59)</b>	0.41

**Statement of financial position***at 29 February 2016*

	<b>Audited 29 February 2016 R'000</b>	Restated Audited 28 February 2015 R'000
<b>Assets</b>		
<b>Non-current assets</b>	<b>119 110</b>	118 714
Property, plant and equipment	<b>119 082</b>	118 687
Intangible assets	<b>28</b>	27
<b>Current assets</b>	<b>31 803</b>	23 078
Inventories	<b>389</b>	742
Trade and other receivables	<b>4 806</b>	2 828
Biological assets	<b>2 950</b>	2 683
Cash and cash equivalents	<b>23 658</b>	16 825
<b>Total assets</b>	<b>150 913</b>	141 792
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Ordinary share capital	<b>58 198</b>	28 813
Share premium	<b>58 228</b>	13 266
Revaluation reserve	<b>60 200</b>	63 096
Accumulated loss	<b>(65 871)</b>	(61 546)
Equity attributable to equity holders of Inqo Investments Limited	<b>110 755</b>	43 629
Non-controlling interest	<b>(133)</b>	1
Total equity	<b>110 622</b>	43 630
<b>Non-current liabilities</b>	<b>17 759</b>	82 950
Loans from related parties	<b>414</b>	28 153
Other long term loans	<b>538</b>	34 617
External loans and borrowings	<b>13 977</b>	19 987
Deferred tax liability	<b>2 637</b>	-
Debentures	<b>193</b>	193
<b>Current liabilities</b>	<b>22 532</b>	15 212
Trade and other payables	<b>6 277</b>	3 849
Provision	<b>252</b>	353
External loans and borrowings – current portion	<b>16 003</b>	11 010
<b>Total liabilities</b>	<b>40 291</b>	98 162
<b>Total equity and liabilities</b>	<b>150 913</b>	141 792