**INQO INVESTMENTS LIMITED**

**ADMISSION DOCUMENT**

**IMPORTANT NOTICE**

**THIS DOCUMENT IS IMPORTANT. PLEASE READ IT IMMEDIATELY. If you are in any doubt about the contents of this document or the action you should take, you should take your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities if you are in the UK or, if not, another appropriately authorised independent financial adviser who specialises in advising on the acquisition of shares and other securities.**

The Directors (whose names appear on page 4 of this document) accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

This document, which comprises an admission document drawn up in accordance with the ISDX Growth Market - Rules for Issuers, is being issued in connection with the proposed application for trading of the Ordinary Shares on the ISDX Growth Market. This document does not constitute an offer to the public and the Company is not making an offer to the public within the meaning of sections 85 and 102B of the Financial Services and Markets Act 2000 (as amended) ("FSMA"). This document is not therefore an approved prospectus for the purposes of section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules and has not been approved or examined by any authority which could be a competent authority for the purposes of the Prospectus Directive.

The share capital of the Company is not presently listed or dealt in or on any stock exchange. Application has been made for all the issued Ordinary Shares of the Company to be admitted to trading on the ISDX Growth Market. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the ISDX Growth Market on 30 November 2015.

**The ISDX Growth Market, which is operated by ICAP Securities & Derivatives Exchange Limited ("ISDX"), a recognised investment exchange, is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. It is not classified as a Regulated Market under EU financial services law and ISDX Growth Market securities are not admitted to the Official List of the United Kingdom Listing Authority. Investment in an unlisted company is speculative and involves a higher degree of risk than an investment in a listed company. The value of investments can go down as well as up and investors may not get back the full amount originally invested. An investment should therefore only be considered by those persons who are prepared to sustain a loss on their investment. A prospective investor should be aware of the risks of investing in ISDX Growth Market securities and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

**Inqo Investments Limited is required by ICAP Securities & Derivatives Exchange Limited to appoint a ISDX Corporate Adviser to apply on its behalf for admission to the ISDX Growth Market and must retain a ISDX Corporate Adviser at all times. The requirements for an ISDX Corporate Adviser are set out in the Corporate Adviser Handbook and the ISDX Corporate Adviser is required to make a declaration to ISDX in the form prescribed by Appendix D.**

**This admission document has not been examined or approved by ISDX or the Financial Conduct Authority.**

The Company can give no assurance that an active trading market for shares in Inqo Investments Limited will develop or, if developed, will be sustained following its admission to the ISDX Growth Market.

**The attention of investors is drawn to the risk factors set out in Part II of this document but the whole text of this document should be read. All statements regarding the Company's business and financial position should be viewed in light of such risk factors. An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this document.**

---

**INQO INVESTMENTS LIMITED**

*(Inqo Investments Limited, a company incorporated under the laws of the Republic of South Africa with the registration number 1998/024741/06 and having a business location in South Africa)*

**Admission to trading on the ISDX Growth Market**

***ISDX Corporate Adviser***

Shard Capital

**Shard Capital Partners LLP**

**SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION**

| | Issued and fully paid | |
|---|---|---|
| | Amount | Number |
| Ordinary Shares | R103,159,871 | 11,639,615 |

The Ordinary Shares have not been, and nor will they be, registered under the United States Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan or the Republic of Ireland. Subject to certain exceptions, the Ordinary Shares may not be offered or sold, directly or indirectly, in or into the United States, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan, the Republic of Ireland or United States or any U.S. person (within the definition of Regulation S made under the United States Securities Act of 1933, as amended. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Ordinary Shares and the distribution of this document.

Shard Capital Partners LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as ISDX Corporate Adviser exclusively for the Company in connection with Admission and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Shard Capital Partners LLP or for advising any other person in connection with Admission. Shard Capital Partners LLP has not made its own enquiries except as to matters which have come to its attention and on which it considered it necessary to satisfy itself and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document, or for the omission of any material information, for which the Directors are solely responsible.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Shard Capital Partners LLP, 23rd Floor, 20 Fenchurch Street, London, EC3M 3BY from the date of this document and for a period of at least one month from Admission.

**Forward Looking Statements**

Certain statements contained in this document constitute or may constitute forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. These statements are primarily contained in Parts (I) and (II) of this document. Such statements reflect the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to vary from those described in this document. Should one or more of these risks or uncertainties materialise, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this document as intended, planned, anticipated, believed, proposed, estimated or expected.

The forward looking statements in this document are based on current expectations and intentions and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. Certain risks to the Company are specifically described in Part (II) of this document headed “Risk Factors”. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove to be incorrect, the Company’s actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward looking statements. These forward looking statements are stated as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward looking statements or risk factors other than as required by the ISDX Rules or by the rules of any other securities regulatory authority whether as a result of new information, future events or otherwise.

**CONTENTS**

## DIRECTORS, SECRETARY AND ADVISERS

| | |
|---|---|
| **Directors**: | Kim Sze Tan, Executive Chairman<br>Chris Bertie, Chief Operating Officer and Chief Financial Officer<br>David Louw, Non-Executive Director |
| **Company Secretary:** | Kilgetty Statutory Services (Proprietary) Limited<br>6th Floor, 119 Hertzog Boulevard<br>Foreshore Cape Town<br>South Africa, 8001 |
| **Registered Office:** | Dorrington Jessop<br>28 Draper Square<br>Draper Street<br>Claremont, Cape Town<br>South Africa, 7708 |
| **ISDX Corporate Adviser and Broker:** | Shard Capital Partners LLP<br>23rd Floor, 20 Fenchurch Street<br>London<br>EC3M 3BY |
| **Solicitors to the Company:** | Dorrington Jessop<br>28 Draper Square<br>Draper Street<br>Claremont, Cape Town<br>South Africa, 7708 |
| **Auditors:** | KPMG<br>KPMG House, 200 Norvic Drive<br>Greenacres<br>Port Elizabeth<br>South Africa, 6045 |
| **Bankers:** | First National Bank – A division of FirstRand Bank Limited<br>26th floor, Portside Building<br>5 Buitengracht Street<br>Cape Town<br>South Africa, 8001 |
| **Share Registrar:** | Capita Registrars (Guernsey) Limited<br>Mont Crevelt House<br>Bulwer Avenue<br>St Sampson<br>Guernsey<br>GY2 4LH |
| **Depository:** | Capita IRG Trustees Limited<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU |
| **Website:** | **www.inqo.co.za** |

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

| | |
|---|---|
| "2006 Act" | the Companies Act 2006 of Great Britain |
| "Act" | the Companies Act 2008 of the RSA |
| "Admission" | the admission of all the issued Ordinary Shares to trading on the ISDX Growth Market and such admission becoming effective in accordance with the ISDX Rules |
| "AENP" | the Addo Elephant National Park in the Eastern Cape Province protected by the National Parks Act No. 57 of 1976 which was established by SANPARKS |
| "AfriCarbon" | AfriCarbon (Proprietary) Limited, an RSA company specialising in carbon trading for development in the rural Eastern Cape through ecosystem restoration and planting of spekboom |
| "Big Five" | a group of animals comprising lion, elephant, rhino, leopard and buffalo |
| "Board" | the board of directors of the Company as constituted from time to time |
| "Carbon credit" | an allowance (or credit) representing the right to emit carbon dioxide (or carbon dioxide equivalent) into the atmosphere |
| "Carbon trading" | a scheme where firms (or countries) can buy and sell carbon credits as part of a pollution quota programme to reduce carbon emissions |
| "Certificated" | shares held in certificated format (that is, not in CREST) |
| "City Code" | the City Code on Takeovers and Mergers |
| "Company" or "Inqo" | Inqo Investments Limited, a public company incorporated in accordance with the company laws of the Republic of South Africa, Registration Number 1998/024741/06, and formerly known as Inqo Investments (Proprietary) Limited, Inqo Properties (Proprietary) Limited and Tiradeprops 57 (Proprietary) Limited |
| "Corporate Code" | the UK Corporate Governance Code (September 2014) published by the Financial Reporting Council |
| "CREST" | the Relevant System (as defined in the CREST Regulations) to facilitate the transfer of title to, and the holding of, securities in uncertificated form, operated by Euroclear |
| "CREST Regulations" | the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time |
| "DBSA" | the Development Bank of Southern Africa Limited, reconstituted and incorporated in terms of section 2 of the Development Bank of Southern Africa Act No. 13 of 1997 |

| | |
|---|---|
| "Depository Interests" or "DI's" | the depository interests representing an entitlement to Ordinary Shares which may be held and settled through CREST in dematerialised form |
| "Depository" | Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU |
| "Directors" | the directors of the Company whose names are set out on page 4 of this document |
| "DTR" | the Disclosure Rules and the Transparency Rules published by the FCA |
| "Euroclear" | Euroclear UK & Ireland Limited, the operator of CREST |
| "FCA" | the Financial Conduct Authority and any subsequent, superseding or replacement body or bodies |
| "FSMA" | the Financial Services and Markets Act 2000, as amended |
| "Fenced Land" | Freehold land owned by the Company which has been predator proof fenced and incorporated into the AENP pursuant to the SANPARKS Agreement; |
| "Group" | the Company and its subsidiaries |
| "Hotel" | game lodge business of Kuzuko located within the fenced land, being the Kuzuko Contractual Park. Land and buildings are owned by the Company. The lodge business is operated by Kuzuko. Legacy is the management company contracted who are responsible for day to day management, sales & marketing of the Lodge operation. |
| "Impact investment" | for profit investment but with a requirement for social and/or environmental returns |
| "Introduction" | the introduction of the Ordinary Shares to trading on the ISDX Growth Market |
| "ISDX" | ICAP Securities & Derivatives Exchange Limited, a recognised investment exchange under section 285 of FSMA |
| "ISDX Growth Market" | the ISDX primary market segment operated by ISDX for dealings in unlisted securities admitted to trading in accordance with the ISDX Rules |
| "ISDX Rules" | the ISDX Growth Market - Rules for Issuers, which set out the admission requirements and continuing obligations of companies seeking admission to, and whose shares are admitted to trading on, the ISDX Growth Market, as amended or supplemented from time to time |
| "Issued Shares" | the Ordinary Shares in issue as at the date of this document. |
| "Kuzuko" | Kuzuko Lodge (Proprietary) Limited a company with limited liability incorporated in accordance with the company laws of the Republic of South Africa under number 2004/025392/07. |
| "Kuzuko Contractual Park" | the park which is situated on the land owned by Inqo as defined and set out in the SANPARKS Agreement |

| | |
|---|---|
| "Legacy" | Legacy Hotel Management Services (Proprietary) Limited, a company with limited liability incorporated in the RSA under number 1984/011057/07. Legacy is an independent service provider with no connection to either the Company or Kuzuko other than the management contract. |
| "Lodge" | the facility built by the Company to operate as a hospitality unit consisting of the main lodge, chalets, supporting facilities and staff accommodation. |
| "MOI" | the memorandum of incorporation of the Company, further details of which are set out in paragraph 5 of Part IV of this document |
| "Ordinary Shares" | ordinary shares of R5 each in the capital of the Company |
| "QCA Code" | the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance |
| "R" or "Rand" | the official currency of the RSA |
| "RSA" | the Republic of South Africa |
| "SCP" | Shard Capital Partners LLP, the Company's ISDX Corporate Adviser for the purposes of the ISDX Rules |
| "SANPARKS" | the South African National Parks established in terms of the National Parks Act 57 of 1976; |
| "SANPARKS Agreement" | the agreement entered into between Inqo and SANPARKS dated 1 September 2003 to incorporate the Kuzuko Contractual Park into the AENP; |
| "Shareholders" | the persons who are registered as the holders of Ordinary Shares from time to time |
| "Spekboom" | a shrub indigenous to the Karoo region of the Eastern Cape, South Africa capable of capturing carbon dioxide and enriching the soil |
| "Spekboom Trading" | Spekboom Trading (Proprietary) Limited, a company with limited liability incorporated in accordance with the Company Laws of the Republic of South Africa under number 2011/009815/07 |
| "Subsidiary" | as defined in the Act |
| "UK" | the United Kingdom of Great Britain and Northern Ireland |
| "uncertificated" or "in uncertificated form" | recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| "VAT" | RSA value added tax |

## ADMISSION STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|---|---|
| Total number of Ordinary Shares of R5 each in issue at the date of this document | 11,639,615 |
| Expected market capitalisation of the Company on Admission (*based on the total number of Ordinary Shares in issue as above*) | GBP 10,126,465.05 |
| South African Rand/Great British Pound exchange rate | 18.6:1 |
| Date of publication of this Admission Document | 25 NOVEMBER 2015 |
| Expected date of Admission and commencement of dealings on the ISDX Growth Market | 30 NOVEMBER 2015 |
| Proposed ISDX Growth Market symbol | INQO |
| ISIN Number | ZAU000014391 |

Capita will issue new Capita style share certificates to all existing shareholders within 10 business days of admission, making any current share certificates null and void from admission; existing holders will be able to dematerialise their holding into their nominated CREST accounts in DI form, following receipt of their new share certificate after admission

## PART I

## INFORMATION ON THE COMPANY

### INTRODUCTION

Inqo was established in 2001 and started operating in 2003 in the RSA as a social impact company to acquire businesses primarily in sub-Saharan Africa that would tackle poverty and the social needs of the poor through creating sustainable employment and also environmental issues. The Company seeks to acquire small and medium sized enterprises that are scalable and have potential for growth but also seeks to monitor its assets for their social and environmental impact.

The Company is now seeking Admission for all of its Issued Shares to the ISDX Growth Market.

### BACKGROUND TO THE COMPANY

Inqo was established in the RSA in 2001 by Dr Kim Tan, as a social impact holding company. The Company was initially funded by Dr Kim Tan, the DBSA and the Eastern Cape Development Corporation.

Inqo originally set out and continues to seek to acquire profitable and near-profitable businesses that create employment, provide services and products to the poor and tackle poverty and climate change issues. Its primary focus is sub-Saharan Africa.

Inqo currently owns the land that constitutes the Kuzuko Game Reserve in the Eastern Cape, RSA comprising approximately 39,000 acres as well as the 5-star Kuzuko Lodge. Kuzuko operates the lodge on behalf of its holding company Inqo.

Inqo currently has two subsidiaries:

- Kuzuko Lodge (Proprietary) Limited – a 5-star 'Big Five' eco-tourism business managed by the Legacy Hotels Group on the Kuzuko Game Reserve
- Spekboom Trading (Proprietary) Limited – a spekboom re-forestation and carbon sequestration company, in which Inqo holds a 51% stake in a joint venture with AfriCarbon.

Impact investment is an emerging asset class intentionally designed to address social needs and to have measureable social and/or environmental impact. The Admission will make available an opportunity to invest in this emerging asset class. In addition to making acquisitions as a holding company, Inqo would also be able to provide a potential exit for other social impact businesses in transactions using its shares.

### BUSINESS OF THE COMPANY

#### Kuzuko Game Reserve

The Kuzuko Game Reserve comprises 22 farms bought over a three and a half year period, which have now been consolidated and restored into approximately 39,000 acres of game reserve as a part of the AENP. Over 250 jobs were created during the building of more than 70 km of fencing around the Fenced Land, the 5-star Lodge, 24 private chalets and the staff village. This has been the largest private investment in the Blue Crane District whilst Kuzuko is also a major contributor to the local economy on a monthly basis through its wage bill, purchases of supplies, bringing in foreign tourists and taxes.

Kuzuko partners with SANPARKS to manage the game and to run conservation programmes for the elephant, black rhino and mountain zebra within the Fenced Land. Kuzuko operates the lodge under the management guidance of Legacy who manage and market the property as part of their portfolio of 14 properties in Africa. Occupancy of the lodge in the peak summer months is now over 50% in the lodge's 5$^{th}$ year of operation as Kuzuko is becoming a known brand both internally in South Africa and internationally.

The social impact of Kuzuko is measured in terms of:

- housing quality - all staff at the Lodge now live in houses with indoor bathrooms, flush toilets, clean water and electricity;
- income taxes paid;
- the number of children in tertiary education; and
- the number of staff owning properties and vehicles.

Kuzuko is currently intending to pursue three additional activities:

- game breeding of high value animals such as Sable in addition to the Buffalo that are currently farmed and bred. The cost of funding the initial herd will be financed internally.
- Timeshare and fractional ownership of property owned by the Company outside the fenced area. The cost of setting up the timeshare/fractional ownership structures will be financed by pre-sales of units.
- Spekboom re-forestation – in partnership with AfriCarbon, Inqo is intending to re-forest 14,000 acres with the indigenous spekboom shrub which is expected to create an additional 300 jobs over three years. 160 hectares were re-forested with spekboom in the last quarter of 2014 and the first quarter of 2015.

### Spekboom Trading

Kuzuko Game Reserve has substantial areas of degraded land suitable for restoration using spekboom. The project to restore this land will entail teams of workers from surrounding communities planting spekboom cuttings. The cuttings need no maintenance or watering, and should transform the brown, degraded landscape into a lush, green ‘forest’ within a few years.

The project which started on 1 October 2014 will create both skilled and unskilled employment opportunities and thereby develop new income streams for poverty stricken communities. Additionally, the project will contribute towards local capacity building through skills that labourers will gather, environmental awareness and knowledge transfer on issues such as climate change and the importance of healthy ecosystems.

Spekboom Trading is a joint venture with AfriCarbon, a leading expert in spekboom re-forestation in South Africa. Over the past 2 years, carbon sequestration data has been collected from a pilot 100 acre re-forestation. This data has been submitted to various organisations for validation approval. Validation approval was obtained from the Climate, Community & Biodiversity Alliance as a CCB Standard Gold Level on 5 September 2013. A Voluntary Carbon Scheme validation approval was received on 30 January 2014. These approvals will allow Spekboom Trading to trade the carbon credits which will be derived from the re-forestation programme. Such trading can provide an annuity revenue stream over forty years.

## THE MARKET

### Tourism Market

The South African tourism market remains buoyant with continued interest being shown by overseas travellers and tourists from the rest of Africa keen to visit South Africa because of its varied and value for money offerings. According to the South African Tourism Board, 2012 saw 13 million tourists visit South Africa, a 10% increase from 2011. This translated into a R76 billion contribution to the economy.

### New Investments

Through the Company’s networks, Inqo will have access to a number of businesses with potential significant social impact and the potential to upscale and become profitable. Investors in and entrepreneurs of private companies in sub-Saharan Africa currently have limited means of exit because of the absence of the private equity markets. The Company is actively looking at a number of opportunities that meet its business strategy criteria.

## DIRECTORS AND SENIOR MANAGEMENT

### Dr Kim Sze Tan, BSc, PhD, Executive Chairman, Aged 60

Dr Tan is the founder Chairman of Springhill Management Limited, a private equity and VC fund management company specialising in biotech and impact investments. He is a partner and advisor to a number of impact funds including Springhill Equity Partners, Novastar Ventures, Truestone Impact Investment and Garden Impact Investment. He is a board member of the Asia Pacific Economic Cooperation (APEC) Life Sciences Innovation Forum and the University of Surrey. He has a PhD in biochemistry and is a Fellow of the Royal Society of Medicine. He was formerly a non-executive director of Bioventix plc and a director of Active Capital Trust plc; both were London-listed companies.

**Christopher John Bertie, CA, Chief Operating Officer and Chief Financial Officer, Aged 68**

Chris Bertie is a Chartered Accountant (SA) and was a partner at Ernst & Young from 1984 to 1997 with responsibility for a number of SA-listed companies including African Cables Limited, Vereeniging Refractories Limited and Amcoal Limited. He was also the Managing Director of Halcyon Hotels, a company that operated hotels and restaurants in the Western Cape from 1997 to 2004. Chris held the position as Director of Cape Town Tourism from 2001 to 2004. Given his vast experience in the hospitality and wine industry in SA, he acts as an advisor to a small number of clients in the sector.

**David Andrew Louw CA(SA), Non-executive Director, Aged 68**

David Louw qualified as a Chartered Accountant (SA) (1974) and was employed by Ernst and Young. He has wide experience in the hospitality, media, wine and game farming industries. He was the Group Financial Manager at Southern Sun Hotel group (1978-1982) and was the Financial Director and shareholder of the Protea Hotel Group (1985-1994), the largest hotel group in Africa now part of Marriott Hotels. He was appointed CEO of Radio K-FM, the leading radio station in Cape Town in (2001-2006) as part of a private equity re-structuring. He is currently on the board of a number of privately owned businesses and Trusts operating in the RSA.

David Louw is a wholly independent non-executive director of the Company. In Part IV of the Admission Document reference is made to the fact that David Louw holds 100,000 ordinary shares in the Company. These shares are not directly held, but held in the name of a family trust of which David Louw is a trustee and beneficiary.

**DIVIDEND POLICY**

It is the intention of the Company to pay a dividend when the Company has achieved sufficient profitability and the requirements for working capital are such that it is prudent to do so. However, no dividends or distributions are expected to be paid for the foreseeable future.

**EQUITY PLANS**

The company has granted CJ Bertie, a director of the Company, an option to acquire 121 442 ordinary shares of R5 each. The details of the share option scheme are set out in Part IV paragraph 10 of this document.

**PRINCIPAL STOCKHOLDER**

Immediately following Admission, Dr Kim Tan will be interested in 5,802,034 Ordinary Shares representing 49.85% of the Issued Shares.

**LOCK-IN ARRANGEMENTS**

The directors of the Company Messrs Bertie and Louw and Dr Tan as well as the major shareholders have agreed to enter into a lock-in agreement that will prevent those contracted from disposing of their shares for a period of twelve months after the listing date.

The lock-in agreements will likewise apply to any shares acquired by Mr Chris Bertie in terms of the share options granted to him.

**CITY CODE**

As the Company is incorporated and registered in the RSA, the City Code does not apply to it and Shareholders will not be entitled to the protections afforded under the City Code which are designed to regulate the way in which takeovers are conducted in relation to companies subject to the City Code.

However, the Takeover Regulations (which are part of the regulations passed under the Act) contain regulations with a similar purpose and intent as the City Code. A broad summary of the function of the

Takeover Regulations Panel in the RSA and the Takeover Regulations are set out in the paragraph headed "Takeovers" later in this document. However, the UK Panel on Takeovers and Mergers will not have authority to monitor Shareholders' compliance with the Takeover Regulations nor impose sanctions in respect of any such breach of such provisions.

## CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Directors are subject under RSA law to the fiduciary duties of care and loyalty to the Company and its Shareholders. The Directors are also committed to maintaining high standards of corporate governance and propose, following Admission, so far as practicable given the Company's size and nature, and subject to any conflicting provisions of RSA law, to comply with the QCA Code.

Within RSA, a corporate governance regimen, King III is only applicable to listed companies on the South African Exchanges. All other companies are required to either adopt or explain as to why certain principles have not been adopted.

The Company and its directors subscribe to and are committed to complying with the principles of openness, integrity and accountability as advocated in the King Report on Governance for South African ("King III") by adopting some of the principles table within King III in which committees have been established to assist the Board in discharging these principles.

The Company currently has one non-executive Director, Mr David Louw. The Board retains full and effective control over the Company. The Company intends to hold regular quarterly Board meetings at which financial and other reports will be considered and, where appropriate, voted on. Apart from such regular meetings, additional meetings will be arranged when necessary to review strategy, planning, operational, financial performance, risk and capital expenditure and human resource and environmental management. The Board is also responsible for monitoring the activities of the executive management.

The Directors have established an audit committee and a remuneration committee with formally delegated duties and responsibilities to operate with effect from Admission.

The audit committee, which will initially comprise Mr David Louw and Dr Kim Tan with Mr David Louw acting as Chairman, will determine and examine any matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. In addition it will consider the financial performance, position and prospects of the Company and ensure they are properly monitored and reported on.

The remuneration committee, which will initially comprise Mr David Louw and Dr Kim Tan with Mr David Louw acting as Chairman, will review the performance of the executive Directors and set their remuneration, determine the payment of bonuses to the executive Directors and consider the Company's bonus and option schemes.

The Company has adopted a share dealing code for the Directors in accordance with the ISDX Rules and will take steps to ensure compliance by the Directors and any relevant employees with the terms of such code.

## EFFECT OF RSA DOMICILE

Inqo is incorporated in the RSA with its principal business location in Cape Town. There are a number of differences under the Act between the corporate structure of Inqo and that of a public limited company incorporated in the UK. While the Directors consider that it is appropriate to retain many of the usual features of a publicly traded RSA corporation, they intend to take certain actions, whenever practicable, to meet UK standard practice. Set out below is a description of the principal differences.

### Anti-dilution rights

As the Company is a public company, there are no statutory pre-emptive rights giving existing shareholders the right to subscribe for any additional shares issued by the Company. The MOI will be amended as soon as practicably possible to include a provision for any shares in the Company that are admitted to trading on a prescribed market pursuant to the UK Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001, any new issue of shares to be effected in accordance with the requirements of the UK Companies Act 2006 (including any modifications, extensions, re-enactments or renewals and any regulations made thereunder) as would be required by the UK Companies Act 2006 were the Company a public limited company incorporated in England and Wales.

The Company is a public company incorporated in the RSA under South African law. In terms of the RSA Companies Act 2008 there are no statutory pre-emption rights. Until such time as such amendment to the MOI is effective, the directors have undertaken not to issue any additional shares of the Company without first giving existing shareholders the opportunity to subscribe for such additional shares pro-rata to their shareholding on the same terms and conditions as is intended for the additional issue of shares. In addition, in terms of the Act, any issue of shares must be for adequate consideration, and before such shares are issued, the Board must determine the consideration for which such shares will be issued and the terms on which those shares will be issued. In terms of the MOI, any issue of shares in excess of 20% but less than 30% of the issued share capital of the Company, will require the prior approval by way of an ordinary resolution of Shareholders, and an issue of shares of 30% or more, will require prior approval by way of a special resolution of Shareholders.

There are no rights of pre-emption in terms of the Act or in terms of the MOI in respect of the transfer of Ordinary Shares and a Shareholder is free to transfer Ordinary Shares to any person without first being required to offer such Ordinary Shares to any existing shareholder.

### Takeover Regulations

The Company, being a public company governed by the Act, will also be subject to the RSA Takeover Regulations (“Takeover Regulations”) which are monitored by the Takeover Regulation Panel (the “TR Panel). The TR Panel is the South African equivalent of the UK Panel on Takeovers and Mergers and the Takeover Regulations are the South African equivalent of the City Code. The primary function of the TR Panel is to regulate certain specified transactions (referred to as “affected transactions”) and offers, and to investigate complaints in respect of affected transactions and offers.

The purpose of the Takeover Regulations is to:

- ensure the integrity of the market place and fairness to the holders of securities affected by affected transactions;
- ensure the provision of necessary information to holders of the relevant securities in order to make a fair and informed decision on affected transactions;
- ensure that enough time is provided for the security holders and companies to obtain advice in respect of affected transactions;
- prevent companies from taking any action which would frustrate or impede or defeat an affected transaction; and
- prevent companies from taking any actions which would impede or frustrate or defeat holders from making a fair and informed decision relating to affected transactions.

## REASONS FOR ADMISSION

The Board believes that the Company has reached an appropriate point in its development to seek Admission. As a social impact holding company that acquires companies seeking to achieve financial, social and environmental returns, Admission will assist in raising the public profile of Inqo and providing a facility for investors who wish to invest in this new asset class. It will also help to facilitate fund raising, and to enable the Company to use Ordinary Shares, to fund future investments or developments should such opportunities arise.

## ADMISSION AND DEALINGS

Application has been made to ISDX for all of the Ordinary Shares of the Company to be admitted to trading on the ISDX Growth Market. It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on 30 November 2015. No application has or will be made for the Ordinary Shares to be admitted to trading or to be listed on any other stock exchange.

## CREST AND DEPOSITORY INTERESTS

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Company’s MOI is consistent with the transfer of Ordinary Shares or interests in or representing Ordinary Shares in dematerialised form in CREST under the CREST Regulations.

As the Company is incorporated in the RSA, it is also not currently possible for the Ordinary Shares to be admitted directly to CREST. Accordingly, a Depository has been appointed to issue Depository Interests (DI's) representing the underlying Ordinary Shares. The Company has accordingly applied for the DI's representing Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in relation to Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes.

The DI's will be independent securities constituted under English law and will have the same international security identification number (ISIN) as the underlying Ordinary Shares. They will be created and issued pursuant to a document known as a deed poll, which will govern the relationship between the Depository and the holders of the DI's. Prospective holders of DI's will not have any rights against Euroclear or its subsidiaries in respect of either the underlying Ordinary Shares or the DI's representing such shares.

The Ordinary Shares to be represented by DI's will be transferred to an account of the Depository (or its nominated custodian) and the Depository will issue the DI's to the relevant Shareholder. The Depository will be entitled to charge holders of DI's fees and expenses for the provision of the DI services. A copy of the deed poll will be made available to those who wish to use DI's and request a copy of the same in writing when the arrangements have been established.

CREST is a voluntary system. Any Shareholders who wish to receive and retain certificates for their Ordinary Shares will be able so to do. Shareholders will not therefore need to use DI's unless they wish to use CREST.

Capita Registrars will issue new Capita style share certificates to all existing shareholders within 10 business days of admission, making any current share certificates null and void from admission; existing holders will be able to dematerialise their holding into their nominated CREST accounts in DI form, following receipt of their new share certificate after admission.

**Further information**

**Your attention is drawn to Part II of this document which contains certain risk factors relating to any investment in the Company and to Parts III and IV of this document which contain further additional information relating to the Company.**

## PART II

## RISK FACTORS

Investing in the Ordinary Shares involves a high degree of risk. In addition to all the other information set out in this document, the Directors believe that the following risk factors should be considered carefully.

If any of the circumstances identified in the risk factors, together with possible additional risks and uncertainties of which the Directors are currently unaware or which they currently consider not to be material in relation to the Group's business, were to materialise, the Group's business, financial condition and/or results of operation could be materially and adversely affected. The Group's performance may also be affected by changes in market or economic conditions and/or by legal, regulatory and tax requirements. No representation is or can be made as to the future performance of the Group. It should also be noted that this list of risk factors is not exhaustive, that it is not set out in any particular order of priority and that certain other risk factors may apply.

An investment in the Group may not be suitable for all recipients of this document. Investors should be aware of the risks associated with a smaller company and are accordingly advised to consult an independent financial adviser duly authorised under FSMA and who specialises in advising upon the acquisition of shares and other securities in the UK before making a decision to invest.

### RISKS RELATING TO THE ORDINARY SHARES AND THEIR TRADING ON THE ISDX GROWTH MARKET

#### Investment risk and the ISDX Growth Market

Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on the ISDX Growth Market, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise. The value of the Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment, or sustain a total loss of their investment.

Continued membership of the ISDX Growth Market is entirely at the discretion of ISDX. The ISDX Growth Market is not AIM or the Official List of the UK Listing Authority. Consequently, it may be more difficult for an investor to sell his or her Ordinary Shares and he or she may receive less than the amount paid. The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets or operations.

The Ordinary Shares may not be suitable as a short-term investment. Investors may therefore not realise their original investment at all, or within any time-frame which they had originally anticipated. Any changes to the regulatory environment (in particular, the ISDX Rules regarding companies such as the Company) could, for example, affect the ability of the Company to maintain a trading facility on the ISDX Growth Market.

Future equity offerings by the Company may dilute the percentage ownership of the Company held by Shareholders.

#### Potentially volatile share price and liquidity

The share prices of publicly traded companies are often subject to significant fluctuations and can be highly volatile. In particular, the market for shares in smaller such companies is less liquid than that for larger such companies. Consequently, the Company's share price may be subject to greater fluctuation and the Ordinary Shares may be difficult to sell.

The price at which the Ordinary Shares are quoted and the price at which investors may sell their Ordinary Shares may be influenced by a significant number of factors, some specific to the Company and its operations and some which affect quoted or traded companies generally. These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general, economic, political or regulatory conditions.

## COMPANY SPECIFIC RISKS

### Dependence on key employees

In common with many smaller companies, the Company's future success is substantially dependent on the continued services and performance of its senior management and other key personnel in the various areas of the Company's business including, in particular, its Chairman, Dr Kim Tan. The loss of Dr Kim Tan may have a material adverse effect on the future of the Company's business.

The loss of the services of certain other key employees or the inability to recruit personnel of the appropriate calibre or the key skills which the Company may require at stages in its future development could also have a significant adverse effect on the business of the Company.

### Identifying and acquiring suitable target investment or acquisition opportunities

The Company's ability to implement the corporate strategy will be limited by its ability to identify and acquire suitable investment candidates. Suitable opportunities may not always be readily available.

The Company's initial and future investments may be delayed or made at a relatively slow rate because, inter alia:

- the Company intends to conduct detailed due diligence prior to approving investments;
- the Company may conduct extensive negotiations in order to secure and facilitate an investment;
- it may be necessary to establish certain structures in order to facilitate an acquisition or investment;
- competition from other investors, market conditions or other factors may mean that the Company cannot identify attractive investments, or such investments may not be available at the rate the Company currently anticipates;
- the Company may be unable to raise bank finance on terms the Directors consider reasonable; or
- the Company may need to raise further capital to make investments and/or fund the assets or businesses invested in, which may in turn have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

### Timing of investments or acquisitions

As detailed above, the Company cannot accurately predict how long it will actually take to deploy the capital available to it or whether it will be able to do so at all. Any significant delay or inability to find a suitable investment may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

### Success of corporate strategy not guaranteed

The Company's level of profit will be reliant upon the performance of the assets acquired and the corporate strategy (in both its current form and as amended from time to time). The success of the strategy depends on the Directors' ability to identify investments in accordance with the Company's investment objectives and to interpret market data correctly. No assurance can be given that the strategy to be used will be successful under all or any market conditions, that the Company will be able to identify opportunities meeting the Company's investing criteria, that the Company will be able to invest its capital on attractive terms or that the Company will be able to generate positive returns for Shareholders. If the strategy is not successfully implemented, this may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

### Change in corporate strategy

The corporate strategy may be modified and altered from time to time with the approval of Shareholders, so it is possible that the approaches adopted to achieve the Company's investment objectives in the future may be different from those the Directors currently expect to use, which are disclosed in this Document. Any such change may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

**General economic climate**

The Company may acquire or make investments in companies and businesses that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, these companies and businesses may experience decreased revenues, financial losses, difficulties in obtaining access to, and fulfilling commitments in respect of, financing and increased funding costs. Any of the foregoing could cause the value of the investment to decline. In addition, during periods of adverse economic conditions, the Company may have difficulty accessing financial markets, which could make it more difficult or impossible for the Company to obtain funding for additional investments and negatively affect the Company's net asset value and operating results. Accordingly, adverse economic conditions may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company. Factors that may contribute to the general economic climate include industrial disruption, interest rates and the rate of inflation.

**Investments in private companies are subject to a number of risks**

The Company may invest in or acquire privately held companies or assets.

These may:

- be highly leveraged and subject to significant debt service obligations, stringent operational and financial covenants and risks of default under financing and contractual arrangements, which may adversely affect their financial condition;
- have limited operating histories and smaller market shares than larger businesses making them more vulnerable to changes in market conditions or the activities of competitors;
- have limited financial resources;
- be more dependent on a limited number of management and operational personnel, increasing the impact of the loss of any one or more individuals;
- prove illiquid in terms of the ability to realise value; and
- require additional capital. All or any of these factors may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

**Material facts or circumstances not revealed in the due diligence process**

Prior to making or proposing any investment, the Company will undertake legal, financial and commercial due diligence on potential investments to a level considered reasonable and appropriate by the Company on a case by case basis. However, these efforts may not reveal all material facts or circumstances that would have a material adverse effect upon the value of the investment. In undertaking due diligence, the Company will need to utilise its own resources and may be required to rely upon third parties to conduct certain aspects of the due diligence process. Further, the Company may not have the ability to review all documents relating to the investee company and assets. Any due diligence process involves subjective analysis and there can be no assurance that due diligence will reveal all material issues related to a potential investment. Any failure to reveal all material facts or circumstances relating to a potential investment may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

**Early stage of development**

The Company may make investments in entities and assets at a relatively early stage of development. There can be no assurances that such companies or assets will successfully develop or that the technologies they have will be suitable for commercialisation. Such entities and assets may require the injection of further capital at a level that the Company, or any third party, is unable or unwilling to meet. Such an outcome may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

**Potential requirement for further investment**

The Company may require additional capital in the future for expansion of its business, its activities and/or business development, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, material dilution to the then existing shareholdings may result. The level and timing of future expenditure will depend on a number of factors, many of which are outside of the Company's control. If the Company is not able to obtain additional Capital on acceptable terms, or at all, it may be forced to curtail or abandon such expansion, activities and/or business development which could adversely impact upon the Company, its business, development, financial condition, operating results or prospects.

**Litigation**

Legal proceedings, with or without merit, may arise from time to time in the course of the Company's business, including in connection with intellectual property rights. The Directors cannot preclude litigation being brought against the Company and any litigation brought against the Company could have a material adverse effect on the financial condition, results or operations of the Company. The Company's business may be materially adversely affected if the Company and/or its employees or agents are found not to have met the appropriate standard of care or exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

**Growth management/Internal controls**

The Directors anticipate that investments will be made in business ventures to expand its operations that will promote the Company's objectives as an impact investor. The Company's future success will depend, in part, on its ability to manage this anticipated expansion. Such expansion is expected to place significant demands on management, support functions, accounting, sales and marketing and other resources whilst cash flow problems may arise which may limit the performance of the Company.

Any failure to expand and/or improve operational, financial and management information, quality and cost controls in line with the growth envisaged for the Company could have a material adverse impact on the Company's business, financial condition and operating results.

**Funding**

The Company may not be able to raise the necessary funding that may be required at critical junctures in the Company's life cycle and/or development. If the Company is unable to obtain any required funding on acceptable terms, or on a timely basis, or at all, it may be forced to curtail or abandon some or all of its activities and/or expansion and/or future development which could adversely impact upon the Company and/or its business, development, financial condition, operating results or prospects. If additional funding is raised by issuing equity securities, material dilution to the then existing Shareholders may result.

**Governmental regulation**

The Addo Elephant National Park is a wildlife conservation park. New legislation may be introduced that changes the current restrictions on conservation and the protection of animals and land. In addition, new legislation may be introduced that could restrict the markets in which the Company operates. There is currently no legislation in place that places limits on foreign control of businesses operating in South Africa.

**Laws and regulations**

The Company will be subject to laws in the RSA. Existing and future legislation, regulation and actions could cause additional expense, capital expenditure and restrictions and delays in the activities of the Company, the extent of which cannot be predicted. No assurance can be given that new laws, rules and regulations will not be enacted or existing laws, rules and regulations will not be applied in a manner which could limit or curtail certain of the Company's activities or services. In addition, the Company may have to defend itself against legal proceedings which could have an adverse effect on trading performance and, in turn, future profits.

**Amendments to the MOI**

Where a RSA company amends its MOI, it has to file a Notice of Amendment with the Companies and Intellectual Property Commission within 10 days after the amendment. Where a company amends its MOI by means of a special resolution of shareholders, the amendment will not be effective immediately but takes effect on the later of the date on, and time at, which the Notice of Amendment is filed, or the date, if any, set out in the Notice of Amendment.

### Rights of DI Holders

The Company's shares will not actually be settled in the CREST system but the DI in the share. Shareholders deposit their shares with the Depository, who will then issue the DIs on a one for one basis. On the Company's register the Depository will be shown as the shareholder but the beneficial interest remains with the investor who receives all the rights, including dividends and voting rights, they would if they were on the register themselves. Shareholders can withdraw their shares back into certificated form at any time using standard CREST messages.

### Competitors

Competitors with more resources than the Company may establish themselves or enter into co-operative arrangements amongst themselves or with third parties in the areas and/or markets in which the Company currently operates or which it may in the future wish to operate. It is therefore possible that new competitors or alliances may emerge and rapidly acquire material or significant market share to the detriment of the Company.

### Tourism market

The numbers of overseas travellers and tourists from the rest of Africa keen to visit Africa may fluctuate according to a number of factors outside the Company's control. These factors may include changes in the global or RSA economic conditions, Ebola or other viral epidemics and terrorist activities.

### Exchange rate fluctuations

The majority of the Company's revenues and earnings are denominated in Rand whilst its share price will be denominated in GBP (£). The Company will be exposed to foreign currency risk due to fluctuations in exchange rates. This may result in gains or losses with respect to movements in exchange rates which may be material and may also cause fluctuations in reported financial information that are not necessarily related to the Company's operating results.

### Taxation

Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current UK and RSA tax law and practice which is subject in each case to change. The taxation of an investment in the Company depends on the individual circumstances of the relevant investor.

### Lack of active market

On Admission, there will be a limited number of Shareholders in the Company and therefore it is possible that an active trading market may not develop. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Admission Price. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

### Valuation of Shares

The Admission Price per Ordinary Share has been determined by the Company, and may not relate to the Company's net asset value, net worth or any established criteria or value. There can be no guarantee that the Ordinary Shares will be able to achieve higher valuations or, if they do so, that such higher valuations can be maintained.

### Ability to pay future dividends

The Company's ability to pay dividends in the future is dependent upon the extent to which it is legally able to do so under the law of the RSA and the cash which it has available for this purpose. The Company can give no assurance to Shareholders that it will, or will be able to, pay dividends in the future.

### Market perception

Market perception of the Company may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise.

## Forward looking statements

This document contains forward looking statements. These relate to the Company's future prospects, developments and strategies. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "would", "envisage", "estimate", "intend", "seek", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts I and II of this document.

The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to and uncertainties for the Company are more specifically described in this Part II of this document. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

**Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.**

## PART III

## FINANCIAL INFORMATION ON THE COMPANY AND ITS SUBSIDIARIES

The directors of the Company confirm that there has been no significant change in the nature of the business of the Company and its subsidiaries since the date that the last audit was conducted or change in accounting practices for the year ended 28 February 2015.

## FINANCIAL INFORMATION

## AUDITED ACCOUNTS OF THE COMPANY FOR THE YEAR ENDED 28 FEBRUARY 2015

## Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of lnqo Investments Limited, comprising the statements of financial position at 28 February 2015, and the statements of comprehensive income, changes in equity 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 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 risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and there is no reason to believe the businesses will not be going concerns in the year ahead.

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

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Inqo Investments Limited, as identified in the first paragraph, were approved by the directors on 22 May 2015 and signed on their behalf by

Dr K Tan
*Authorised Director*

C Bertie
*Authorised Director*

**KPMG** Inc
KPMG House
Norvic Drive Greenacres, 6045
PO Box 1662, Port Elizabeth. 6000, South Africa

Telephone +27 (0)41 395 1500
Fax +27 (0)41 395 1700
Docex 26 Port Elizabeth

## Independent Auditor's Report

***To the Shareholders of Inqo Investments Limited***

We have audited the consolidated and separate financial statements of Inqo Investments Limited, which comprise the statement of financial position at 28 February 2015, and the statements of comprehensive income, changes in equity 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 35.

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

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

KPMG

*Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Inqo Investments Limited at 28 February 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

*Other Reports Required by the Companies Act*

As part of our audit of the financial statements for the year ended 28 February 2015, we have read the Directors' Report, for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the directors. Based on reading this report we have not identified material inconsistencies between this reports and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

KPMG Inc.

Per C. Batchelor
Chartered Accountant (SA)
Registered Auditor
Director
22 May 2015

## Statements of comprehensive income

*for the year ended 28 February 2015*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | *Note* | **R** | R | **R** | R |
| **Revenue** | *1.11* | **11 249 300** | 10 225 959 | **688 417** | 1 209 027 |
| **Cost of Sales** | | **(1 798 790)** | (1 571 391) | **(133 000)** | - |
| **Gross profit** | | **9 450 510** | 8 654 568 | **555 417** | 1 209 027 |
| Other income | | **14 976 888** | - | **14 976 888** | - |
| Selling and administrative expenses | | **(15 808 808)** | (11 319 343) | **(6 371 601)** | (4 455 841) |
| **Operating profit / (loss)** | *2* | **8 618 590** | (2 664 775) | **9 160 704** | (3 246 814) |
| **Net financing income / (costs)** | *3* | **355 680** | (6 465 015) | **533 040** | (6 223 698) |
| Finance income | | **1 386 403** | 473 | **1 382 515** | 21 |
| Finance expense | | **(1 030 723)** | (6 465 488) | **(849 475)** | (6 223 719) |
| **Profit / (loss) before taxation** | | **8 974 270** | (9 129 790) | **9 693 744** | (9 470 512) |
| Taxation | *4* | **-** | - | **-** | - |
| **Profit / (loss) for the period** | | **8 974 270** | (9 129 790) | **9 693 744** | (9 470 512) |
| Other comprehensive income | | | | | |
| Revaluation of land and buildings | | **4 850 877** | - | **4 850 877** | - |
| **Total comprehensive income for the year** | | **13 825 147** | (9 129 790) | **14 544 621** | (9 470 512) |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of company | | **9 195 105** | (6 023 191) | | |
| Non-controlling owner's interest | | **4 630 042** | (3 106 599) | | |
| **Total comprehensive income for the year** | | **13 825 147** | (9 129 790) | | |

## Statements of financial position

*at 28 February 2015*

| | Note | Group 2015 R | Group 2014 R | Company 2015 R | Company 2014 R |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | **118 714 105** | 114 107 073 | **117 675 782** | 113 525 838 |
| Property, plant and equipment | *5* | **118 687 393** | 114 107 073 | **117 675 213** | 113 525 269 |
| Intangible assets | *6* | **26 712** | - | **-** | - |
| Loan to subsidiary | *7* | **-** | - | **-** | - |
| Investments in subsidiaries | *8* | **-** | - | **569** | 569 |
| **Current assets** | | **23 078 208** | 37 707 912 | **20 793 967** | 35 067 977 |
| Trade and other receivables | *10* | **2 828 475** | 3 201 741 | **1 357 383** | 1 186 146 |
| Biological assets | *24* | **2 683 000** | 2 576 000 | **2 683 000** | 2 576 000 |
| Cash and cash equivalents | *11* | **16 824 672** | 31 265 811 | **16 412 088** | 30 964 335 |
| Inventories | *12* | **742 061** | 664 360 | **341 496** | 341 496 |
| **Total assets** | | **141 792 313** | 151 814 985 | **138 469 749** | 148 593 815 |
| **Equity and liabilities** | | | | | |
| **Capital and reserves** | | | | | |
| Ordinary share capital | *13* | **28 813 042** | 28 813 042 | **28 813 042** | 28 813 042 |
| Share premium | | **13 265 727** | 13 265 727 | **13 265 727** | 13 265 727 |
| Revaluation reserve | *14* | **77 576 871** | 72 725 994 | **77 576 871** | 72 725 994 |
| Accumulated loss | | **(76 026 256)** | (85 000 526) | **(73 426 683)** | (83 120 427) |
| Non-controlling interest | | **531** | 531 | **-** | - |
| Capital and reserves | | **43 629 915** | 29 804 768 | **46 228 957** | 31 684 336 |
| **Non-current liabilities** | | **82 950 688** | 70 186 581 | **81 548 838** | 69 214 569 |
| Loans from related parties | *15* | **28 153 221** | 30 891 236 | **27 761 233** | 30 840 736 |
| Other long term loans | *21* | **34 617 261** | 32 733 318 | **34 617 261** | 32 733 318 |
| Interest bearing loans and borrowings | *16* | **19 986 749** | 6 368 570 | **18 976 887** | 5 447 058 |
| Debentures | *17* | **193 457** | 193 457 | **193 457** | 193 457 |
| **Current liabilities** | | **15 211 710** | 51 823 636 | **10 691 954** | 47 694 910 |
| Trade and other payables | *18* | **3 849 305** | 5 042 866 | **339 411** | 1 835 650 |
| Provision | *19* | **352 543** | 352 543 | **352 543** | 352 543 |
| Interest bearing loans and borrowings – current portion | *16* | **11 009 862** | 46 428 227 | **10 000 000** | 45 506 717 |
| **Total equity and liabilities** | | **141 792 313** | 151 814 985 | **138 469 749** | 148 593 815 |

## Statements of changes in equity

*for the year ended 28 February 2015*

| Group | Share capital | Share premium | Revaluation reserve | Accumulated loss | Non-controlling interest | Total |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| **Balance at 1 March 2014** | **28 813 042** | **13 265 727** | **72 725 994** | **(85 000 526)** | **531** | **29 804 768** |
| Profit for the year | - | - | - | 8 974 270 | - | 8 974 270 |
| Revaluation of land and buildings | - | - | 4 850 877 | - | - | 4 850 877 |
| **Balance at 28 February 2015** | **28 813 042** | **13 265 727** | **77 576 871** | **(76 026 256)** | **531** | **43 629 915** |
| | | | | | | |
| **Balance at 1 March 2013** | **28 813 042** | **13 265 727** | **72 725 994** | **(75 859 608)** | **32** | **38 945 187** |
| Loss for the year | - | - | - | (11 128) | 499 | (10 629) |
| Other comprehensive income | - | - | - | (9 129 790) | - | (9 129 790) |
| **Balance at 28 February 2014** | **28 813 042** | **13 265 727** | **72 725 994** | **(85 000 526)** | **531** | **29 804 768** |

| Company | Share capital | Share premium | Revaluation reserve | Accumulated loss | Total |
|---|---|---|---|---|---|
| | R | R | R | R | R |
| **Balance at 1 March 2014** | **28 813 042** | **13 265 727** | **72 725 994** | **(83 120 427)** | **31 684 336** |
| Profit for the year | **-** | **-** | | 9 693 744 | 9 693 744 |
| Revaluation of land and buildings | | | 4 850 877 | | 4 850 877 |
| **Balance at 28 February 2015** | **28 813 042** | **13 265 727** | **77 576 871** | **(73 426 683)** | **46 228 957** |
| | | | | | |
| **Balance at 1 March 2013** | **28 813 042** | **13 265 727** | **72 725 994** | **(73 649 915)** | **41 154 848** |
| Loss for the year | **-** | **-** | - | (9 470 512) | (9 470 512) |
| **Balance at 28 February 2014** | **28 813 042** | **13 265 727** | **72 725 994** | **(83 120 427)** | **31 684 336** |

## Statements of cash flows

*for the year ended 28 February 2015*

| | Note | Group 2015 R | Group 2014 R | Company 2015 R | Company 2014 R |
|---|---|---|---|---|---|
| **Cash generated by operations** | *23.1* | **9 385 913** | 88 415 | **10 570 655** | 1 386 524 |
| Interest income | | **1 386 403** | 473 | **1 382 515** | 21 |
| Interest expense | | **(1 030 723)** | (6 465 488) | **(849 475)** | (6 223 719) |
| **Net cash inflow/(outflow) from operating activities** | | **9 741 593** | (6 376 600) | **11 103 695** | (4 837 174) |
| **Cash flows from investing activities** | | | | | |
| Increase in loans to subsidiary | | **-** | - | **(1 496 881)** | (1 836 393) |
| Acquisition of biological assets | | **(107 000)** | (2 576 000) | **(107 000)** | (2 576 000) |
| Acquisition of property, plant and equipment | *23.2* | **(1 421 474)** | (579 585) | **(879 613)** | - |
| **Net cash outflow from investing activities** | | **(1 528 474)** | (3 155 585) | **(2 483 494)** | (4 412 393) |
| **Cash flows from financing activities** | | | | | |
| Loans and borrowings (repaid)/raised | | **(19 916 243)** | 39 155 703 | **(20 092 945)** | 38 957 037 |
| Loans from related parties (repaid)/raised | | **(2 738 015)** | 1 213 724 | **(3 079 503)** | 1 163 224 |
| Acquisition of subsidiary | | **-** | (10 629) | **-** | (501) |
| **Net cash (outflow)/inflow from financing activities** | | **(22 654 258)** | 40 358 798 | **(23 172 448)** | 40 119 760 |
| Net movement in cash and cash equivalents | | **(14 441 139)** | 30 826 613 | **(14 552 247)** | 30 870 193 |
| Cash and cash equivalents at beginning of year | | **31 265 811** | 439 198 | **30 964 335** | 94 142 |
| **Cash and cash equivalents at end of year** | *11* | **16 824 672** | 31 265 811 | **16 412 088** | 30 964 335 |

## Notes to the financial statements

*for the year ended 28 February 2015*

### 1. Accounting policies

Inqo Investments Limited (the "company") is a company domiciled in South Africa. The consolidated financial statements of the company for the year ended 28 February 2015 comprise the company and its subsidiaries (together referred to as the "group").

### 1.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa. The group financial statements comprise the consolidated financial statements.

### 1.2 Basis of preparation

The financial statements are presented in Rands, rounded to the nearest rand. They are prepared on the historical cost basis except for certain financial instruments recognised at fair value as stated below.

The preparation of financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, and associated assumptions, are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 1.3 Accounting policies

The following are the principal accounting policies of the group, which are consistent in all material respects with those applied in the previous year.

### 1.4 Basis of consolidation

*Subsidiaries*

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases.

*Transactions eliminated on consolidation*

Intergroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## Notes to the financial statements
*for the year ended 28 February 2015*

### 1.5 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses except for land which is carried at valuation.

Revaluations of land is done with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Revaluations are performed every two years, unless significant and volatile changes occur in the fair value of land.

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases.

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Revaluations are credited directly to equity. Land is not depreciated. The estimated useful lives are as follows:

| | | |
|---|---|---|
| Motor vehicles | 8 | years |
| Computer equipment | 3 | years |
| Equipment | 4 – 6 | years |
| Furniture and fittings | 10 | years |
| Musical instruments | 5 | years |
| Lodge site | 30 | years |

Where appropriate, and if significant, expected residual values are taken into account in determining the depreciable values of assets.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Residual values, methods of depreciation and useful lives of all assets are reassessed annually. Depreciation of an item of property, plant and equipment begins when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date that it is derecognised.

Derecognition occurs when an item of property, plant and equipment is disposed of, or when it is no longer expected to generate any further economic benefits.

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

# Notes to the financial statements
*for the year ended 28 February 2015*

### 1.6 Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

### 1.7 Leases

***Finance leases***

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Initial direct costs incurred are capitalised to the asset.

### 1.8 Impairment

The carrying amounts of the group’s assets, other than inventories, trade receivables and deferred tax assets, which are separately assessed and provided against where necessary, are reviewed at each financial year end reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of the asset’s fair value less expenses to sell the asset, or the asset’s value in use. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

Such cash flows are discounted using a pre-tax rate that reflects current market value of money and the risks associated with the specific asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss except for assets carried at revalued amounts which are recognised in equity to the extent it decreases the equity where after any excess impairment is recognised in profit and loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes to the financial statements
*for the year ended 28 February 2015*

### 1.9 Financial instruments

Financial instruments that are recognised on the statement of financial position include cash and cash equivalents, trade receivables, trade payables and interest bearing loans. Fair value adjustments to the financial instruments are recognised in the statement of comprehensive income in the period in which they occurred.

Financial instruments are recognised initially at fair value. Subsequent to initial recognition these instruments are measured as detailed below:

*Financial assets*

Financial assets are recognised when the entity becomes a party to the contractual provisions of the financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset.

Trade and other receivables are stated at their cost less impairment losses.

*Cash and cash equivalents*

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

*Financial liabilities*

Financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Financial liabilities consist of obligations to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities, other than derivative instruments, are measured at amortised cost.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Trade and other payables are stated at cost.

*Offset*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when the Group has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## Notes to the financial statements

*for the year ended 28 February 2015*

### 1.10 Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

### 1.11 Revenue

Revenue from the sale of goods is recognised in profit and loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of or continuing management involvement with the goods.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue comprises net invoiced sales to customers excluding VAT, investment income and other non-operating income.

### 1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates applicable for that year, and any adjustments of tax payable for previous years.

Deferred tax is provided on taxable temporary differences. Temporary differences are differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the year-end reporting date. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The effect on deferred tax of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 1.13 Provisions

A provision is recognised on the statement of financial position when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each financial year end reporting date and adjusted to reflect the current best estimate.

**Notes to the financial statements**
*for the year ended 28 February 2015*

### 1.14 Employee benefits

*Short term employee benefits*

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

Accruals for employee entitlements to salaries, wages, performance bonuses, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the statement of financial position date. The accruals have been calculated at undiscounted amounts based on current salary and wage rates.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The group's policy is to provide retirement benefits for its employees. The group's contributions to defined contribution plans in respect of services during a particular period are charged against income as incurred.

*Defined contribution plans*

Obligations for contributions to defined contribution provident plans are recognised as an expense in the statement of comprehensive income as incurred.

### 1.15 Expenses

*Finance lease payments*

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

*Net financing costs*

Financing costs comprise interest payable on borrowings calculated on a principal outstanding using the effective interest rate. Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

### 1.16 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No segment report has been prepared as the group is operating in one location and is subject to the same risks and returns in considering whether products or services are related.

## Notes to the financial statements
for the year ended 28 February 2015

### 1.17 Foreign currency

***Foreign currency transactions***

Transactions in foreign currencies are translated at the rate of exchange ruling at the dates of the transaction. Monetary assets and liabilities outstanding on foreign transactions at the end of the financial year are translated to Rands at the rates ruling at that date. Gains and losses arising on translation are recognised in profit and loss.

### 1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which is capitalised as part of the cost of that asset.

The actual borrowing costs incurred on borrowings specifically incurred for the purpose of obtaining a qualifying asset, shall be capitalised on the asset less any investment income on the temporary investment of those borrowings.

### 1.19 Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period its fair value less costs to sell. A gain or loss on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

## Notes to the financial statements
for the year ended 28 February 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **R** | R | **R** | R |
| **2.** | **Operating profit / (loss)** | | | | |
| | is arrived at after taking into account | | | | |
| | Auditors remuneration | **169 800** | 115 550 | **78 000** | 45 550 |
| | – audit fee | **169 800** | 115 550 | **78 000** | 45 550 |
| | Depreciation of property, plant and equipment | **1 665 319** | 2 057 655 | **1 580 546** | 1 970 892 |
| | Amortisation of intangible asset | **-** | 197 | **-** | - |
| | Impairment of loan to subsidiary | **-** | - | **1 496 881** | 1 836 393 |
| | Personnel expenses | **4 323 478** | 3 575 770 | **401 910** | 257 287 |
| | Other income includes reversal of DBSA interest as a result of the renegotiated DBSA loan. | **(14 976 888)** | - | **(14 976 888)** | - |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **R** | R | **R** | R |
| **3.** | **Net financing income / (costs)** | | | | |
| | **Finance income** | **1 386 403** | 473 | **1 382 515** | 21 |
| | Interest income | **1 386 403** | 473 | **1 382 515** | 21 |
| | **Finance expense** | **(1 030 723)** | (6 465 488) | **(849 475)** | (6 223 719) |
| | Interest paid on borrowings | **(1 030 723)** | (6 465 488) | **(849 475)** | (6 223 719) |
| | | **355 680** | (6 465 015) | **(533 040)** | (6 223 698) |

## Notes to the financial statements
for the year ended 28 February 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **R** | R | **R** | R |
| **4. Taxation** | | | | |
| South African normal tax | | | | |
| - Current | **-** | **-** | **-** | - |
| - Deferred | **-** | **-** | **-** | - |
| | **-** | **-** | **-** | - |
| **Reconciliation of tax rate** | **%** | % | **%** | % |
| Current years charge as a percentage of profit | **-** | - | **-** | - |
| Deferred tax asset not recognised | **28.00** | 28.00 | **28.00** | 28.00 |
| Standard tax rate | **28.00** | 28.00 | **28.00** | 28.00 |

The company has a computed tax loss of R 38 099 991 (2014: assessed loss of R57 238 994) and is thus not liable for income tax. A deferred tax asset has not been raised as there is uncertainty whether the company will generate taxable income within the foreseeable future.

## Notes to the financial statements
for the year ended 28 February 2015

### 5. Property, plant and equipment

#### 5.1 *Group*

| | Cost or valuation | Accumulated depreciation | Carrying amount |
|---|---|---|---|
| **2015** | **R** | **R** | **R** |
| Freehold land | **90 582 058** | **-** | **90 582 058** |
| Buildings | **34 417 942** | **(9 820 498)** | **24 597 444** |
| Game | **110 661** | **-** | **110 661** |
| Motor vehicles | **3 613 676** | **(2 751 625)** | **862 051** |
| Furniture and fittings | **4 742 968** | **(3 266 501)** | **1 476 467** |
| Musical Instruments | **19 167** | **(19 167)** | **-** |
| Equipment | **2 338 159** | **(2 212 777)** | **125 382** |
| Computer equipment | **1 065 885** | **(913 890)** | **151 995** |
| Project costs capitalised | **781 335** | **-** | **781 335** |
| | **137 671 851** | **(18 984 458)** | **118 687 393** |
| **2014** | R | R | R |
| Freehold land | 85 731 181 | - | 85 731 181 |
| Buildings | 34 268 819 | (8 675 512) | 25 593 307 |
| Game | 110 661 | - | 110 661 |
| Motor vehicles | 2 914 297 | (2 741 535) | 172 762 |
| Furniture and fittings | 4 742 968 | (2 851 466) | 1 891 502 |
| Musical Instruments | 19 167 | (19 167) | - |
| Equipment | 2 307 048 | (2 202 302) | 104 746 |
| Computer equipment | 972 656 | (829 157) | 143 499 |
| Project costs capitalised | 359 415 | - | 359 415 |
| | 131 426 212 | (17 319 139) | 114 107 073 |

| *Company* | Cost or valuation | Accumulated depreciation | Carrying amount |
|---|---|---|---|
| **2015** | **R** | **R** | **R** |
| Freehold land | **90 582 058** | **-** | **90 582 058** |
| Buildings | **34 417 942** | **(9 869 553)** | **24 548 389** |
| Game | **110 661** | **-** | **110 661** |
| Motor vehicles | **3 519 516** | **(2 830 227)** | **689 289** |
| Furniture and fittings | **4 742 968** | **(3 316 326)** | **1 426 642** |
| Musical Instruments | **19 167** | **(19 167)** | **-** |
| Equipment | **2 226 028** | **(1 907 854)** | **318 174** |
| Computer equipment | **634 099** | **(634 099)** | **-** |
| | **136 252 439** | **(18 577 226)** | **117 675 213** |
| **2014** | **R** | **R** | **R** |
| Freehold land | 85 731 181 | - | 85 731 181 |
| Buildings | 34 268 819 | (8 724 567) | 25 544 252 |
| Game | 110 661 | - | 110 661 |
| Motor vehicles | 2 820 137 | (2 820 137) | - |
| Furniture and fittings | 4 742 968 | (2 851 466) | 1 891 502 |
| Musical Instruments | 19 167 | (19 167) | - |
| Equipment | 2 154 980 | (1 907 307) | 247 673 |
| Computer equipment | 634 099 | (634 099) | - |
| | 130 482 012 | (16 956 743) | 113 525 269 |

## 5. Property, plant and equipment (continued)

**Group**

| 2015 | Carrying amount at beginning of the year | Additions/re-valuation | Disposals/ Scrapping | Transfers | Depreciation | Carrying amount at end of the year |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| Freehold land | **85 731 181** | **4 850 877** | **-** | **-** | **-** | **90 582 058** |
| Buildings | **25 593 307** | **149 123** | **-** | **-** | **(1 144 986)** | **24 597 444** |
| Game | **110 661** | **-** | **-** | **-** | **-** | **110 661** |
| Motor vehicles | **172 762** | **699 379** | **-** | **-** | **(10 090)** | **862 051** |
| Furniture and fittings | **1 891 502** | **-** | **-** | **-** | **(415 035)** | **1 476 467** |
| Equipment | **104 746** | **31 111** | **-** | **-** | **(10 475)** | **125 382** |
| Computer equipment | **143 499** | **93 229** | **-** | **-** | **(84 733)** | **151 995** |
| Project costs capitalised | **359 415** | **421 920** | **-** | **-** | **-** | **781 335** |
| Total | **114 107 073** | **6 245 639** | **-** | **-** | **(1 665 319)** | **118 687 393** |

| 2014 | Carrying amount at beginning of the year | Additions/re-valuation | Disposals/ Scrapping | Transfers | Depreciation | Carrying amount at end of the year |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| Freehold land | 85 731 181 | - | - | - | - | 85 731 181 |
| Buildings | 26 735 601 | - | - | - | (1 142 294) | 25 593 307 |
| Game | 110 661 | - | - | - | - | 110 661 |
| Motor vehicles | 463 111 | 93 000 | - | (137 505) | (245 844) | 172 762 |
| Furniture and fittings | 2 365 799 | - | - | - | (474 297) | 1 891 502 |
| Equipment | 93 239 | - | - | 137 505 | (125 998) | 104 746 |
| Computer equipment | 85 551 | 127 170 | - | - | (69 222) | 143 499 |
| Project costs capitalised | - | 359 415 | - | - | - | 359 415 |
| | 115 585 143 | 579 585 | - | - | (2 057 655) | 114 107 073 |

Certain property, plant and equipment have been pledged as security for interest bearing loans and borrowings, refer to note 16.

## 5. Property, plant and equipment (continued)

**Company**

| **2015** | **Carrying amount at beginning of the year** | **Additions/re-valuation** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | **85 731 181** | **4 850 877** | **-** | **-** | **-** | **90 582 058** |
| Buildings | **25 544 252** | **149 123** | **-** | **-** | **(1 144 986)** | **24 548 389** |
| Game | **110 661** | **-** | **-** | **-** | **-** | **110 661** |
| Motor vehicles | **-** | **699 379** | **-** | **-** | **(10 090)** | **689 289** |
| Furniture and fittings | **1 891 502** | **-** | **-** | **-** | **(464 860)** | **1 426 642** |
| Equipment | **247 673** | **31 111** | **-** | **-** | **39 390** | **318 174** |
| Total | **113 525 269** | **5 730 490** | **-** | **-** | **(1 580 546)** | **117 675 213** |

| **2014** | **Carrying amount at beginning of the year** | **Additions/re-valuation** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | 85 731 181 | **-** | **-** | **-** | - | 85 731 181 |
| Buildings | 26 686 546 | **-** | **-** | **-** | (1 142 294) | 25 544 252 |
| Game | 110 661 | **-** | **-** | **-** | - | 110 661 |
| Motor vehicles | 228 303 | **-** | **-** | **-** | (228 303) | - |
| Furniture and fittings | 2 365 799 | **-** | **-** | **-** | (474 297) | 1 891 502 |
| Equipment | 373 671 | **-** | **-** | **-** | (125 998) | 247 673 |
| Total | 115 496 161 | **-** | **-** | **-** | (1 970 892) | 113 525 269 |

## Notes to the financial statements
for the year ended 28 February 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **R** | R | **R** | R |
| **5. Property, plant and equipment (continued)** | | | | |
| Land comprises: farm number 278 portion 5, farm number 291 portion 0,1 and 2, farm number 276 portion 1 and 5, farm number 277 portion 4 and 11, farm number 292 portion 0, farm number 428 portion 0, farm number 406 portion 0, farm number 288 portion 0, 1 and 2, farm number 287 portion 1, farm number 279, portion 0 and farm number 291 portion 3. | | | | |
| | **90 582 058** | 85 731 181 | **90 582 058** | 85 731 1 |

### 6. Intangible Assets

| | Group 2015 R | Group 2014 R | Company 2015 R | Company 2014 R |
|---|---|---|---|---|
| Balance at beginning of year | **-** | 197 | **-** | - |
| Addition | **29 140** | | | |
| Amortisation | **(2 428)** | (197) | **-** | - |
| Balance at end of year | **26 712** | - | **-** | - |

Intangible assets comprise computer software purchased during the year.

### 7. Loan to subsidiary

| | Company 2015 R | Company 2014 R |
|---|---|---|
| Kuzuko Lodge Proprietary Limited | **22 423 099** | 20 926 218 |
| Impairment of loan | **(22 423 099)** | (20 926 218) |
| | **-** | - |

The loan to Kuzuko Lodge Proprietary Limited is interest free with no fixed repayment terms.
This loan receivable has been impaired due to the uncertainty as to the timing of repayment and the continued losses made by Kuzuko Lodge (Proprietary) Limited.
Inqo Investments (Proprietary) Limited has subordinated this loan with its subsidiary company.

## Notes to the financial statements
for the year ended 28 February 2015

### 8. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **R** | R |
| ***Loan to subsidiary company*** | | |
| Balance at the beginning of the year | **20 926 218** | 19 089 825 |
| Movement during the year | **1 496 881** | 1 836 393 |
| Impairments | **(22 423 099)** | (20 926 218) |
| **Balance at the end of the year** | **-** | - |

The subsidiaries of the Company consists of the following:

68 Ordinary shares of R1 each in Kuzuko Lodge Proprietary Limited.

501 Ordinary shares of R1 each in Spekboom Trading (Proprietary) Limited

### 9. Deferred tax asset

A deferred tax asset has not been recognised as future taxable profits in excess of the assessed tax loss may not be realised in the foreseeable future.

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **R** | R | **R** | R |
| **10. Trade and other receivables** | | | | |
| Trade debtors | **2 821 391** | 3 081 820 | **1 354 883** | 1 183 646 |
| Doubtful debt provision | **(239 616)** | (100 000) | **-** | - |
| Deposits | **2 500** | 2 500 | **2 500** | 2 500 |
| Prepayments | **157 545** | 148 604 | **-** | - |
| Other receivables | **86 655** | 68 817 | **-** | - |
| | **2 828 475** | 3 201 741 | **1 357 383** | 1 186 146 |

Included in trade debtors is an amount due from Spekboom Trading of R797 064 (2014: R333 041), as well as an amount due from the De Lange Family Trust of R266 463 (2014: R289 001).

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **R** | R | **R** | R |
| **11. Cash and cash equivalents** | | | | |
| Call account | **15 961 708** | 5 099 | **15 956 524** | - |
| Current account | **854 686** | 31 258 886 | **455 564** | 30 964 335 |
| Petty Cash | **8 278** | 1 826 | **-** | - |
| Cash and cash equivalents | **16 824 672** | 31 265 811 | **16 412 088** | 30 964 335 |

## Notes to the financial statements
for the year ended 28 February 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **R** | R | **R** | R |
| **12. Inventories** | | | | |
| Food and beverage | **171 209** | 157 027 | **-** | - |
| Guest supplies | **5 019** | 2 448 | **-** | - |
| Crockery and cutlery | **341 496** | 341 496 | **341 496** | 341 496 |
| Other consumables | **224 337** | 163 389 | **-** | - |
| | **742 061** | 664 360 | **341 496** | 341 496 |

### 13. Ordinary share capital

***Authorised***

| | | | | |
|---|---|---|---|---|
| 100 000 000 (2014: 100 000 000) ordinary shares of R1 each | **100 000 000** | 100 000 000 | **100 000 000** | 100 000 000 |

***Issued***

| | | | | |
|---|---|---|---|---|
| 28 813 042 (2014: 28 813 042) ordinary shares of R1 each | **28 813 042** | 28 813 042 | **28 813 042** | 28 813 042 |

### 14. Revaluation reserve

| | | | | |
|---|---|---|---|---|
| Balance at beginning of year | **72 725 994** | 72 725 994 | **72 725 994** | 72 725 994 |
| Re-valuation during the year | **4 850 877** | - | **4 850 877** | - |
| | **77 576 871** | 72 725 994 | **77 576 871** | 72 725 994 |

Land was revalued in May 2014 by professional independent valuers. The method of valuation is the direct comparison or market approach. This method entails comparing the subject property with other recent sales of similar properties in the same or comparable areas.

## Notes to the financial statements
for the year ended 28 February 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **R** | R | **R** | R |
| **15. Loans from related parties** | | | | |
| Dr Kim Tan | **27 761 233** | 29 361 233 | **27 761 233** | 29 361 233 |
| Springhill Management | **-** | 1 479 503 | **-** | 1 479 503 |
| Africarbon (Proprietary) Limited | **391 988** | 50 500 | **-** | - |
| | **28 153 221** | 30 891 236 | **27 761 233** | 30 840 736 |

The loan from Dr Kim Tan is interest free with a five year renewable repayment period. The loan from Dr Kim Tan has been subordinated and repayment will not be demanded until the assets of the company, fairly valued exceed its liabilities.

The loan from Africarbon (Proprietary) Limited is unsecured, interest free and has no specific repayment terms.

## Notes to the financial statements
for the year ended 28 February 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **R** | R | **R** | R |
| **16. Interest bearing loans and borrowings** | | | | |
| *Development Bank of South Africa* | | | | |
| This loan is non-interest bearing and is repayable in three instalments, commencing February 2016. | **28 976 887** | 50 953 775 | **28 976 887** | 50 953 775 |
| *Eastern Cape Development Corporation* | | | | |
| This loan is repayable over 30 equal six monthly instalments, with interest charged at the prime lending rate plus 2%. The first instalment was due in April 2007. A deed of suretyship, cession of book debts as security, cession of concession agreement and cession of director's loan accounts have been entered into between Kuzuko Lodge Proprietary Limited and Eastern Cape Development Corporation. | **2 019 724** | 1 843 022 | **-** | - |
| Total interest bearing loans and borrowings | **30 996 611** | 52 796 797 | **28 976 887** | 50 953 775 |
| Less: current portion included in current liabilities | **( 11 009 862)** | (46 428 227) | **(10 000 000)** | (45 506 717) |
| DBSA loan | **(10 000 000 )** | (45 506 717) | **(10 000 000)** | (45 506 717) |
| ECDC loan | **(1 009 862 )** | (921 510) | **-** | - |
| Long term interest bearing loans and borrowings | **19 986 749** | 6 368 570 | **18 976 887** | 5 447 058 |

## Notes to the financial statements
for the year ended 28 February 2015

### 17. Debentures

| | Group 2015 R | Group 2014 R | Company 2015 R | Company 2014 R |
|---|---|---|---|---|
| Balance at the beginning of the year | **193 457** | 193 457 | **193 457** | 193 457 |
| Fair Value adjustment | **-** | - | **-** | - |
| | **193 457** | 193 457 | **193 457** | 193 457 |

The unsecured debentures are issued at R12 000 per debenture. The group shall not pay interest in respect of each of the unsecured debentures but will provide bed nights at Kuzuko game reserve in lieu of interest (refer to note 19). The fair value of the debentures have been calculated based on a discounted cash flow basis utilising a market related interest rate of 9% at period end, cash flows of R 24 000 per annum and repayment terms of 15 years.

### 18. Trade and other payables

| | Group 2015 R | Group 2014 R | Company 2015 R | Company 2014 R |
|---|---|---|---|---|
| Trade payables | **1 276 841** | 1 573 463 | **6 832** | - |
| Accruals | **1 033 439** | 2 147 826 | **130 303** | 1 832 090 |
| Other Payables | **1 310 864** | 1 175 617 | **189 958** | 3 047 |
| VAT | **228 161** | 145 960 | **12 318** | 513 |
| | **3 849 305** | 5 042 866 | **339 411** | 1 835 650 |

### 19. Provision

| | Group and Company 2015 R | Group and Company 2014 R |
|---|---|---|
| Balance at 1 March | **352 543** | 297 703 |
| Unwinding of discount | **-** | 54 840 |
| Balance at 28 February | **352 543** | 352 543 |

The provision for bed nights relates to an issue of unsecured debentures (note 17). No interest is payable in respect of the unsecured debentures, the holders of the debentures are entitled to bed nights in lieu of interest at Kuzuko Lodge game reserve.

The provision is based on an average rate of R 3 600 per person sharing discounted using the prime interest rate.

# Notes to the financial statements
for the year ended 28 February 2015

## 20. Financial instruments

The group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

This note represents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management of financial instruments.

### *20.1 Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the group's income or the value of its holdings in financial instruments.

*Currency risk*

The group and company are exposed to currency risk on cash that is denominated in Sterling (GBP).

***Interest rate risk***

The group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis.

*Eastern Cape Development Corporation*

At 28 February 2014, it is estimated that a general increase/decrease of half a percentage point in interest rates would decrease/increase the group's profit before taxation by approximately R9 215 (2043: R9 215). Based on economic predictions and recent interest rate fluctuations the interest rate is only expected to change by fifty basis points at any one time.

*Development Bank of South Africa*

At 28 February 2014, it is estimated that a general increase/decrease of half a percentage point in interest rates would decrease/increase the group's asset value by approximately R 254 769 (2013: R 54 769). Based on economic predictions and recent interest rate fluctuations the interest rate is only expected to change by fifty basis points at any one time.

## Notes to the financial statements
for the year ended 28 February 2015

### 20. Financial instruments (continued)

### *20.2 Credit risk*

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's trade and other receivables.

At financial year end date there were no significant concentrations of credit risk as the group does not have any material receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

### *20.3 Liquidity risk*

Liquidity risk is the risk that the group will not be able to meet its financial obligation as they fall due. The group's approach to managing liquidity risk is to delay the start of payments hence allowing sufficient liquidity to increase to meets its liabilities when due.

The maximum exposure to liquidity risk is represented below in the maturity analysis.

| **2015 - Company** | **Carrying amount** | **Contractual cash flows** | **1 – 12 months** | **1 – 2 years** | **2 – 5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Secured bank loan: | | | | | | |
| - DBSA | 28 976 887 | 28 976 887 | 10 000 000 | 18 976 887 | - | - |
| Debenture | 193 457 | 193 457 | - | - | - | 193 457 |
| | 29 170 344 | 29 170 344 | 10 000 000 | 18 976 887 | - | 193 457 |

| **2015 - Group** | **Carrying amount** | **Contractual cash flows** | **1 – 12 months** | **1 – 2 years** | **2 – 5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Secured bank loan: | | | | | | |
| - DBSA | 28 976 887 | 28 976 887 | 10 000 000 | 18 976 887 | - | - |
| - Fixed interest rate - ECDC | 2 019 724 | 2 019 724 | 1 009 862 | 1 009 862 | - | - |
| Debenture | 193 457 | 193 457 | - | - | - | 193 457 |
| | 31 190 068 | 31 190 068 | 11 009 862 | 19 986 749 | - | 193 457 |

### *20.4 Fair values*

The carrying amount in the statement of financial position of all financial instruments is a reasonable approximation of fair value.

## Notes to the financial statements
for the year ended 28 February 2015

### *20.* Financial Instruments (continued)

### *20.5 Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- ethical and business standards
- training and professional development
- risk mitigation, including insurance where this is effective

### *20.6 Categories and analysis of financial assets and liabilities*

| **31 December 2015 - company**<br>**Assets** | **Loans and receivables** | **Financial liabilities at amortised cost** | **Held-to-maturity** | **Total** |
|---|---|---|---|---|
| | **R** | **R** | **R** | **R** |
| Investment in subsidiaries | - | - | 569 | 569 |
| Trade and other receivables | 1 357 383 | - | - | 1 357 383 |
| Cash and cash equivalents | 16 412 088 | - | - | 16 412 088 |
| | **17 769 471** | **-** | **569** | **17 770 040** |
| | | | | |
| **Liabilities** | | | | |
| Other financial liabilities | - | 63 946 691 | - | 63 946 691 |
| Loans from related parties | - | 27 761 233 | - | 27 761 233 |
| Trade and other payables | - | 339 411 | - | 339 411 |
| Debentures | - | 193 457 | - | 193 457 |
| | **-** | **92 240 792** | **-** | **92 240 792** |

## Notes to the financial statements
for the year ended 28 February 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **R** | R | **R** | R |
| **21. Other long term loans** | | | | |
| Loan from Scope Properties Limited | **309 905** | 16 159 350 | **309 905** | 16 159 350 |
| Loan from Peregrine Limited | **16 159 530** | - | **16 159 530** | - |
| Loan from Allestra Limited | **17 657 304** | 16 087 500 | **17 657 304** | 16 087 500 |
| Loan from Eastgate Investments Limited | **490 522** | 486 468 | **490 522** | 486 468 |
| | **34 617 261** | 32 733 318 | **34 617 261** | 32 733 318 |

The above loans were advanced to Inqo Investments Limited in terms of convertible loan agreements. The capital sums will not bear interest if the company lists within six months of receipt of the above capital sums, which was in December 2013. Inqo Investments Limited will pay interest at a rate of 5% per annum on the Scope Properties Allestra Investment loans, in the event that the listing is not achieved within six months. Once the company lists and the shares are traded on a European exchange, the loans will be converted to shares at a discount of twenty percent.

## Notes to the financial statements
for the year ended 28 February 2015

### 22. Related parties

#### *22.1 Identity of related parties*

Inqo Investments Limited is the holding company of Kuzuko Lodge Proprietary Limited, and has a 50.1% interest in Spekboom Trading (Proprietary) Limited.

Dr Kim Tan is a director of Springhill Management Proprietary Limited and Inqo Investments Limited. He is also a trustee of Truchot Trustee Limited.

#### *22.2 Material related party transactions*

| | Group 2014 R | Company 2014 R |
|---|---|---|
| *Loans (from)/to related parties -* | | |
| Dr Kim Tan | **(27 761 223)** | **(27 761 223)** |
| Spekboom Trading Proprietary Limited | **-** | **797 064** |
| Kuzuko Lodge Proprietary Limited | **-** | **22 423 099** |

| | Group 2014 R | Company 2014 R |
|---|---|---|
| *Transactions with related parties -* | | |
| Rental charged to Kuzuko Lodge Proprietary Limited | **-** | **180 900** |

## Notes to the financial statements
for the year ended 28 February 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **R** | R | **R** | R |
| **23. Notes to the cash flow statement** | | | | |
| ***23.1 Cash generated by operations*** | | | | |
| Operating profit/(loss) before interest | **8 618 590** | (2 664 775) | **9 160 704** | (3 246 814) |
| Adjustments for – | | | | |
| Depreciation of property, plant and equipment | **1 665 319** | 2 057 655 | **1 580 546** | 1 970 892 |
| Amortisation of intangible assets | **-** | 197 | **-** | - |
| Unwinding of provision for bed nights | **-** | 54 840 | **-** | 54 840 |
| Impairment of loan to subsidiary | **-** | - | **1 496 881** | 1 836 393 |
| Operating profit/(loss) before working capital changes | **10 283 909** | (552 083) | **12 238 131** | 615 311 |
| (Increase)/decrease in inventories | **(77 701)** | 49 352 | **-** | - |
| (Increase)/decrease in trade and other receivables | **373 266** | (1 542 328) | **(171 237)** | (880 840) |
| (Decrease)/increase in trade and other payables | **(1 193 561)** | 2 133 474 | **(1 496 239)** | 1 652 053 |
| | **9 385 913** | 88 415 | **10 570 655** | 1 386 524 |
| ***23.2 Acquisition of property, plant and equipment*** | | | | |
| Total additions for the year | **1 421 474** | 579 585 | **879 613** | - |
| | **1 421 474** | 579 585 | **879 613** | - |

## 24. *Biological assets*

| | | | | |
|---|---|---|---|---|
| Buffalo livestock | **2 683 000** | 2 576 000 | **2 683 000** | 2 576 000 |

## Notes to the financial statements
for the year ended 28 February 2015

### 25. Standards and interpretations not yet effective

At the date of authorisation of the financial statements of Inqo Investments Limited for the year ended 28 February 2015, the following Standards and Interpretations were in issue but not yet effective:

| Standard/Interpretation | | Date issued by IASB | Effective date Periods beginning on or after |
|---|---|---|---|
| IAS 19 | *Defined Benefit Plans: Employee Contributions* | November 2013 | 1 July 2014 |
| Amendments to 6 standards | *Improvements to IFRSs 2010-2012 Cycle* | December 2013 | 1 July 2014 |
| Amendments to 4 standards | *Improvements to IFRSs 2011-2013 Cycle* | December 2013 | 1 July 2014 |
| IFRS 14 | *Regulatory Deferral Accounts* | January 2014 | 1 January 2016 |
| IAS 16 and IAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation* | May 2014 | 1 January 2016 |
| IFRS 15 | *Revenue from contracts with customers* | May 2014 | 1 January 2017 |
| IFRS 9 | *Financial Instruments* | July 2014 | 1 January 2018 |
| IAS 27 | *Equity Method in Separate Financial Statements* | August 2014 | 1 January 2016 |
| Amendments to 4 standards | *Improvements to IFRSs 2012-2014 Cycle* | September 2014 | 1 January 2016 |
| IFRS 10, IFRS 12 and IAS 28 | *Investment Entities: Applying the Consolidation Exception* | December 2014 | 1 January 2016 |
| IAS 1 | *Disclosure Initiative* | December 2014 | 1 January 2016 |

None of the above Standards and Interpretations have been early adopted by the company.

All Standards and Interpretations will be adopted at their effective date.

## Notes to the financial statements
for the year ended 28 February 2015

### 26. Critical accounting estimates, judgements and key assumptions

The directors have considered the group's critical accounting policies, key sources of uncertainty and areas where critical accounting judgements were required in applying the group's accounting policies.

*Critical accounting policies*

The directors are satisfied that the critical accounting policies are appropriate to the group.

*Key sources of uncertainty and critical judgements in applying the company's accounting policies*

*Impairment of assets*

The group tests whether assets have suffered any impairment, in accordance with the accounting policy stated in note 1. Estimates are based on interpretation of generally accepted industry-based market forecasts.

*Trade receivables*

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when their collectability is considered to be doubtful.

### 27. Subsequent events

The company will be listing its securities on a public market in the future.

### 28. Going concern

The company incurred a net profit before tax for the year ended 28 February 2015 of R 9 693 744 (2014: loss of R9 470 512).

The company impaired its loan to Kuzuko Lodge (Proprietary) Limited as at 28 February 2015 by R 1 496 881 (2014: R 1 836 393). The reason for the impairment is due to Kuzuko Lodge (Proprietary) Limited being insolvent as at 28 February 2015 and 2014 and full recoverability of the loan was not considered probable.

The directors have made an assessment of the ability of the company and its subsidiary to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

# AUDITED ACCOUNTS OF THE COMPANY FOR THE YEAR ENDED 28 FEBRUARY 2014

# Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Inqo Investments Limited, comprising the statements of financial position at 28 February 2014, and the statements of comprehensive income, changes in equity 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 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 risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and there is no reason to believe the businesses will not be going concerns in the year ahead.

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

**Approval of consolidated and separate annual financial statements**

The consolidated and separate annual financial statements of Inqo Investments Limited, as identified in the first paragraph, were approved by the directors on 14 October 2014 and signed on their behalf by

| | |
|---|---|
| David Louw | Kim Tan |
| *Authorised Director* | *Authorised Director* |

**KPMG** Inc
KPMG House
Norvic Drive Greenacres, 6045
PO Box 1662, Port Elizabeth. 6000, South Africa

Telephone +27 (0)41 395 1500
Fax +27 (0)41 395 1700
Docex 26 Port Elizabeth

# Independent Auditor's Report

## To the Shareholders of Inqo Investments Limited

We have audited the consolidated and separate financial statements of Inqo Investments Limited, which comprise the statements of financial position at 28 February 2014, and the statements of comprehensive income, changes in equity 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 34.

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

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

*Opinion*

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Inqo Investments Limited at 28 February 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

**Other reports required by the Companies Act**

As part of our audit of the financial statements for the year ended 28 February 2014, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements.  This report is the responsibility of the respective preparer. Based on reading this report, we have not identified material inconsistencies between this report and the audited financial statements.  However, we have not audited this report and accordingly do not express an opinion on this report.

KPMG Inc.

Per C Batchelor
*Chartered Accountant (SA)*
*Registered Auditor*
*Director*
14 October 2014

# Statements of comprehensive income

*for the year ended 28 February 2014*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | *Note* | **R** | R | **R** | R |
| **Revenue** | *1.11* | **10 225 959** | 7 290 803 | **1 209 027** | 384 389 |
| **Cost of Sales** | | **(1 571 391)** | (1 019 067) | **-** | - |
| **Gross profit** | | **8 654 568** | 6 271 736 | **1 209 027** | 384 389 |
| Selling and administrative expenses | | **(11 319 343)** | (10 952 785) | **(4 455 841)** | (4 894 418) |
| **Operating loss** | *2* | **(2 664 775)** | (4 681 049) | **(3 246 814)** | (4 510 029) |
| **Net financing costs** | *3* | **(6 465 015)** | (5 012 019) | **(6 223 698)** | (4 799 435) |
| Finance income | | **473** | 1 675 | **21** | 1 146 |
| Finance expense | | **(6 465 488)** | (5 013 694) | **(6 223 719)** | (4 800 581) |
| **Loss before taxation** | | **(9 129 790)** | (9 693 068) | **(9 470 512)** | (9 309 464) |
| Taxation | *4* | **-** | - | **-** | - |
| **Loss for the period** | | **(9 129 790)** | (9 693 068) | **(9 470 512)** | (9 309 464) |
| Other comprehensive income | | | | | |
| Revaluation of land and buildings | | **-** | 58 468 607 | **-** | 58 468 607 |
| **Total comprehensive income for the year** | | **(9 129 790)** | 48 775 539 | **(9 470 512)** | 49 159 143 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of company | | **(6 023 191)** | 32 178 656 | | |
| Non-controlling owner's interest | | **(3 106 599)** | 16 596 883 | | |
| **Total comprehensive income for the year** | | **(9 129 790)** | 48 775 539 | | |

## Statements of financial position

*at 28 February 2014*

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | | **R** | R | **R** | R |
| **Assets** | | | | | |
| **Non-current assets** | | **114 107 073** | 115 585 340 | **113 525 838** | 115 496 229 |
| Property, plant and equipment | *5* | **114 107 073** | 115 585 143 | **113 525 269** | 115 496 161 |
| Intangible assets | *6* | **-** | 197 | **-** | - |
| Loan to subsidiary | *7* | **-** | - | **-** | - |
| Investments in subsidiaries | *8* | **-** | - | **569** | 68 |
| **Current assets** | | **37 707 912** | 2 812 323 | **35 067 977** | 740 944 |
| Trade and other receivables | *10* | **3 201 741** | 1 659 413 | **1 186 146** | 305 306 |
| Biological assets | *24* | **2 576 000** | - | **2 576 000** | - |
| Cash and cash equivalents | *11* | **31 265 811** | 439 198 | **30 964 335** | 94 142 |
| Inventories | *12* | **664 360** | 713 712 | **341 496** | 341 496 |
| **Total assets** | | **151 814 985** | 118 397 663 | **148 593 815** | 116 237 173 |
| **Equity and liabilities** | | | | | |
| **Capital and reserves** | | | | | |
| Ordinary share capital | *13* | **28 813 042** | 28 813 042 | **28 813 042** | 28 813 042 |
| Share premium | | **13 265 727** | 13 265 727 | **13 265 727** | 13 265 727 |
| Revaluation reserve | *14* | **72 725 994** | 72 725 994 | **72 725 994** | 72 725 994 |
| Accumulated loss | | **(85 000 526)** | (75 859 608) | **(83 120 427)** | (73 649 915) |
| Non-controlling interest | | **531** | 32 | **-** | - |
| Capital and reserves | | **29 804 768** | 38 945 187 | **31 684 336** | 41 154 848 |
| **Non-current liabilities** | | **70 186 581** | 70 191 294 | **69 214 569** | 69 338 665 |
| Loans from related parties | *15* | **30 891 236** | 29 677 512 | **30 840 736** | 29 677 512 |
| Other long term loans | *21* | **32 733 318** | - | **32 733 318** | - |
| Interest bearing loans and borrowings | *16* | **6 368 570** | 40 320 325 | **5 447 058** | 39 467 696 |
| Debentures | *17* | **193 457** | 193 457 | **193 457** | 193 457 |
| **Current liabilities** | | **51 823 636** | 9 261 182 | **47 694 910** | 5 743 660 |
| Trade and other payables | *18* | **5 042 866** | 2 909 392 | **1 835 650** | 183 597 |
| Provision | *19* | **352 543** | 297 703 | **352 543** | 297 703 |
| Interest bearing loans and borrowings – current portion | *16* | **46 428 227** | 6 054 087 | **45 506 717** | 5 262 360 |
| **Total equity and liabilities** | | **151 814 985** | 118 397 663 | **148 593 815** | 116 237 173 |

## Statements of changes in equity

*for the year ended 28 February 2014*

| Group | Share capital | Share premium | Revaluation reserve | Accumulated loss | Non-controlling interest | Total |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| **Balance at 1 March 2013** | **28 813 042** | **13 265 727** | **72 725 994** | **(75 859 608)** | **32** | **38 945 187** |
| Acquisition of minority interest | - | - | - | (11 128) | 499 | (10 629) |
| Loss for the year | - | - | - | (9 129 790) | - | (9 129 790) |
| **Balance at 28 February 2014** | **28 813 042** | **13 265 727** | **72 725 994** | **(85 000 526)** | **531** | **29 804 768** |
| | | | | | | |
| **Balance at 1 March 2012** | **28 813 042** | **13 265 727** | **14 257 387** | **(66 166 540)** | **32** | **(9 830 352)** |
| Loss for the year | - | - | - | (9 693 068) | - | (9 693 068) |
| Other comprehensive income | - | - | 58 468 607 | - | - | 58 468 607 |
| **Balance at 28 February 2013** | **28 813 042** | **13 265 727** | **72 725 994** | **(75 859 608)** | **32** | **38 945 187** |

| Company | Share capital | Share premium | Revaluation reserve | Accumulated loss | Total |
|---|---|---|---|---|---|
| | R | R | R | R | R |
| **Balance at 1 March 2013** | **28 813 042** | **13 265 727** | **72 725 994** | **(73 649 915)** | **41 154 848** |
| Loss for the year | - | - | - | (9 470 512) | (9 470 512) |
| **Balance at 28 February 2014** | **28 813 042** | **13 265 727** | **72 725 994** | **(83 120 427)** | **31 684 336** |
| | | | | | |
| **Balance at 1 March 2012** | **28 813 042** | **13 265 727** | **14 257 387** | **(64 340 451)** | **(8 004 295)** |
| Loss for the year | - | - | - | (9 309 464) | (9 309 464) |
| Other comprehensive income | - | - | 58 468 607 | - | 58 468 607 |
| **Balance at 28 February 2013** | **28 813 042** | **13 265 727** | **72 725 994** | **(73 649 915)** | **41 154 848** |

## Statements of cash flows

*for the year ended 28 February 2014*

| | Note | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|---|
| **Cash generated/(utilised) by operations** | *23.1* | **88 415** | (2 334 942) | **1 386 524** | (499 096) |
| Interest income | | **473** | 1 675 | **21** | 1 146 |
| Interest expenses | | **(6 465 488)** | (5 013 694) | **(6 223 719)** | (4 800 581) |
| **Net cash outflow from operating activities** | | **(6 376 600)** | (7 346 961) | **(4 837 174)** | (5 298 531) |
| **Cash flows from investing activities** | | | | | |
| Increase in loans to subsidiary | | **-** | - | **(1 836 393)** | (1 914 085) |
| Proceeds on disposal of vehicle | | **-** | 87 510 | **-** | 87 510 |
| Acquisition of biological assets | | **(2 576 000)** | - | **(2 576 000)** | - |
| Acquisition of property, plant and equipment | *23.2* | **(579 585)** | (12 119) | **-** | - |
| **Net cash (outflow)/inflow from investing activities** | | **(3 155 585)** | 75 391 | **(4 412 393)** | (1 826 575) |
| **Cash flows from financing activities** | | | | | |
| Loans and borrowings raised | | **39 155 703** | 4 980 172 | **38 957 037** | 4 800 581 |
| Loans from related parties raised | | **1 213 724** | 1 669 019 | **1 163 224** | 1 669 019 |
| Acquisition of subsidiary | | **(10 629)** | - | **(501)** | - |
| **Net cash inflow from financing activities** | | **40 358 798** | 6 649 191 | **40 119 760** | 6 469 600 |
| Net movement in cash and cash equivalents | | **30 826 613** | (622 379) | **30 870 193** | (655 506) |
| Cash and cash equivalents at beginning of year | | **439 198** | 1 061 577 | **94 142** | 749 648 |
| **Cash and cash equivalents at end of year** | *11* | **31 265 811** | 439 198 | **30 964 335** | 94 142 |

**Notes to the financial statements**
for the year ended 28 February 2014

## 1. Accounting policies

Inqo Investments Limited (the "company") is a company domiciled in South Africa. The consolidated financial statements of the company for the year ended 28 February 2014 comprise the company and its subsidiaries (together referred to as the "group").

### 1.6 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa. The group financial statements comprise the consolidated financial statements.

### 1.7 Basis of preparation

The financial statements are presented in Rands, rounded to the nearest rand. They are prepared on the historical cost basis except for certain financial instruments recognised at fair value as stated below.

The preparation of financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, and associated assumptions, are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 1.8 Accounting policies

The following are the principal accounting policies of the group, which are consistent in all material respects with those applied in the previous year.

### 1.9 Basis of consolidation

*Subsidiaries*

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases.

*Transactions eliminated on consolidation*

Intergroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**Notes to the financial statements**
for the year ended 28 February 2014

### 1.10 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses except for land which is carried at valuation.

Revaluations of land is done with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Revaluations are performed every two years, unless significant and volatile changes occur in the fair value of land.

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases.

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Revaluations are credited directly to equity. Land is not depreciated. The estimated useful lives are as follows:

| | |
|---|---|
| Motor vehicles | 8 years |
| Computer equipment | 3 years |
| Equipment | 4 – 6 years |
| Furniture and fittings | 10 years |
| Musical instruments | 5 years |
| Lodge site | 30 years |

Where appropriate, and if significant, expected residual values are taken into account in determining the depreciable values of assets.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Residual values, methods of depreciation and useful lives of all assets are reassessed annually. Depreciation of an item of property, plant and equipment begins when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date that it is derecognised.

Derecognition occurs when an item of property, plant and equipment is disposed of, or when it is no longer expected to generate any further economic benefits.

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

**Notes to the financial statements**
for the year ended 28 February 2014

### 1.6 Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

### 1.7 Leases

***Finance leases***

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Initial direct costs incurred are capitalised to the asset.

### 1.8 Impairment

The carrying amounts of the group’s assets, other than inventories, trade receivables and deferred tax assets, which are separately assessed and provided against where necessary, are reviewed at each financial year end reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of the asset’s fair value less expenses to sell the asset, or the asset’s value in use. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

Such cash flows are discounted using a pre-tax rate that reflects current market value of money and the risks associated with the specific asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss except for assets carried at revalued amounts which are recognised in equity to the extent it decreases the equity where after any excess impairment is recognised in profit and loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Notes to the financial statements**
for the year ended 28 February 2014

## 1.9 Financial instruments

Financial instruments that are recognised on the statement of financial position include cash and cash equivalents, trade receivables, trade payables and interest bearing loans. Fair value adjustments to the financial instruments are recognised in the statement of comprehensive income in the period in which they occurred.

Financial instruments are recognised initially at fair value. Subsequent to initial recognition these instruments are measured as detailed below:

*Financial assets*

Financial assets are recognised when the entity becomes a party to the contractual provisions of the financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset.

Trade and other receivables are stated at their cost less impairment losses.

*Cash and cash equivalents*

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

*Financial liabilities*

Financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Financial liabilities consist of obligations to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities, other than derivative instruments, are measured at amortised cost.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Trade and other payables are stated at cost.

*Offset*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when the Group has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Notes to the financial statements**
for the year ended 28 February 2014

### 1.10 Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

### 1.11 Revenue

Revenue from the sale of goods is recognised in profit and loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of or continuing management involvement with the goods.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue comprises net invoiced sales to customers excluding VAT, investment income and other non-operating income.

### 1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates applicable for that year, and any adjustments of tax payable for previous years.

Deferred tax is provided on taxable temporary differences. Temporary differences are differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the year end reporting date. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The effect on deferred tax of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 1.13 Provisions

A provision is recognised on the statement of financial position when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each financial year end reporting date and adjusted to reflect the current best estimate.

**Notes to the financial statements**
for the year ended 28 February 2014

### 1.14 Employee benefits

*Short term employee benefits*

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

Accruals for employee entitlements to salaries, wages, performance bonuses, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the statement of financial position date. The accruals have been calculated at undiscounted amounts based on current salary and wage rates.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The group's policy is to provide retirement benefits for its employees. The group's contributions to defined contribution plans in respect of services during a particular period are charged against income as incurred.

*Defined contribution plans*

Obligations for contributions to defined contribution provident plans are recognised as an expense in the statement of comprehensive income as incurred.

### 1.15 Expenses

*Finance lease payments*

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

*Net financing costs*

Financing costs comprise interest payable on borrowings calculated on a principal outstanding using the effective interest rate. Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

### 1.17 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No segment report has been prepared as the group is operating in one location and is subject to the same risks and returns in considering whether products or services are related.

**Notes to the financial statements**
for the year ended 28 February 2014

## 1.17 Foreign currency

***Foreign currency transactions***

Transactions in foreign currencies are translated at the rate of exchange ruling at the dates of the transaction. Monetary assets and liabilities outstanding on foreign transactions at the end of the financial year are translated to Rands at the rates ruling at that date. Gains and losses arising on translation are recognised in profit and loss.

## 1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which is capitalised as part of the cost of that asset.

The actual borrowing costs incurred on borrowings specifically incurred for the purpose of obtaining a qualifying asset, shall be capitalised on the asset less any investment income on the temporary investment of those borrowings.

## 1.19 Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period its fair value less costs to sell. A gain or loss on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

**Notes to the financial statements**

**For the year ended 28 February 2014**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **R** | R | **R** | R |
| **2. Operating loss** | | | | |
| is arrived at after taking into account | | | | |
| Auditors remuneration | **115 550** | 134 000 | **45 550** | 60 000 |
| – audit fee | **115 550** | 134 000 | **45 550** | 60 000 |
| Depreciation of property, plant and equipment | **2 057 655** | 2 452 511 | **1 970 892** | 2 384 073 |
| Amortisation of intangible asset | **197** | 393 | **-** | - |
| Impairment of loan to subsidiary | **-** | - | **1 836 393** | 1 914 085 |
| Personnel expenses | **3 575 770** | 2 971 188 | **257 287** | 225 000 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **3. Net financing costs** | | | | |
| **Finance income** | **473** | 1 675 | **21** | 1 146 |
| Interest income | **473** | 1 675 | **21** | 1 146 |
| **Finance expense** | **(6 465 488)** | (5 013 694) | **(6 223 719)** | (4 800 581) |
| Interest paid on borrowings | **(6 465 488)** | (5 013 694) | **(6 223 719)** | (4 800 581) |
| | **(6 465 015)** | (5 012 019) | **(6 223 698)** | (4 799 435) |

**Notes to the financial statements**
for the year ended 28 February 2014

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **R** | R | **R** | R |
| **4. Taxation** | | | | |
| South African normal tax | | | | |
| - Current | **-** | - | **-** | - |
| - Deferred | **-** | - | **-** | - |
| | **-** | - | **-** | - |
| **Reconciliation of tax rate** | **%** | % | **%** | % |
| Current years charge as a percentage of profit | **-** | - | **-** | - |
| Deferred tax asset not recognised | **28.00** | 28.00 | **28.00** | 28.00 |
| Standard tax rate | **28.00** | 28.00 | **28.00** | 28.00 |

The company has a computed tax loss of R57 306 500 (2013: assessed loss of R51 689 393) and is thus not liable for income tax. A deferred tax asset has not been raised as there is uncertainty whether the company will generate taxable income within the foreseeable future.

## Notes to the financial statements
for the year ended 28 February 2014

### 5. Property, plant and equipment

#### 5.1 *Group*

| 2014 | Cost or valuation<br>R | Accumulated depreciation<br>R | Carrying amount<br>R |
|---|---|---|---|
| Freehold land | **85 731 181** | **-** | **85 731 181** |
| Buildings | **34 268 819** | **(8 675 512)** | **25 593 307** |
| Game | **110 661** | **-** | **110 661** |
| Motor vehicles | **2 914 297** | **(2 741 535)** | **172 762** |
| Furniture and fittings | **4 742 968** | **(2 851 466)** | **1 891 502** |
| Musical Instruments | **19 167** | **(19 167)** | **-** |
| Equipment | **2 307 048** | **(2 202 302)** | **104 746** |
| Computer equipment | **972 656** | **(829 157)** | **143 499** |
| Project costs capitalised | **359 415** | **-** | **359 415** |
| | **131 426 212** | **(17 319 139)** | **114 107 073** |

| 2013 | R | R | R |
|---|---|---|---|
| Freehold land | 85 731 181 | - | 85 731 181 |
| Buildings | 34 268 819 | (7 533 218) | 26 735 601 |
| Game | 110 661 | - | 110 661 |
| Motor vehicles | 2 958 802 | (2 495 691) | 463 111 |
| Furniture and fittings | 4 742 968 | (2 377 169) | 2 365 799 |
| Musical Instruments | 19 167 | (19 167) | - |
| Equipment | 2 169 543 | (2 076 304) | 93 239 |
| Computer equipment | 845 486 | (759 935) | 85 551 |
| | 130 846 627 | (15 261 484) | 115 585 143 |

#### *Company*

| 2014 | Cost or valuation<br>R | Accumulated depreciation<br>R | Carrying amount<br>R |
|---|---|---|---|
| Freehold land | **85 731 181** | **-** | **85 731 181** |
| Buildings | **34 268 819** | **(8 724 567)** | **25 544 252** |
| Game | **110 661** | **-** | **110 661** |
| Motor vehicles | **2 954 416** | **(2 811 489)** | **142 927** |
| Furniture and fittings | **4 742 968** | **(2 851 466)** | **1 891 502** |
| Musical Instruments | **19 167** | **(19 167)** | **-** |
| Equipment | **2 169 543** | **(2 064 797)** | **104 746** |
| Computer equipment | **485 257** | **(485 257)** | **-** |
| | **130 482 012** | **(16 956 743)** | **113 525 269** |

| 2013 | R | R | R |
|---|---|---|---|
| Freehold land | 85 731 181 | - | 85 731 181 |
| Buildings | 34 268 819 | (7 582 273) | 26 686 546 |
| Game | 110 661 | - | 110 661 |
| Motor vehicles | 2 954 416 | (2 583 186) | 371 230 |
| Furniture and fittings | 4 742 968 | (2 377 169) | 2 365 799 |
| Musical Instruments | 19 167 | (19 167) | - |
| Equipment | 2 169 543 | (1 938 799) | 230 744 |
| Computer equipment | 485 257 | (485 257) | - |
| | 130 482 012 | (14 985 851) | 115 496 161 |

## 5. Property, plant and equipment (continued)

**Group**

| **2014** | **Carrying amount at beginning of the year** | **Additions/re-valuation** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | **85 731 181** | **-** | **-** | **-** | **-** | **85 731 181** |
| Buildings | **26 735 601** | **-** | **-** | **-** | **(1 142 294)** | **25 593 307** |
| Game | **110 661** | **-** | **-** | **-** | **-** | **110 661** |
| Motor vehicles | **463 111** | **93 000** | **-** | **(137 505)** | **(245 844)** | **172 762** |
| Furniture and fittings | **2 365 799** | **-** | **-** | **-** | **(474 297)** | **1 891 502** |
| Equipment | **93 239** | **-** | **-** | **137 505** | **(125 998)** | **104 746** |
| Computer equipment | **85 551** | **127 170** | **-** | **-** | **(69 222)** | **143 499** |
| Project costs capitalised | **-** | **359 415** | **-** | **-** | **-** | **359 415** |
| Total | **115 585 143** | **579 585** | **-** | **-** | **(2 057 655)** | **114 107 073** |

| **2013** | **Carrying amount at beginning of the year** | **Additions/re-valuation** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | 27 262 574 | 58 468 607 | - | - | - | 85 731 181 |
| Buildings | 27 877 895 | - | - | - | (1 142 294) | 26 735 601 |
| Game | 110 661 | - | - | - | - | 110 661 |
| Motor vehicles | 922 179 | - | (89 096) | - | (369 972) | 463 111 |
| Furniture and fittings | 2 840 096 | - | - | - | (474 297) | 2 365 799 |
| Musical Instruments | - | - | - | - | - | - |
| Equipment | 491 626 | - | - | - | (398 387) | 93 239 |
| Computer equipment | 140 993 | 12 119 | - | - | (67 561) | 85 551 |
| Total | 59 646 024 | 58 480 726 | (89 096) | - | (2 452 511) | 115 585 143 |

Certain property, plant and equipment have been pledged as security for interest bearing loans and borrowings, refer to note 16.

**5. Property, plant and equipment (continued)**

**Company**

| **2014** | **Carrying amount at beginning of the year** | **Additions/re-valuation** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | **85 731 181** | **-** | **-** | **-** | **-** | **85 731 181** |
| Buildings | **26 686 546** | **-** | **-** | **-** | **(1 142 294)** | **25 544 252** |
| Game | **110 661** | **-** | **-** | **-** | **-** | **110 661** |
| Motor vehicles | **371 230** | **-** | **-** | **-** | **(228 303)** | **142 927** |
| Furniture and fittings | **2 365 799** | **-** | **-** | **-** | **(474 297)** | **1 891 502** |
| Musical Instruments | **-** | **-** | **-** | **-** | **-** | **-** |
| Equipment | **230 744** | **-** | **-** | **-** | **(125 998)** | **104 746** |
| Total | **115 496 161** | **-** | **-** | **-** | **(1 970 892)** | **113 525 269** |

**Company**

| **2013** | **Carrying amount at beginning of the year** | **Additions/re-valuation** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | 27 262 574 | 58 468 607 | - | - | - | 85 731 181 |
| Buildings | 27 828 840 | - | - | - | (1 142 294) | 26 686 546 |
| Game | 110 661 | - | - | - | - | 110 661 |
| Motor vehicles | 829 421 | - | (89 096) | - | (369 095) | 371 230 |
| Furniture and fittings | 2 840 096 | - | - | - | (474 297) | 2 365 799 |
| Musical Instruments | - | - | - | - | - | - |
| Equipment | 629 131 | - | - | - | (398 387) | 230 744 |
| Total | 59 500 723 | 58 468 607 | (89 096) | - | (2 384 073) | 115 496 161 |

## Notes to the financial statements
for the year ended 28 February 2014

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | | **R** | R | **R** | R |
| **5.** | **Property, plant and equipment (continued)** | | | | |
| | Land comprises: farm number 278 portion 5, farm number 291 portion 0,1 and 2, farm number 276 portion 1 and 5, farm number 277 portion 4 and 11, farm number 292 portion 0, farm number 428 portion 0, farm number 406 portion 0, farm number 288 portion 0, 1 and 2, farm number 287 portion 1, farm number 279, portion 0 and farm number 291 portion 3. | | | | |
| | | **85 731 181** | 85 731 181 | **85 731 181** | 85 731 1 |

### 6. Intangible Assets

| | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|
| Balance at beginning of year | **197** | 590 | **-** | - |
| Amortisation | **(197)** | (393) | **-** | - |
| Balance at end of year | **-** | 197 | **-** | - |

Intangible assets comprise computer software purchased during the year.

### 7. Loan to subsidiary

| | Company 2014 R | Company 2013 R |
|---|---|---|
| Kuzuko Lodge Proprietary Limited | **20 926 218** | 19 089 825 |
| Impairment of loan | **(20 926 218)** | (19 089 825) |
| | **-** | - |

The loan to Kuzuko Lodge Proprietary Limited is interest free with no fixed repayment terms.
This loan receivable has been impaired due to the uncertainty as to the timing of repayment and the continued losses made by Kuzuko Lodge (Pty) Ltd.
Inqo Investments (Pty) Ltd has subordinated this loan with its subsidiary company.

**Notes to the financial statements**
for the year ended 28 February 2014

## 8. Investments in subsidiaries

| | 2014 R | Company Kuzuko Lodge Proprietary Limited 2013 R |
|---|---|---|
| ***Loan to subsidiary company*** | | |
| Balance at the beginning of the year | **19 089 825** | 17 175 740 |
| Movement during the year | **1 836 393** | 1 914 085 |
| Impairments | **(20 926 218)** | (19 089 825) |
| **Balance at the end of the year** | **-** | - |

The subsidiaries of the Company consists of the following:

68 Ordinary shares of R1 each in Kuzuko Lodge Proprietary Limited.

501 Ordinary shares of R1 each in Spekboom Trading (Pty) Ltd

## 9. Deferred tax asset

A deferred tax asset has not been recognised as future taxable profits in excess of the assessed tax loss may not be realised in the forseeable future.

## 10. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 R** | 2013 R | **2014 R** | 2013 R |
| Trade debtors | **3 081 820** | 1 565 788 | **1 183 646** | 302 805 |
| Doubtful debt provision | **(100 000)** | - | **-** | - |
| Deposits | **2 500** | 2 501 | **2 500** | 2 501 |
| Prepayments | **148 604** | 75 231 | **-** | - |
| Other receivables | **68 817** | 15 893 | **-** | - |
| | **3 201 741** | 1 659 413 | **1 186 146** | 305 306 |

Included in trade debtors is an amount due from Spekboom Trading of R333 041 (2013: R222 703), as well as an amount due from the De Lange Family Trust of R289 001 (2013: Rnil).

## 11. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 R** | 2013 R | **2014 R** | 2013 R |
| Call account | **5 099** | 7 415 | **-** | 2 369 |
| Current account | **31 258 886** | 430 441 | **30 964 335** | 91 773 |
| Petty Cash | **1 826** | 1 342 | **-** | - |
| Cash and cash equivalents | **31 265 811** | 439 198 | **30 964 335** | 94 142 |

**Notes to the financial statements**
for the year ended 28 February 2014

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **R** | R | **R** | R |
| **12. Inventories** | | | | |
| Food and beverage | **157 027** | 152 609 | **-** | - |
| Guest supplies | **2 448** | 6 110 | **-** | - |
| Crockery and cutlery | **341 496** | 341 496 | **341 496** | 341 496 |
| Other consumables | **163 389** | 213 497 | **-** | - |
| | **664 360** | 713 712 | **341 496** | 341 496 |
| **13. Ordinary share capital** | | | | |
| ***Authorised*** | | | | |
| 100 000 000 (2013: 100 000 000) ordinary shares of R1 each | **100 000 000** | 100 000 000 | **100 000 000** | 100 000 000 |
| ***Issued*** | | | | |
| 28 813 042 (2013: 28 813 042) ordinary shares of R1 each | **28 813 042** | 28 813 042 | **28 813 042** | 28 813 042 |
| **14. Revaluation reserve** | | | | |
| Balance at beginning of year | **72 725 994** | 14 257 387 | **72 725 994** | 14 257 387 |
| Re-valuation during the year | **-** | 58 468 607 | **-** | 58 468 607 |
| | **72 725 994** | 72 725 994 | **72 725 994** | 72 725 994 |

Land was revalued in April 2012 by professional independent valuers. The method of valuation is the direct comparison or market approach. This method entails comparing the subject property with other recent sales of similar properties in the same or comparable areas.

**Notes to the financial statements**
for the year ended 28 February 2014

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **R** | R | **R** | R |
| **15. Loans from related parties** | | | | |
| Dr Kim Tan | **22 829 243** | 21 666 019 | **22 829 243** | 21 666 019 |
| Truchot Trustee Limited | **6 531 990** | 6 531 990 | **6 531 990** | 6 531 990 |
| Springhill Management | **1 479 503** | 1 479 503 | **1 479 503** | 1 479 503 |
| Africarbon (Pty) Ltd | **50 500** | - | **-** | - |
| | **30 891 236** | 29 677 512 | **30 840 736** | 29 677 512 |

The loan from Dr Kim Tan and Springhill Management is interest free with a five year renewable repayment period. The loan from Dr Kim Tan has been subordinated and repayment will not be demanded until the assets of the company, fairly valued exceed its liabilities.

The loan from Truchot Trustee Limited is interest free and repayable once all conditions of the DBSA loan have been complied with.

The loan from Africarbon (Pty) Ltd is unsecured, interest free and has no specific repayment terms.

**Notes to the financial statements**
for the year ended 28 February 2014

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **R** | R | **R** | R |
| **16. Interest bearing loans and borrowings** | | | | |
| *Development Bank of South Africa* | | | | |
| This loan is repayable over 17 equal six monthly instalments. The rate of interest applicable is the six months ZAR-JIBAR-SAFEX plus 256 basis points. The loan is secured by property to the value of R85.7 million. | **50 953 775** | 44 730 056 | **50 953 775** | 44 730 056 |
| *Eastern Cape Development Corporation* | | | | |
| This loan is repayable over 30 equal six monthly instalments, with interest charged at the prime lending rate plus 2%. The first instalment was due in April 2007. A deed of suretyship, cession of book debts as security, cession of concession agreement and cession of director's loan accounts have been entered into between Kuzuko Lodge Proprietary Limited and Eastern Cape Development Corporation. | **1 843 022** | 1 644 356 | **-** | - |
| Total interest bearing loans and borrowings | **52 796 797** | 46 374 412 | **50 953 775** | 44 730 056 |
| Less: current portion included in current liabilities | **(46 428 227 )** | (6 054 087) | **(45 506 717)** | (5 262 360) |
| DBSA loan | **(45 506 717)** | (5 262 360) | **(45 506 717)** | (5 262 360) |
| ECDC loan | **(921 510)** | (791 727) | **-** | - |
| Long term interest bearing loans and borrowings | **6 368 570** | 40 320 325 | **5 447 058** | 39 467 696 |

Subsequent to year end, the company finalised negotiations with the Development Bank of South Africa (DBSA). The impact of these negotiations is that an amount of R7 million of the outstanding debt will be immediately paid to DBSA. DBSA will write off 50% of the interest that has accrued to date and remained unpaid. DBSA will capitalise and consolidate the remaining 50% interest accrued to date and R14 million capital outstanding with the resultant remaining balance of approximately R29 million becoming a three year zero rated interest rate loan. DBSA has given the company a further option to repay an outstanding amount of R15 million in cash within 18 months from September 2014 in full and final settlement of the total loan outstanding.

**Notes to the financial statements**
for the year ended 28 February 2014

## 17. Debentures

| | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|
| Balance at the beginning of the year | **193 457** | 193 457 | **193 457** | 193 457 |
| Fair Value adjustment | **-** | - | **-** | - |
| | **193 457** | 193 457 | **193 457** | 193 457 |

The unsecured debentures are issued at R12 000 per debenture. The group shall not pay interest in respect of each of the unsecured debentures but will provide bed nights at Kuzuko game reserve in lieu of interest (refer to note 19). The fair value of the debentures have been calculated based on a discounted cash flow basis utilising a market related interest rate of 9% at period end, cash flows of R 24 000 per annum and repayment terms of 15 years.

## 18. Trade and other payables

| | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|
| Trade payables | **1 573 463** | 1 629 309 | **-** | 15 790 |
| Accruals | **2 147 826** | 1 085 036 | **1 832 090** | 166 947 |
| Other Payables | **1 175 617** | 174 033 | **3 047** | - |
| VAT | **145 960** | 21 014 | **513** | 860 |
| | **5 042 866** | 2 909 392 | **1 835 650** | 183 597 |

## 19. Provision

| | Group and Company 2014 R | Group and Company 2013 R |
|---|---|---|
| Balance at 1 March | **297 703** | 297 703 |
| Unwinding of discount | **54 840** | - |
| Balance at 28 February | **352 543** | 297 703 |

The provision for bed nights relates to an issue of unsecured debentures (note 17). No interest is payable in respect of the unsecured debentures, the holders of the debentures are entitled to bed nights in lieu of interest at Kuzuko Lodge game reserve.

The provision is based on an average rate of R 3 600 per person sharing discounted using the prime interest rate.

**Notes to the financial statements**
for the year ended 28 February 2014

## 20. Financial instruments

The group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

This note represents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management of financial instruments.

### *20.1 Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the group's income or the value of its holdings in financial instruments.

*Currency risk*

The group and company is exposed to currency risk on cash that is denominated in Sterling (GBP).

***Interest rate risk***

The group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis.

*Eastern Cape Development Corporation*

At 28 February 2014, it is estimated that a general increase/decrease of half a percentage point in interest rates would decrease/increase the group's profit before taxation by approximately R9 215 (2013: R8 222). Based on economic predictions and recent interest rate fluctuations the interest rate is only expected to change by fifty basis points at any one time.

*Development Bank of South Africa*

At 28 February 2014, it is estimated that a general increase/decrease of half a percentage point in interest rates would decrease/increase the group's asset value by approximately R 254 769 (2013: R 223 650). Based on economic predictions and recent interest rate fluctuations the interest rate is only expected to change by fifty basis points at any one time.

**Notes to the financial statements**
for the year ended 28 February 2014

## 20. Financial instruments (continued)

### *20.2 Credit risk*

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's trade and other receivables.

At financial year end date there were no significant concentrations of credit risk as the group does not have any material receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

### *20.3 Liquidity risk*

Liquidity risk is the risk that the group will not be able to meet its financial obligation as they fall due. The group's approach to managing liquidity risk is to delay the start of payments hence allowing sufficient liquidity to increase to meets its liabilities when due.

The maximum exposure to liquidity risk is represented below in the maturity analysis.

| 2014 - Company | Carrying amount | Contractual cash flows | 1 – 12 months | 1 – 2 years | 2 – 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| Secured bank loan: | | | | | | |
| - DBSA | 50 953 775 | 50 953 775 | 5 994 562 | 44 959 213 | - | - |
| Debenture | 193 457 | 193 457 | - | - | - | 193 457 |
| | 51 147 232 | 51 147 232 | 5 994 562 | 44 959 213 | - | 193 457 |

| 2014 - Group | Carrying amount | Contractual cash flows | 1 – 12 months | 1 – 2 years | 2 – 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| Secured bank loan: | | | | | | |
| - DBSA | 50 953 775 | 50 953 775 | 5 994 562 | 44 959 213 | - | - |
| - Fixed interest rate - ECDC | 1 843 022 | 1 843 022 | 921 510 | 921 512 | - | - |
| Debenture | 193 457 | 193 457 | - | - | - | 193 457 |
| | 52 990 254 | 52 990 254 | 6 916 072 | 45 880 725 | - | 193 457 |

### *20.4 Fair values*

The carrying amount in the statement of financial position of all financial instruments is a reasonable approximation of fair value.

**Notes to the financial statements**
for the year ended 28 February 2014

### *20.5 Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- ethical and business standards
- training and professional development
- risk mitigation, including insurance where this is effective

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **R** | R | **R** | R |
| **21. Other long term loans** | | | | |
| Loan from Scope Properties Limited | **16 159 350** | - | **16 159 350** | - |
| Loan from Allestra Limited | **16 087 500** | - | **16 087 500** | - |
| Loan from Eastgate Investments Limited | **486 468** | - | **486 468** | - |
| | **32 733 318** | - | **32 733 318** | - |

The above loans were advanced to Inqo Investments Ltd in terms of convertible loan agreements. The capital sums will not bear interest if the company lists within six months of receipt of the above capital sums, which was in December 2013. Inqo Investments Ltd will pay interest at a rate of 5% per annum in the event that the listing is not achieved within six months. Once the company lists and the shares are traded on a European exchange, the loans will be converted to shares at a discount of twenty percent.

**Notes to the financial statements**
for the year ended 28 February 2014

## 22. Related parties

### *22.1 Identity of related parties*

Inqo Investments Limited is the holding company of Kuzuko Lodge Proprietary Limited, and has a 50.1% interest in Spekboom Trading (Pty) Ltd.

Dr Kim Tan is a director of Springhill Management Proprietary Limited and Inqo Investments Limited. He is also a trustee of Truchot Trustee Limited.

### *22.2 Material related party transactions*

| | Group 2014 R | Company 2014 R |
|---|---|---|
| *Loans (from)/to related parties -* | | |
| Dr Kim Tan | **(22 829 243)** | **(22 829 243)** |
| Truchot Trustee Limited | **(6 531 990)** | **(6 531 990)** |
| Springhill Management | **(1 479 503)** | **(1 479 503)** |
| Spekboom Trading Proprietary Limited | **-** | **333 041** |
| Kuzuko Lodge Proprietary Limited | | |
| - Loan to | **-** | **20 926 218** |

| | | |
|---|---|---|
| *Transactions with related parties -* | | |
| Rental charged to Kuzuko Lodge Proprietary Limited | **-** | **336 000** |

**Notes to the financial statements**
for the year ended 28 February 2014

| | Group 2014 R | Group 2013 R | Company 2014 R | Company 2013 R |
|---|---|---|---|---|
| **23. Notes to the cash flow statement** | | | | |
| ***23.1 Cash generated/(utilised) by operations*** | | | | |
| Operating loss before interest | **(2 664 775)** | (4 681 049) | **(3 246 814)** | (4 510 029) |
| Adjustments for – | | | | |
| Depreciation of property, plant and equipment | **2 057 655** | 2 452 511 | **1 970 892** | 2 384 073 |
| Loss on disposal of property, plant and equipment | **-** | 1 586 | **-** | 1 586 |
| Amortisation of intangible assets | **197** | 393 | **-** | - |
| Unwinding of provision for bed nights | **54 840** | - | **54 840** | - |
| Impairment of loan to subsidiary | **-** | - | **1 836 393** | 1 914 085 |
| Operating (loss)/profit before working capital changes | **(552 083)** | (2 226 559) | **615 311** | (210 285) |
| (Increase)/decrease in inventories | **49 352** | 60 870 | **-** | - |
| (Increase)/decrease in trade and other receivables | **(1 542 328)** | (1 188 887) | **(880 840)** | (232 489) |
| Increase/(decrease) in trade and other payables | **2 133 474** | 1 019 634 | **1 652 053** | (56 322) |
| | **88 415** | (2 334 942) | **1 386 524** | (499 096) |
| ***23.2 Acquisition of property, plant and equipment*** | | | | |
| Total additions for the year | **579 585** | 12 119 | **-** | - |
| | **579 585** | 12 119 | **-** | - |
| **24. Biological assets** | | | | |
| Buffalo livestock | 2 **576 000** | - | **2 576 000** | - |

**Notes to the financial statements**
for the year ended 28 February 2014

## 25. Standards and interpretations not yet effective

At the date of authorisation of the financial statements of Inqo Investments Limited for the year ended 28 February 2014, the following Standards and Interpretations were in issue but not yet effective:

| Standards/interpretation | | Date issued by IASB | Effective date<br>Period beginning on or after |
|---|---|---|---|
| IFRS 10, IFRS 12 and IAS 27 amendment | *Investment entities* | October 2012 | 1 January 2014 |
| IAS 32 | *Offsetting financial assets and financial liabilities* | December 2012 | 1 January 2014 |
| IAS 36 | *Recoverable amount disclosures for non-financial assets* | May 2013 | 1 January 2014 |
| IFRIC 21 | *Levies* | May 2013 | 1 January 2014 |
| IAS 39 | *Novation of derivatives and continuation of hedge accounting* | June 2013 | 1 January 2014 |
| IAS 19 | *Defined benefit plans: employee contributions* | November 2013 | 1 January 2015 |
| IFRS 9 (2009) | *Financial instruments* | November 2009 | To be decided |
| IFRS 9 (2010) | *Financial instruments* | October 2010 | To be decided |

All Standards and Interpretations will be adopted at their effective date.

## 26. Critical accounting estimates, judgements and key assumptions

The directors have considered the group's critical accounting policies, key sources of uncertainty and areas where critical accounting judgements were required in applying the group's accounting policies.

*Critical accounting policies*

The directors are satisfied that the critical accounting policies are appropriate to the group.

**Notes to the financial statements**
for the year ended 28 February 2014

**26. Critical accounting estimates, judgements and key assumptions (continued)**

*Key sources of uncertainty and critical judgements in applying the company's accounting policies*

*Impairment of assets*

The group tests whether assets have suffered any impairment, in accordance with the accounting policy stated in note 1. Estimates are based on interpretation of generally accepted industry-based market forecasts.

*Trade receivables*

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when their collectability is considered to be doubtful.

**27. Subsequent events**

The company has amended its Memorandum of Incorporation and lodged this with CIPC on 22 April 2014. The company will be listing its securities on a public market in the future.

Subsequent to year end, the company finalised negotiations with the Development Bank of South Africa (DBSA). The impact of these negotiations is that an amount of R7 million of the outstanding debt will be immediately paid to DBSA. DBSA will write off 50% of the interest that has accrued to date and remained unpaid. DBSA will capitalise and consolidate the remaining 50% interest accrued to date and R14 million capital outstanding with the resultant remaining balance of approximately R29 million becoming a three year zero rated interest rate loan. DBSA has given the company a further option to repay an outstanding amount of R15 million in cash within 18 months from September 2014 in full and final settlement of the total loan outstanding.

**28. Going concern**

The company incurred a net loss before tax for the year ended 28 February 2014 of R9 470 512 (2013: R9 309 464).

The company impaired its loan to Kuzuko Lodge (Pty) Ltd as at 28 February 2014 by R1 836 393 (2013: R1 914 085). The reason for the impairment is due to Kuzuko Lodge (Pty) Ltd being insolvent as at 28 February 2014 and full recoverability of the loan was not considered probable.

The directors have made an assessment of the ability of the company and its subsidiary to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

## Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Inqo Investments Proprietary Limited, comprising the statements of financial position at 28 February 2013, and the statements of comprehensive income, changes in equity 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 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 risk management.

The directors have made an assessment of the ability of the company and its subsidiary to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

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

**Approval of consolidated and separate annual financial statements**

The consolidated and separate annual financial statements of Inqo Investments Proprietary Limited, as identified in the first paragraph, were approved by the directors on 28 March 2014 and signed on their behalf by

David Louw
*Authorised Director*

Kim Tan
*Authorised Director*

KPMG Inc
KPMG House
Norvic Drive, Greenacres, 6045
PO Box 1662, Port Elizabeth, 6000, South Africa

Telephone +27 (0)41 395 1500
Fax +27 (0)41 395 1700
Docex 26 Port Elizabeth

# Independent Auditor's Report

To the Shareholders of Inqo Investments Proprietary Limited

We have audited the consolidated and separate financial statements of Inqo Investments Proprietary Limited, which comprise the statements of financial position at 28 February 2013, and the statements of comprehensive income, changes in equity 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 34.

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

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

*Opinion*
In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Inqo Investments Proprietary Limited at 28 February 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

**Other reports required by the Companies Act**

As part of our audit of the financial statements for the year ended 28 February 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. This report is the responsibility of the respective preparer. Based on reading this report, we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

KPMG Inc.

Per C Batchelor
Chartered Accountant (SA)
Registered Auditor
Director
28 March 2014

## Statements of comprehensive income

*for the year ended 28 February 2013*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | *Note* | **R** | R | **R** | R |
| **Revenue** | *1.11* | **7 290 803** | 5 435 983 | **384 389** | 602 121 |
| **Cost of Sales** | | **(1 019 067)** | (940 535) | **-** | - |
| **Gross profit** | | **6 271 736** | 4 495 448 | **384 389** | 602 121 |
| Selling and administrative expenses | | **(10 952 785)** | (9 700 335) | **(4 894 418)** | (5 239 942) |
| **Operating loss** | *2* | **(4 681 049)** | (5 204 887) | **(4 510 029)** | (4 637 821) |
| **Net financing costs** | *3* | **(5 012 019)** | (4 674 456) | **(4 799 435)** | (4 523 256) |
| Finance income | | **1 675** | 11 110 | **1 146** | 10 814 |
| Finance expense | | **(5 013 694)** | (4 685 566) | **(4 800 581)** | (4 534 070) |
| **Loss before taxation** | | **(9 693 068)** | (9 879 343) | **(9 309 464)** | (9 161 077) |
| Taxation | *4* | **-** | - | **-** | - |
| **Loss for the period** | | **(9 693 068)** | (9 879 343) | **(9 309 464)** | (9 161 077) |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | **(9 693 036)** | (9 879 311) | | |
| Minority interest | | **(32)** | (32) | | |
| **Loss for the period** | | **(9 693 068)** | (9 879 343) | | |

## Statements of financial position

*at 28 February 2013*

| | Note | Group 2013 R | Group 2012 R | Company 2013 R | Company 2012 R |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | **115 585 340** | 59 646 614 | **115 496 229** | 59 500 791 |
| Property, plant and equipment | *5* | **115 585 143** | 59 646 024 | **115 496 161** | 59 500 723 |
| Intangible assets | *6* | **197** | 590 | **-** | - |
| Loan to subsidiary | *7* | **-** | - | **-** | - |
| Investments in subsidiaries | *8* | **-** | - | **68** | 68 |
| **Current assets** | | **2 812 323** | 2 306 685 | **740 944** | 1 163 961 |
| Trade and other receivables | *10* | **1 659 413** | 470 526 | **305 306** | 72 817 |
| Cash and cash equivalents | *11* | **439 198** | 1 061 577 | **94 142** | 749 648 |
| Inventories | *12* | **713 712** | 774 582 | **341 496** | 341 496 |
| **Total assets** | | **118 397 663** | 61 953 299 | **116 237 173** | 60 664 752 |
| **Equity and liabilities** | | | | | |
| **Capital and reserves** | | | | | |
| Ordinary share capital | *13* | **28 813 042** | 28 813 042 | **28 813 042** | 28 813 042 |
| Share premium | | **13 265 727** | 13 265 727 | **13 265 727** | 13 265 727 |
| Revaluation reserve | *14* | **72 725 994** | 14 257 387 | **72 725 994** | 14 257 387 |
| Accumulated loss | | **(75 859 608)** | (66 166 540) | **(73 649 915)** | (64 340 451) |
| Minority interest | | **32** | 32 | **-** | - |
| Capital and reserves | | **38 945 187** | (9 830 352) | **41 154 848** | (8 004 295) |
| **Non-current liabilities** | | **70 191 294** | 61 618 566 | **69 338 665** | 60 941 212 |
| Loans from related parties | *15* | **29 677 512** | 28 008 493 | **29 677 512** | 28 008 493 |
| Interest bearing loans and borrowings | *16* | **40 320 325** | 33 416 616 | **39 467 696** | 32 739 262 |
| Debentures | *17* | **193 457** | 193 457 | **193 457** | 193 457 |
| **Current liabilities** | | **9 261 182** | 10 165 085 | **5 743 660** | 7 727 835 |
| Trade and other payables | *18* | **2 909 392** | 1 889 758 | **183 597** | 239 919 |
| Provision | *19* | **297 703** | 297 703 | **297 703** | 297 703 |
| Interest bearing loans and borrowings | *16* | **6 054 087** | 7 977 624 | **5 262 360** | 7 190 213 |
| **Total equity and liabilities** | | **118 397 663** | 61 953 299 | **116 237 173** | 60 664 752 |

## Statements of changes in equity

*for the year ended 28 February 2013*

| Group | Share capital | Share premium | Revaluation reserve | Accumulated loss | Minority interest | Total |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| **Balance at 28 February 2011** | **28 813 042** | **13 265 727** | **14 257 387** | **(56 287 197)** | **32** | **48 991** |
| Loss for the year | - | - | - | (9 879 343) | - | (9 879 343) |
| **Balance at 29 February 2012** | **28 813 042** | **13 265 727** | **14 257 387** | **(66 166 540)** | **32** | **(9 830 352)** |
| **Balance at 1 March 2012** | **28 813 042** | **13 265 727** | **14 257 387** | **(66 166 540)** | **32** | **(9 830 352)** |
| Loss for the year | - | - | - | (9 693 068) | - | (9 693 068) |
| Revaluation of land and buildings | - | - | 58 468 607 | - | - | 58 468 607 |
| **Balance at 28 February 2013** | **28 813 042** | **13 265 727** | **72 725 994** | **(75 859 608)** | **32** | **38 945 187** |

| Company | Share capital | Share premium | Revaluation reserve | Accumulated loss | Total |
|---|---|---|---|---|---|
| | R | R | R | R | R |
| **Balance at 28 February 2011** | **28 813 042** | **13 265 727** | **14 257 387** | **(55 179 374)** | **1 156 782** |
| Loss for the year | - | - | - | (9 161 077) | (9 161 077) |
| **Balance at 29 February 2012** | **28 813 042** | **13 265 727** | **14 257 387** | **(64 340 451)** | **(8 004 295)** |
| **Balance at 1 March 2012** | **28 813 042** | **13 265 727** | **14 257 387** | **(64 340 451)** | **(8 004 295)** |
| Loss for the year | **-** | **-** | - | (9 309 464) | (9 309 464) |
| Revaluation of land and buildings | **-** | **-** | 58 468 607 | - | 58 468 607 |
| **Balance at 28 February 2013** | **28 813 042** | **13 265 727** | **72 725 994** | **(73 649 915)** | **41 154 848** |

## Statements of cash flows

*for the year ended 28 February 2013*

| | Note | Group 2013 R | Group 2012 R | Company 2013 R | Company 2012 R |
|---|---|---|---|---|---|
| **Cash utilised by operations** | *23.1* | **(2 334 942)** | (1 759 961) | **(499 096)** | (23 675) |
| Interest income | | **1 675** | 11 110 | **1 146** | 10 814 |
| Interest expenses | | **(5 013 694)** | (4 685 566) | **(4 800 581)** | (4 534 070) |
| **Net cash outflow from operating activities** | | **(7 346 961)** | (6 434 417) | **(5 298 531)** | (4 546 931) |
| **Cash flows from investing activities** | | | | | |
| Increase in loans to subsidiary | | **-** | - | **(1 914 085)** | (1 939 706) |
| Proceeds on disposal of vehicle | | **87 510** | - | **87 510** | - |
| Acquisition of property, plant and equipment | *23.2* | **(12 119)** | (172 001) | **-** | (82 585) |
| **Net cash inflow/(outflow) from investing activities** | | **75 391** | (172 001) | **(1 826 575)** | (2 022 291) |
| **Cash flows from financing activities** | | | | | |
| Loans and borrowings raised | | **4 980 172** | 4 519 935 | **4 800 581** | 4 354 256 |
| Loans from related parties raised | | **1 669 019** | 2 750 627 | **1 669 019** | 2 750 627 |
| **Net cash inflow from financing activities** | | **6 649 191** | 7 270 562 | **6 469 600** | 7 104 883 |
| Net movement in cash and cash equivalents | | **(622 379)** | 664 144 | **(655 506)** | 535 661 |
| Cash and cash equivalents at beginning of year | | **1 061 577** | 397 433 | **749 648** | 213 987 |
| **Cash and cash equivalents at end of year** | *11* | **439 198** | 1 061 577 | **94 142** | 749 648 |

## Notes to the financial statements
for the year ended 28 February 2013

### 1. Accounting policies

Inqo Investments Proprietary Limited (the “company”) is a company domiciled in South Africa. The consolidated financial statements of the company for the year ended 28 February 2013 comprise the company and its subsidiaries (together referred to as the “group”).

### 1.11 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act of South Africa. The group financial statements comprise the consolidated financial statements.

### 1.12 Basis of preparation

The financial statements are presented in Rands, rounded to the nearest rand. They are prepared on the historical cost basis except for certain financial instruments recognised at fair value as stated below.

The preparation of financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, and associated assumptions, are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 1.13 Accounting policies

The following are the principal accounting policies of the group, which are consistent in all material respects with those applied in the previous year.

### 1.14 Basis of consolidation

*Subsidiaries*

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases.

*Transactions eliminated on consolidation*

Intergroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group’s interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## Notes to the financial statements
for the year ended 28 February 2013

### 1.15 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses except for land which is carried at revalued cost.

Revaluation of land is done with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Revaluations are performed every two years, unless significant and volatile changes occur in the fair value of land.

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases.

The group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Revaluations are credited directly to equity. Land is not depreciated. The estimated useful lives are as follows:

| | | |
|---|---|---|
| Motor vehicles | 8 | years |
| Computer equipment | 3 | years |
| Equipment | 4 – 6 | years |
| Furniture and fittings | 10 | years |
| Musical instruments | 5 | years |
| Lodge | 30 | years |

Where appropriate, and if significant, expected residual values are taken into account in determining the depreciable values of assets.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Residual values, methods of depreciation and useful lives of all assets are reassessed annually. Depreciation of an item of property, plant and equipment begins when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date that it is derecognised.

Derecognition occurs when an item of property, plant and equipment is disposed of, or when it is no longer expected to generate any further economic benefits.

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

## Notes to the financial statements
for the year ended 28 February 2013

### 1.6 Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

### 1.7 Leases

***Finance leases***

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Initial direct costs incurred are capitalised to the asset.

### 1.8 Impairment

The carrying amounts of the group's assets, other than inventories, trade receivables and deferred tax assets, which are separately assessed and provided against where necessary, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of the asset's fair value less expenses to sell the asset, or the asset's value in use. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

Such cash flows are discounted using a pre-tax rate that reflects current market value of money and the risks associated with the specific asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss except for assets carried at revalued amount are recognised in equity to the extent it decreases the equity where after any excess impairment is recognised in profit and loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes to the financial statements
for the year ended 28 February 2013

### 1.9 Financial instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, trade receivables, trade payables and interest bearing loans. Fair value adjustments to the financial instruments are recognised in the income statement in the period in which they occurred.

Financial instruments are recognised initially at fair value. Subsequent to initial recognition these instruments are measured as detailed below:

*Financial assets*

Financial assets are recognised when the entity becomes a party to the contractual provisions of the financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset.

Trade and other receivables are stated at their cost less impairment losses.

*Cash and cash equivalents*

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

*Financial liabilities*

Financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Financial liabilities consist of obligations to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities, other than derivative instruments, are measured at amortised cost.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other payables are stated at cost.

*Offset*

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when the Group has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## Notes to the financial statements
for the year ended 28 February 2013

### 1.10 Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

### 1.11 Revenue

Revenue from the sale of goods is recognised in profit and loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of or continuing management involvement with the goods.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue comprises net invoiced sales to customers excluding VAT, investment income and other non-operating income.

### 1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates applicable for that year, and any adjustments of tax payable for previous years.

Deferred tax is provided on taxable temporary differences. Temporary differences are differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The effect on deferred tax of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 1.13 Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## Notes to the financial statements
for the year ended 28 February 2013

### 1.14 Employee benefits

*Short term employee benefits*

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

Accruals for employee entitlements to salaries, wages, performance bonuses, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The accruals have been calculated at undiscounted amounts based on current salary and wage rates.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The group's policy is to provide retirement benefits for its employees. The company's contributions to defined contribution plans in respect of services during a particular period are charged against income as incurred.

*Defined contribution plans*

Obligations for contributions to defined contribution provident plans are recognised as an expense in the income statement as incurred.

### 1.15 Expenses

*Finance lease payments*

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

*Net financing costs*

Financing costs comprise interest payable on borrowings calculated on a principal outstanding using the effective interest rate. Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

### 1.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No segment report has been prepared as the group is operating in one location and is subject to the same risks and returns in considering whether products or services are related.

## Notes to the financial statements
for the year ended 28 February 2013

### 1.17 Foreign currency

***Foreign currency transactions***

Transactions in foreign currencies are translated at the rate of exchange ruling at the dates of the transaction. Monetary assets and liabilities outstanding on foreign transactions at the end of the financial year are translated to Rands at the rates ruling at that date. Gains and losses arising on translation are recognised in profit and loss.

### 1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which is capitalised as part of the cost of that asset.

The actual borrowing costs incurred on borrowings specifically incurred for the purpose of obtaining a qualifying asset, shall be capitalised on the asset less any investment income on the temporary investment of those borrowings.

## Notes to the financial statements
for the year ended 28 February 2013

### 2. Operating loss

| | Group 2013 R | Group 2012 R | Company 2013 R | Company 2012 R |
|---|---|---|---|---|
| is arrived at after taking into account | | | | |
| Auditors remuneration | **134 000** | 166 750 | **60 000** | 94 250 |
| – audit fee | **134 000** | 166 750 | **60 000** | 94 250 |
| Depreciation of property, plant and equipment | **2 452 511** | 2 421 959 | **2 384 073** | 2 352 195 |
| Amortisation of intangible asset | **393** | 17 777 | **-** | - |
| Impairment of loan to subsidiary | **-** | - | **1 914 085** | 1 939 706 |
| Personnel expenses | **2 971 188** | 2 169 806 | **225 000** | 220 000 |

### 3. Net financing costs

| | Group 2013 | Group 2012 | Company 2013 | Company 2012 |
|---|---|---|---|---|
| **Finance income** | **1 675** | 11 110 | **1 146** | 10 814 |
| Interest income | **1 675** | 11 110 | **1 146** | 10 814 |
| **Finance expense** | **(5 013 694)** | (4 685 566) | **(4 800 581)** | (4 534 070) |
| Interest paid on borrowings | **(5 013 694)** | (4 685 566) | **(4 800 581)** | (4 534 070) |
| Finance costs | **-** | - | **-** | - |
| | **(5 012 019)** | (4 674 456) | **(4 799 435)** | (4 523 256) |

### 4. Taxation

| | Group 2013 R | Group 2012 R | Company 2013 R | Company 2012 R |
|---|---|---|---|---|
| South African normal tax | | | | |
| - Current | **-** | **-** | **-** | - |
| - Deferred | **-** | **-** | **-** | - |
| | **-** | **-** | **-** | - |
| **Reconciliation of tax rate** | **%** | % | **%** | % |
| Current years charge as a percentage of profit | **-** | - | **-** | - |
| Deferred tax asset not recognised | **28.00** | 28.00 | **28.00** | 28.00 |
| Standard tax rate | **28.00** | 28.00 | **28.00** | 28.00 |

The company has a computed tax loss of R 45 641 674 (2012: assessed loss of R47 581 380) and is thus not liable for income tax. A deferred tax asset has not been raised as there is uncertainty whether the company will generate taxable income within the foreseeable future.

## 5. Property, plant and equipment

### *5.1 Group*

| | Cost or valuation | Accumulated depreciation | Carrying amount |
|---|---|---|---|
| **2013** | **R** | **R** | **R** |
| Freehold land | **85 731 181** | **-** | **85 731 181** |
| Buildings | **34 268 819** | **(7 533 218)** | **26 735 601** |
| Game | **110 661** | **-** | **110 661** |
| Motor vehicles | **2 958 802** | **(2 495 691)** | **463 111** |
| Furniture and fittings | **4 742 968** | **(2 377 169)** | **2 365 799** |
| Musical Instruments | **19 167** | **(19 167)** | **-** |
| Equipment | **2 169 543** | **(2 076 304)** | **93 239** |
| Computer equipment | **845 486** | **(759 935)** | **85 551** |
| | **130 846 627** | **(15 261 484)** | **115 585 143** |
| 2012 | | | |
| Freehold land | 27 262 574 | - | 27 262 574 |
| Buildings | 34 268 819 | (6 390 924) | 27 877 895 |
| Game | 110 661 | - | 110 661 |
| Motor vehicles | 3 047 898 | (2 125 719) | 922 179 |
| Furniture and fittings | 4 742 968 | (1 902 872) | 2 840 096 |
| Musical Instruments | 19 167 | (19 167) | - |
| Equipment | 2 169 543 | (1 677 917) | 491 626 |
| Computer equipment | 833 367 | (692 374) | 140 993 |
| | 72 454 997 | (12 808 973) | 59 646 024 |

| *Company* | Cost or valuation | Accumulated depreciation | Carrying amount |
|---|---|---|---|
| **2013** | **R** | **R** | **R** |
| Freehold land | **85 731 181** | **-** | **85 731 181** |
| Buildings | **34 268 819** | **(7 582 273)** | **26 686 546** |
| Game | **110 661** | **-** | **110 661** |
| Motor vehicles | **2 954 416** | **(2 583 186)** | **371 230** |
| Furniture and fittings | **4 742 968** | **(2 377 169)** | **2 365 799** |
| Musical Instruments | **19 167** | **(19 167)** | **-** |
| Equipment | **2 169 543** | **(1 938 799)** | **230 744** |
| Computer equipment | **485 257** | **(485 257)** | **-** |
| | **130 482 012** | **(14 985 851)** | **115 496 161** |
| **2012** | | | |
| Freehold land | 27 262 574 | - | 27 262 574 |
| Buildings | 34 268 819 | (6 439 979) | 27 828 840 |
| Game | 110 661 | - | 110 661 |
| Motor vehicles | 3 043 512 | (2 214 091) | 829 421 |
| Furniture and fittings | 4 742 968 | (1 902 872) | 2 840 096 |
| Musical Instruments | 19 167 | (19 167) | - |
| Equipment | 2 169 543 | (1 540 412) | 629 131 |
| Computer equipment | 485 257 | (485 257) | - |
| | 72 102 501 | (12 601 778) | 59 500 723 |

## 5. Property, plant and equipment (continued)

**Group**

| **2013** | **Carrying amount at beginning of the year** | **Additions/re-valuation** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | **27 262 574** | **58 468 607** | **-** | **-** | **-** | **85 731 181** |
| Buildings | **27 877 895** | **-** | **-** | **-** | **(1 142 294)** | **26 735 601** |
| Game | **110 661** | **-** | **-** | **-** | **-** | **110 661** |
| Motor vehicles | **922 179** | **-** | **(89 096)** | **-** | **(369 972)** | **463 111** |
| Furniture and fittings | **2 840 096** | **-** | **-** | **-** | **(474 297)** | **2 365 799** |
| Musical Instruments | **-** | **-** | **-** | **-** | **-** | **-** |
| Equipment | **491 626** | **-** | **-** | **-** | **(398 387)** | **93 239** |
| Computer equipment | **140 993** | **12 119** | **-** | **-** | **(67 561)** | **85 551** |
| Total | **59 646 024** | **58 480 726** | **(89 096)** | **-** | **(2 452 511)** | **115 585 143** |

| **2012** | **Carrying amount at beginning of the year** | **Additions** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | 27 262 574 | - | - | - | - | 27 262 574 |
| Buildings | 28 971 134 | 49 055 | - | - | (1 142 294) | 27 877 895 |
| Game | 110 661 | - | - | - | - | 110 661 |
| Motor vehicles | 1 399 233 | 4 456 | (90 854) | - | (390 656) | 922 179 |
| Furniture and fittings | 3 280 654 | 33 527 | - | - | (474 085) | 2 840 096 |
| Musical Instruments | 1 916 | - | - | - | (1 916) | - |
| Equipment | 835 015 | - | - | - | (343 389) | 491 626 |
| Computer equipment | 125 649 | 84 963 | - | - | (69 619) | 140 993 |
| Total | 61 986 836 | 172 001 | (90 854) | - | (2 421 959) | 59 646 024 |

Certain property, plant and equipment have been pledged as security for interest bearing loans and borrowings, refer to note 16.

## 5. Property, plant and equipment (continued)

**Company**

| **2013** | **Carrying amount at beginning of the year** | **Additions/re-valuation** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | **27 262 574** | **58 468 607** | **-** | **-** | **-** | **85 731 181** |
| Buildings | **27 828 840** | **-** | **-** | **-** | **(1 142 294)** | **26 686 546** |
| Game | **110 661** | **-** | **-** | **-** | **-** | **110 661** |
| Motor vehicles | **829 421** | **-** | **(89 096)** | **-** | **(369 095)** | **371 230** |
| Furniture and fittings | **2 840 096** | **-** | **-** | **-** | **(474 297)** | **2 365 799** |
| Musical Instruments | **-** | **-** | **-** | **-** | **-** | **-** |
| Equipment | **629 131** | **-** | **-** | **-** | **(398 387)** | **230 744** |
| Total | **59 500 723** | **58 468 607** | **(89 096)** | **-** | **(2 384 073)** | **115 496 161** |

**Company**

| **2012** | **Carrying amount at beginning of the year** | **Additions** | **Disposals/ Scrapping** | **Transfers** | **Depreciation** | **Carrying amount at end of the year** |
|---|---|---|---|---|---|---|
| | **R** | **R** | **R** | **R** | **R** | **R** |
| Freehold land | 27 262 574 | - | - | - | - | 27 262 574 |
| Buildings | 28 971 134 | 49 055 | - | (49 055) | (1 142 294) | 27 828 840 |
| Game | 110 661 | - | - | - | - | 110 661 |
| Motor vehicles | 1 399 233 | 2 | (90 854) | (88 450) | (390 510) | 829 421 |
| Furniture and fittings | 3 280 654 | 33 528 | - | - | (474 086) | 2 840 096 |
| Musical Instruments | 1 916 | - | - | - | (1 916) | - |
| Equipment | 835 015 | - | - | 137 505 | (343 389) | 629 131 |
| Total | 61 861 187 | 82 585 | (90 854) | - | (2 352 195) | 59 500 723 |

## Notes to the financial statements
for the year ended 28 February 2013

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **R** | R | **R** | R |

### 5. Property, plant and equipment (continued)

Land comprises:
farm number 278 portion 5,
farm number 291 portion 0,1, 2 and 3,
farm number 276 portion 1 and 5,
farm number 277 portion 4 and 11,
farm number 292 portion 0,
farm number 428 portion 0,
farm number 406 portion 0,
farm number 288 portion 0, 1 and 2,
farm number 287 portion 1,
farm number 279, portion 0
farm number 291 portion 3.

| | Group 2013 R | Group 2012 R | Company 2013 R | Company 2012 R |
|---|---|---|---|---|
| | **85 731 181** | 27 262 574 | **85 731 181** | 27 262 5 |

### 6. Intangible Assets

| | Group 2013 R | Group 2012 R | Company 2013 R | Company 2012 R |
|---|---|---|---|---|
| Balance at beginning of year | **590** | 18 367 | **-** | - |
| Additions | **-** | - | **-** | - |
| Amortisation | **(393)** | (17 777) | **-** | - |
| Balance at end of year | **197** | 590 | **-** | - |

Intangible assets comprise computer software purchased during the year.

### 7. Loan to subsidiary

| | Company 2013 R | Company 2012 R |
|---|---|---|
| Kuzuko Lodge Proprietary Limited | **19 089 825** | 17 175 740 |
| Impairment of loan | **(19 089 825)** | (17 175 740) |
| | **-** | - |

The loan to Kuzuko Lodge Proprietary Limited is interest free with no fixed repayment terms.
This loan receivable has been impaired due to the uncertainty as to the timing of repayment and the continued losses made by Kuzuko Lodge (Pty) Ltd.
Inqo Investments (Pty) Ltd has subordinated this loan with its subsidiary company.

## Notes to the financial statements
for the year ended 28 February 2013

### 8. Investments in subsidiaries

| | Company Kuzuko Lodge Proprietary Limited R |
|---|---|
| ***Loan to subsidiary company*** | |
| Balance at the beginning of the year | **17 175 740** |
| Movement during the year | **1 914 085** |
| Impairments | **(19 089 825)** |
| **Balance at the end of the year** | **-** |

The subsidiary of the Company consists of the following:

68 Ordinary shares of R1 each in Kuzuko Lodge Proprietary Limited.

### 9. Deferred tax asset

A deferred tax asset has not been recognised as future taxable profits in excess of the assessed tax loss may not be realised in the foreseeable future.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 R** | 2012 R | **2013 R** | 2012 R |
| **10. Trade and other receivables** | | | | |
| Trade debtors | **1 565 788** | 377 517 | **302 805** | 70 316 |
| Deposits | **2 501** | 2 501 | **2 501** | 2 501 |
| Prepayments | **75 231** | 90 508 | **-** | - |
| Other receivables | **15 893** | - | **-** | - |
| | **1 659 413** | 470 526 | **305 306** | 72 817 |

Included in trade debtors is an amount due from Spekboom Trading of R222 703.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 R** | 2012 R | **2013 R** | 2012 R |
| **11. Cash and cash equivalents** | | | | |
| Call account | **7 415** | 31 223 | **2 369** | 31 223 |
| Current account | **430 441** | 1 022 861 | **91 773** | 713 425 |
| Petty Cash | **1 342** | 7 493 | **-** | 5 000 |
| Cash and cash equivalents | **439 198** | 1 061 577 | **94 142** | 749 648 |

## Notes to the financial statements
for the year ended 28 February 2013

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **R** | R | **R** | R |
| **12. Inventories** | | | | |
| Food and beverage | **152 609** | 230 884 | **-** | - |
| Guest supplies | **6 110** | 6 820 | **-** | - |
| Crockery and cutlery | **341 496** | 341 496 | **341 496** | 341 496 |
| Other consumables | **213 497** | 195 382 | **-** | - |
| | **713 712** | 774 582 | **341 496** | 341 496 |

### 13. Ordinary share capital

***Authorised***

| | | | | |
|---|---|---|---|---|
| 100 000 000 (2012: 100 000 000) ordinary shares of R1 each | **100 000 000** | 100 000 000 | **100 000 000** | 100 000 000 |

***Issued***

| | | | | |
|---|---|---|---|---|
| 28 813 042 (2012: 28 813 042) ordinary shares of R1 each | **28 813 042** | 28 813 042 | **28 813 042** | 28 813 042 |

### 14. Revaluation reserve

| | | | | |
|---|---|---|---|---|
| Balance at beginning of year | **14 257 387** | 14 257 387 | **14 257 387** | 14 257 387 |
| Re-valuation during the year | **58 468 607** | - | **58 468 607** | - |
| | **72 725 994** | 14 257 387 | **72 725 994** | 14 257 387 |

Land was revalued in April 2012 by professional independent valuers. The method of valuation is the direct comparison or market approach, this method entails comparing the subject property with other recent sales of similar properties in the same or comparable areas.

## Notes to the financial statements

*for the year ended 28 February 2013*

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **R** | R | **R** | R |
| **15. Loans from related parties** | | | | |
| Dr Kim Tan | **21 666 019** | 20 997 000 | **21 666 019** | 20 997 000 |
| Truchot Trustee Limited | **6 531 990** | 5 531 990 | **6 531 990** | 5 531 990 |
| Springhill Management | **1 479 503** | 1 479 503 | **1 479 503** | 1 479 503 |
| | **29 677 512** | 28 008 493 | **29 677 512** | 28 008 493 |

The loan from Dr Kim Tan and Springhill Management is interest free with a five year renewable repayment period. The loan from Dr Kim Tan has been subordinated and repayment will not be demanded until the assets of the company, fairly valued exceed its liabilities.

The loan from Truchot Trustee Limited is interest free and repayable once all conditions of the DBSA loan have been complied with.

## Notes to the financial statements
for the year ended 28 February 2013

| | Group 2013 R | Group 2012 R | Company 2013 R | Company 2012 R |
|---|---|---|---|---|
| **16. Interest bearing loans and borrowings** | | | | |
| *Development Bank of South Africa* | | | | |
| This loan is repayable over 17 equal six monthly instalments. The rate of interest applicable is the six months ZAR-JIBAR-SAFEX plus 256 basis points. The loan is secured by property to the value of R24 500 000. | **44 730 056** | 39 929 475 | **44 730 056** | 39 929 475 |
| *Eastern Cape Development Corporation* | | | | |
| This loan is repayable over 30 equal six monthly instalments, with interest charged at the prime lending rate plus 2%. The first instalment was due in April 2007. A deed of suretyship, cession of book debts as security, cession of concession agreement and cession of director's loan accounts have been entered into between Kuzuko Lodge Proprietary Limited and Eastern Cape Development Corporation. | **1 644 356** | 1 464 765 | **-** | - |
| Total interest bearing loans and borrowings | **46 374 412** | 41 394 240 | **44 730 056** | 39 929 475 |
| Less: current portion included in current liabilities | **(6 054 087)** | (7 977 624) | **(5 262 360)** | (7 190 213) |
| DBSA loan | **(5 262 360)** | (7 190 213) | **(5 262 360)** | (7 190 213) |
| ECDC loan | **(791 727)** | (787 411) | **-** | - |
| Long term interest bearing loans and borrowings | **40 320 325** | 33 416 616 | **39 467 696** | 32 739 262 |

## Notes to the financial statements
for the year ended 28 February 2013

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **R** | R | **R** | R |
| **17. Debentures** | | | | |
| Balance at the beginning of the year | **193 457** | 193 457 | **193 457** | 193 457 |
| Fair Value adjustment | **-** | - | **-** | - |
| | **193 457** | 193 457 | **193 457** | 193 457 |

The unsecured debenture are issued at R12 000 per debenture. The group shall not pay interest in respect of each of the unsecured debentures but will provide bed nights at Kuzuko game reserve in lieu of interest (refer to note 19). The fair value of the debenture has been calculated based on a discounted cash flow basis utilising a market related interest rate of 9% at period end, cash flows of R 24 000 per annum and repayment terms of 15 years.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **R** | R | **R** | R |
| **18. Trade and other payables** | | | | |
| Trade payables | **1 629 309** | 1 327 950 | **15 790** | 77 121 |
| Accruals | **1 085 036** | 417 706 | **166 947** | 159 213 |
| Other Payable | **174 033** | 12 792 | **-** | 3 585 |
| VAT | **21 014** | 131 310 | **860** | - |
| | **2 909 392** | 1 889 758 | **183 597** | 239 919 |

| | **2012** | 2011 |
|---|---|---|
| | **R** | R |
| **19. Provision** | | |
| | **Group and Company** | |
| Balance at 1 March | **297 703** | 297 703 |
| Unwinding of discount | **-** | - |
| Balance at 28 February | **297 703** | 297 703 |

The provision for bed nights relates to an issue of unsecured debentures (note 17), no interest is payable in respect of the unsecured debentures, the holders of the debentures are entitled to bed nights in lieu of interest at Kuzuko Lodge game reserve.

The provision is based on an average rate of R 2 280 per person sharing discounted using the prime interest rate.

## Notes to the financial statements
for the year ended 28 February 2013

### 20. Financial instruments

The group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

This note represents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management of financial instruments.

### *20.1 Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the group's income or the value of its holdings in financial instruments.

*Currency risk*

The group and company is exposed to currency risk on cash that is denominated in Sterling (GBP).The uncovered financial exposure at year end is as follows:

| | **2013**<br>**R** | 2012<br>R |
|---|---|---|
| Foreign cash on hand | **-** | - |

***Interest rate risk***

The group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis.

*Eastern Cape Development Corporation*

At 28 February 2013, it is estimated that a general increase/decrease of half a percentage point in interest rates would decrease/increase the group's profit before taxation by approximately R8 222 (2012: R7 575). Based on economic predictions and recent interest rate fluctuations the interest rate is only expected to change by fifty basis points at any one time.

*Development Bank of South Africa*

At 28 February 2013, it is estimated that a general increase/decrease of half a percentage point in interest rates would decrease/increase the group's asset value by approximately R223 650 (2012: R226 704). Based on economic predictions and recent interest rate fluctuations the interest rate is only expected to change by fifty basis points at any one time.

# Notes to the financial statements
for the year ended 28 February 2013

## 20. Financial instruments (continued)

### *20.2 Credit risk*

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's trade and other receivables.

At financial year end date there were no significant concentrations of credit risk as the group does not have any material receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

### *20.3 Liquidity risk*

Liquidity risk is the risk that the group will not be able to meet its financial obligation as they fall due. The group's approach to managing liquidity risk is to delay the start of payments hence allowing sufficient liquidity to increase to meets its liabilities when due.

The maximum exposure to liquidity risk is represented below in the maturity analysis.

| 2013 - Company | Carrying amount | Contractual cash flows | 1 – 12 months | 1 – 2 years | 2 – 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| Secured bank loan: | | | | | | |
| - DBSA | 44 730 056 | 44 730 056 | 5 262 360 | 39 467 696 | - | - |
| Debenture | 193 457 | 193 457 | - | - | - | 193 457 |
| | 44 923 513 | 44 923 513 | 5 262 360 | 39 467 696 | - | 193 457 |

| 2013 - Group | Carrying amount | Contractual cash flows | 1 – 12 months | 1 – 2 years | 2 – 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| Secured bank loan: | | | | | | |
| - DBSA | 44 730 056 | 44 730 056 | 5 262 360 | 39 467 696 | - | - |
| - Fixed interest rate - ECDC | 1 644 356 | 1 644 356 | 791 727 | 852 629 | - | - |
| Debenture | 193 457 | 193 457 | - | - | - | 193 457 |
| | 46 567 869 | 46 567 869 | 6 054 087 | 40 320 325 | - | 193 457 |

### *20.4 Fair values*

The carrying amount in the balance sheet of all financial instruments is a reasonable approximation of fair value.

## Notes to the financial statements
for the year ended 28 February 2013

### *20.5 Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- ethical and business standards
- training and professional development
- risk mitigation, including insurance where this is effective

## 21. Finance lease liabilities

### *21.1 Group and company*

The finance lease liabilities were settled during the year.

## Notes to the financial statements
for the year ended 28 February 2013

### 22. Related parties

### *22.1 Identity of related parties*

Inqo Investments Proprietary Limited is the holding company of Kuzuko Reserve Proprietary Limited, Kuzuko Trading Proprietary Limited and Kuzuko Lodge Proprietary Limited.

Dr Kim Tan is a director of Springhill Management Proprietary Limited, Inqo Investments Proprietary Limited and Kuzuko Lodge Proprietary Limited.

### *22.2 Material related party transactions*

| | Group<br>R | Company<br>R |
|---|---|---|
| *Loans (from)/to related parties -* | | |
| Dr Kim Tan | **(21 666 019)** | **(21 666 019)** |
| Truchot Trustee Limited | **(6 531 990)** | **(6 531 990)** |
| Springhill Management | **(1 479 503)** | **(1 479 503)** |
| Kuzuko Lodge Proprietary Limited | | |
| - Loan to | **-** | **19 089 825** |

## Notes to the financial statements
for the year ended 28 February 2013

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **R** | R | **R** | R |
| **23. Notes to the cash flow statement** | | | | |
| ***23.1 Cash utilised by operations*** | | | | |
| Operating loss before interest | **(4 681 049)** | (5 204 887) | **(4 510 029)** | (4 637 821) |
| Adjustments for – | | | | |
| Depreciation of property, plant and equipment | **2 452 511** | 2 421 959 | **2 384 073** | 2 352 195 |
| Loss on disposal of property, plant and equipment | **1 586** | 90 854 | **1 586** | 90 854 |
| Amortisation of intangible assets | **393** | 17 777 | **-** | - |
| Impairment of loan to subsidiary | **-** | - | **1 914 085** | 1 939 706 |
| Operating loss before working capital changes | **(2 226 559)** | (2 674 297) | **(210 285)** | (255 066) |
| Decrease/(increase) in inventories | **60 870** | (112 663) | **-** | - |
| (Increase)/decrease in trade and other receivables | **(1 188 887)** | 122 703 | **(232 489)** | 155 912 |
| Increase/(decrease) in trade and other payables | **1 019 634** | 904 296 | **(56 322)** | 75 479 |
| | **(2 334 942)** | (1 759 961) | **(499 096)** | (23 675) |

### *23.2 Acquisition of property, plant and equipment*

| | | | | |
|---|---|---|---|---|
| Total additions for the year | **12 119** | 172 001 | **-** | 82 585 |
| | **12 119** | 172 001 | **-** | 82 585 |

## Notes to the financial statements
for the year ended 28 February 2013

### 24. Standards and interpretations not yet effective

At the date of authorisation of the financial statements of Inqo Investments Proprietary Limited for the year
ended 28 February 2013, the following Standards and Interpretations were in issue but not yet effective:

| Standard/Interpretation | | Effective date |
|---|---|---|
| IAS 12 amendment | Deferred tax: Recovery of Underlying Assets | Annual periods beginning on or after 1 January 2013 |
| IAS 24 (AC 126) (revised) | Related Party Disclosures | Annual periods beginning on or after 1 January 2013 |
| IFRS 9 (2009) (AC 146) | Financial Instruments | Annual periods beginning on or after 1 January 2013 |
| IFRS 9 (2010) (AC 146) | Financial Instruments | Annual periods beginning on or after 1 January 2013 |

All Standards and Interpretations will be adopted at their effective date.

**Impact on future**

| | | |
|---|---|---|
| IAS 1 | Presentation of financial statements. Presentation of items of other comprehensive income. | Annual periods beginning on or after 1 July 2013. |
| IAS 27 | Separate financial statements. | Annual periods beginning on or after 1 January 2013. |

## Notes to the financial statements
for the year ended 28 February 2013

### 25. Critical accounting estimates, judgements and key assumptions

The directors have considered the group's critical accounting policies, key sources of uncertainty and areas where critical accounting judgements were required in applying the group's accounting policies.

*Critical accounting policies*

The directors are satisfied that the critical accounting policies are appropriate to the group.

*Key sources of uncertainty and critical judgements in applying the company's accounting policies*

Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The group makes estimates, judgements and assumptions concerning the future. Those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Impairment of assets*

The group tests whether assets have suffered any impairment, in accordance with the accounting policy stated in note 1. Estimates are based on interpretation of generally accepted industry-based market forecasts.

*Trade receivables*

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when their collectability is considered to be doubtful.

### 26. Subsequent events

The company is in the process of being converted to a public company and will be listing its securities on a public market in the future. In order to make the listing and issuing of the company's shares more manageable, it is desirable that the company's share capital be reduced. A consolidation of the company's share capital on a 1 for 10 basis has been recommended by the shareholders. This process is currently being considered by the shareholders.

### 27. Going concern

The company incurred a net loss before tax for the year ended 28 February 2013 of R9 309 464 (2012: R9 161 077).

The company impaired its loan to Kuzuko Lodge (Pty) Ltd as at 28 February 2013 by R1 914 085 (2012: R1 939 706). The reason for the impairment is due to Kuzuko Lodge (Pty) Ltd being insolvent as at 28 February 2013 and full recoverability of the loan was not considered probable.

The directors have made an assessment of the ability of the company and its subsidiary to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

## PART IV

## ADDITIONAL INFORMATION

### 1 RESPONSIBILITY STATEMENT

The Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information.

### 2 INCORPORATION AND STATUS OF THE COMPANY

2.1 The Company was formed in 1998, as a shelf company, under the name Tirade Properties 57 (Proprietary) Limited, Registration Number 1998/024741/06. The name of the shelf company changed on the 25th of July 2001 to Inqo Properties (Proprietary) Limited. The Company remained dormant until 2003 when the directors actively starting searching for properties to acquire. The Company name was changed to Inqo Investments (Proprietary) Limited on 15 October 2007 and to a public company named Inqo Investments Limited on 14 May 2014.

2.2 The Company is a public company under RSA Company Law, the liability of the members of the Company is limited. The Company was initially incorporated and operated as a private company. On 14 May 2014 the company changed its status and reregistered as a public company and changed its name to Inqo Investments Limited.

2.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder.

2.4 The registered office and principal place of business, of the Company is at Dorrington Jessop, 28 Draper Square, Draper Street, Claremont, South Africa, 6045. The contact number during business hours is +27 (0)21 671 5215.

### 3 ORGANISATIONAL STRUCTURE

Inqo manages the affairs of its subsidiary companies which at the date of this document were:

| Company | Residence | Registration # | Registered office | % Shareholding | Date of acquisition |
|---|---|---|---|---|---|
| Kuzuko Lodge | RSA | 2004/025392/07 | 28 Draper Street, Claremont, Cape Town,7700 | 68% | 13/04/2005 |
| Spekboom Trading | RSA | 2011/009815/07 | 9 Mohr Road, Tokai, Cape Town, 7945 | 50.1% | 20/03/2012 |

The shareholding in the subsidiary companies at the date of this document were:

| Kuzuko Lodge (Proprietary) Limited – Shareholders | % Shareholding |
|---|---|
| Inqo Investments Limited | 68% |
| DEC Investment Holdings (Proprietary) Limited | 24% |
| Kuzuko Employees Trust | 8% |
| Total shareholding | 100% |

| **Spekboom Trading (Proprietary) Limited – Shareholders** | **% Shareholding** |
|---|---|
| Inqo Investments Limited | 50.1% |
| Africarbon (Proprietary) Limited | 49.9% |
| Total shareholding | 100% |

## 4 SHARE CAPITAL OF THE COMPANY

4.1 The authorised share capital of the Company is 20,000,000 Ordinary Shares with a par value of R5 each ranking *pari passu* in all respects with each other.

| Issued Share Capital on admission and at date of listing | |
|---|---|
| Share Capital Value | R 103,159,871 |
| Ordinary fully paid shares of R5 each in issue | 11,639,615 |

| The movement in issued share capital is explained as follows: | # of shares |
|---|---|
| Shares in issue at date of audited accounts at 28 February 2015 | 28,813,042 |
| R1 shares bought back | -12 |
| | 28,813,030 |
| R1 shares in issue at 29 July 2015 converted to shares of R5 each in a 1:5 reverse share split | 5,762,606 |
| Conversion of convertible loans to shares | 2,630,139 |
| New shares subscribed for | 811,688 |
| Conversion of shareholder loans to shares | 2,435,182 |
| Number of shares of R5 each in issue at the date of this document and on admission | 11,639,615 |

4.2 On incorporation, the authorised share capital of the Company was 1000 Ordinary Shares divided into 1000 of R1 each, all of which were issued to the subscriber of the memorandum of incorporation.

The authorised share capital of the Company was increased in a series of transactions, approved by shareholders special resolutions and in turn confirmed by the Registrar of Companies once the required returns were submitted to the Registrar's offices.

| **Transaction** | **Shares of R1 each increased by** | **Authorised shares after transaction** |
|---|---|---|
| On incorporation | | 1,000 |
| 28 October 1999 | 499,000 | 500,000 |
| 15 December 1999 | 1,000,000 | 1,500,000 |
| 9 March 2000 | 1,000,000 | 2,500,000 |
| 20 July 2000 | 2,500,000 | 5,000,000 |
| 21 July 2001 | 5,000,000 | 10,000,000 |
| 17 August 2007 | 10,000,000 | 20,000,000 |
| 1 October 2007 | 5,000,000 | 25,000,000 |
| 12 November 2009 | 75,000,000 | 100,000,000 |

The shareholders of the Company approved by special resolution on 29 of July 2015 a 1:5 reverse share split which reduced the authorised share capital of the Company from 100,000,000 ordinary shares of R1 each to 20,000,000 ordinary shares of R5 each.

4.3 There are no shares which do not represent capital.

4.4 There are no convertible securities, exchangeable securities or securities with warrants.

4.5 The MOI does not limit or restrict the authority of the Board to -

(a) authorise the Company to issue secured or unsecured debt instruments, as set out in section 43(2) of the Act, or grant special privileges associated with any debt instruments to be issued by the Company, as set out in section 43(3) of the Act; or

(b) authorise the Company to provide financial assistance to any person in relation to the subscription of any option or securities of the Company or a related or inter-related company as set out in section 44 of the Act.

4.6 The Board is authorised by the Shareholders in terms of the MOI on an annual basis to issue shares, securities convertible into shares and share options, subject to the provisions of sections 41 and 42 of the Act and the proposed MOI amendment regarding anti-dilution rights on page 12; accordingly –

4.6.1 The shares, securities convertible into shares or share options may only be issued if such shares had been authorised at the date of issue of such securities;

4.6.2 There are no restrictions on the issue of shares by the Company once the unissued shares are placed under the control of the Directors by the Shareholders in terms of the MOI.

4.6.3 The issue of shares, securities convertible into shares, or rights exercisable for shares, as part of a transaction, or a series of integrated transactions, will require approval of the shareholders by special resolution. A special resolution must be tabled at a meeting of Shareholders and be approved by at least 75% of the Shareholders present in person or represented by proxy. If the voting power of the class of shares that are issued or issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% (thirty percent) of the voting power of all the shares of that class held by shareholders immediately before the transaction or series of transactions; and

4.6.4 If the shares, securities convertible into shares or share options are issued to any Director, future Director, prescribed officer, or future prescribed officer of the Company or a person related or interrelated to such Director, future Director, prescribed officer, or future prescribed officer or any such person’s nominee, the issue of such securities or options must be approved by a special resolution of the shareholders unless it is made –

(a) under an agreement underwriting the shares, securities or rights;

(b) in the exercise of a pre-emptive right to be offered and to subscribe shares, as contemplated in section 39 of the Act;

(c) in proportion to existing holdings, and on the same terms and conditions as have been offered to all the shareholders of the company or to all the shareholders of the class or classes of shares being issued;

(d) pursuant to an employee share scheme that satisfies the requirements of section 97 of the Act; or

(e) pursuant to an offer to the public, as defined in section 95 (1) *(h)*, read with section 96 of the Act.

4.6.5 In addition to the provisions of paragraphs 4.6.1 to 4.6.4 above, the Board may, without shareholder approval, issue shares or grant options pursuant to an employee share scheme that satisfies the requirements of section 97 of the Act, in respect of shares that are issued or issuable pursuant to such employee share scheme up to 5% (five percent) of the issued share capital of the Company provided that if such number of shares will exceed 5% (five percent) of the issued share capital of the Company, the Board must first have obtained the prior approval by way of a special resolution of the shareholders.

4.6.6 Subject to the provisions of paragraphs 4.6.1 to 4.6.5 above, and to the proviso below, the Board may resolve to issue shares at any time, provided that any issue of shares in excess of 20% (twenty percent) but less than 30% (thirty percent) of the issued share capital of the Company, the Board must have first obtained the prior approval by way of an ordinary resolution of the shareholders. An issue of shares in excess of 30% (thirty percent) or more, will require prior approval by way of a special resolution of the shareholders as contemplated in paragraph 4.6.2.

4.7 Any Ordinary Shares issued following Admission will rank *parri passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid, after such issue on the ordinary share capital.

4.8 The Company granted C.J Bertie an option on 21 December 2014 to acquire 121 442 Ordinary Shares at a subscription price of R10 per share. Additional shares will need to be issued by the Company to allow the options to be taken up. Exercise of the options is conditional on the Company being listed on the ISDX Growth Market. The options may be exercised in five equal tranches of 24 288 shares per tranche over a five year period commencing on the date of the listing of the Company on the ISDX Growth Market (the "Listing Date"), while the other tranches may be exercised on or after each succeeding anniversary of the Listing Date.

## 5 MEMORANDUM OF INCORPORATION

5.1 Under section 19 of the Act, the Company is a juristic person and has all the legal powers and capacity of an individual, except to the extent that a juristic person is incapable of exercising any such power, or having any such capacity.

5.2 The following is a description of the rights attaching to the Ordinary Shares, based on the Company's MOI and company law in the RSA. This description does not purport to be complete and is qualified in its entirety by the full terms of the MOI.

(i) **Voting**

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the MOI, at a meeting of the shareholders, every person present and entitled to exercise voting rights shall be entitled to one vote on a show hands, and on a poll, every person who is present at the meeting, whether as a shareholder or as a proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder. Every holder of an Ordinary Share shall be entitled to one vote per Ordinary Share held.

(ii) **Distributions**

Subject to the provisions of section 46 of the Act, a company must not make any proposed distribution unless –

(a) the distribution –

(i) is pursuant to an existing legal obligation of the Company, or a court order, or

(ii) the board of the Company, by resolution, has authorised the distribution;

(b) it reasonably appears that the Company will satisfy the solvency and liquidity test immediately after completing the proposed distribution; and

(c) the Board of the Company, by resolution, has acknowledged that it has applied the solvency and liquidity test, and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed distribution.

The Company shall hold all unclaimed dividends in trust for a period of three years. After a period of three years, the Board may make use of dividends for the benefit of the Company as they deem appropriate. All unclaimed monies, other than dividends, that are due to shareholders shall be held by the Company in trust for an indefinite period until lawfully claimed by such shareholder.

(iii) **Return of capital on winding up**

If the Company is wound up, the surplus assets remaining after a payment of all creditors are to be divided among the shareholders in proportion to the total number of shares held by them respectively, subject to the rights attached to any shares which may be issued on special terms or conditions.

(iv) **Depository Interests**

The Directors have the power to implement and/or approve any arrangement that they may, in their absolute discretion, think fit in relation to the evidencing of title to, and transfer of interests in, Ordinary Shares in the form of Depository Interests or similar interests, instruments or securities and may, from time to time, take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of such arrangements.

(v) **Transfers of Ordinary Shares**

The instrument of transfer of securities of the Company shall be executed by both the transferor and transferee and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered into the securities register in respect thereof.

Subject to such restrictions as may be applicable, any shareholder may transfer all or any of his shares by instrument in writing in any usual or common form or any other form which the Directors may approve.

The Company shall not enter into its securities register the transfer of any certificated securities, unless –

(a) the transfer is evidenced by a proper instrument of transfer signed by the transferor and transferee, the form of which will be determined by the Board from time to time, which has been delivered to the Company at its Registered Office, together with–

  (i) such proof as the Board may require of the authority of the signatories to that instrument of transfer; and

  (ii) the certificate in respect of the securities being transferred; or

  (iii) the transfer was effected by operation of law; and

  (iv) the Board has passed a resolution stating that they are satisfied that the requirements for such transfer as set out in this paragraph have been properly complied with.

Notwithstanding the provisions of this paragraph, the transfer of uncertificated securities shall be effected only by a participant or central securities depository on receipt of an instruction to transfer sent and properly authenticated in terms of the rules of such central securities depository or an order of a court and in accordance with the provisions of section 52 of the Act and the rules of the central securities depository.

(vi) **Variation of rights**

The preferences, rights, limitations and other terms association with any class of shares, as set out in the MOI, may be changed only by an amendment of the MOI by special resolution of the shareholders. If the MOI of a company has been amended to materially and adversely alter the preferences, rights, limitations or other terms of a class of shares, any holder of those shares is entitled to seek relief in terms of section 164 of the Act if that shareholder notified the company in advance of the intention to oppose the resolution to amend the MOI, and was present at the meeting and voted against that such resolution.

(vii) **Changes in capital**

Subject to the provisions of the MOI as set out in paragraph 4.6 above, the Board may resolve to issue shares of the Company at any time but only within the classes and to the extent that these shares have been authorised by or in terms of the MOI.

The Company may by an amendment to the MOI increase its share capital, consolidate and divide its share capital into shares of a larger amount, sub-divide its share capital into shares of a smaller amount and cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

The Board will not have the power to –

(a) increase or decrease the number of authorised shares of any class of shares;
(b) reclassify any classified shares that have been authorised but not issued;
(c) classify any unclassified shares that have been authorised but not issued; or
(d) determine the preferences, rights, limitations or other terms of any shares,

which powers will be reserved for the shareholders by special resolution.

Subject to the provisions of the Act, the Company may reduce share capital, any capital redemption reserve fund, and any share premium account in any manner. The Company may also, subject to the requirements of the Act, purchase its own shares.

(viii) **Notice of general meetings**

An annual general meeting and any other general meeting shall be called by at least 15 business days before the date on which the meeting is to begin.

Every shareholder of the company present in person or represented by proxy shall be required to provide reasonable identification at the meeting in order that the Chairman of the meeting is satisfied that the right of that person to participate and vote, either as a shareholder or as a proxy for a shareholder, has been reasonably verified. Forms of identification include valid identity documents, driver's license and passports.

(ix) **Non UK shareholders**

There are no limitations in the MOI on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company (whether electronically or otherwise), including notice of general meetings, unless the shareholder has given a postal address or an address for the service of notices by electronic communication to the Company to which such notices may be sent.

(x) **Sanctions on shareholders**

In respect of any shares in the Company that are registered in the name of a person who is not the holder of the beneficial interest in all of the shares, the registered holder of those shares must disclose-

(a) the identity of the person on whose behalf the shares are held; and

(b) the identity of each person with a beneficial interest in the shares so held, the number and class of shares for each such person with a beneficial interest, and the extent of each beneficial interest.

Such information must be disclosed in writing to the Company within five business days after the end of every month during which the changes occurred in the information, or more promptly or frequently to the extent so provided by the requirement of any central securities depository.

(xi) **Directors' fees**

The Company may pay remuneration to the Directors for their services as Directors in accordance with a special resolution approved by the Company's shareholders within the previous two years, as set out in section 66(8) and (9) of the Act. This section of the Act applies only to remuneration. Director's expenses will be dealt with in terms of the Company's internal control procedures.

(xii) **Directors' conflicts of interests**

If a Director, a prescribed officer or a member of a committee of the Board has a Personal Financial Interest (or knows that a Related person has such an interest), as contemplated in section 75 of the Act, he must disclose in advance in writing to the Board the nature and extent of that Personal Financial Interest. This disclosure must comply with the requirements of section 75 of the Act. If the Personal Financial Interest (including that of a Related person), arising after the matter has been approved by the Board, the Director, prescribed officer or member of a committee of the Board concerned must promptly, after the Personal Financial Interest arises, disclose the same to the Board as contemplated in section 75 of the Act.

(xiii) **Votes and Directors' interests**

As required in terms of section 75(5) of the Act, if a Director has a personal financial interest in a matter to be considered at a meeting of the Board or knows that a related person has a personal or financial interest in the matter, the Director-

(a) must disclose the interest and its general nature before the matter is considered at the meeting;

(b) must disclose to the meeting any material information relating to the matter known to the Director; and

(c) may disclose any observations or pertinent insights relating to the matter, if requested to do so by the other Directors;

(d) if present at the meeting, must leave the meeting immediately after making any disclosure contemplated in paragraph (b) or (c);

(e) must not take part in the consideration of the matter, except to the extent contemplated in paragraphs (b) and (c);

(f) while absent from the meeting-

(i) is to be regarded as being present at the meeting for the purpose of determining whether sufficient Directors are present to constitute the meeting; and

(ii) is not to be regarded as being present at the meeting for the purpose of determining whether a resolution has sufficient support to be adopted; and

(g) must not execute any document on behalf of the Company in relation to the matter unless specifically requested or directed to do so by the Board.

A decision by the Board or a transaction or agreement approved by the Board, or by the Company is valid despite any personal financial interest of a Director or a person related to the Director, only if-

(a) it was approved following disclosure of that interest in the manner contemplated in section 75 of the Act; or

(b) despite having been approved without disclosure of that interest, it-
(i) has subsequently been ratified by an ordinary resolution of the shareholders following disclosure of that interest; or

(ii) has been declared to be valid by a court.

(xiv) **Qualification of shares**

Directors shall not be obliged to hold shares in the Company.

(xv) **Retirement**

No Director shall be appointed for life or for an indefinite period and the Directors shall rotate in accordance with the following provisions –

(a) at the annual general meeting of the Company all the elected Directors shall retire from office, and at each subsequent annual general 1/3 (one third) of the elected Directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one third), but not less than 1/3rd (one third), shall retire from office, provided that if an elected Director is appointed as managing Director or as an employee of the Company in any other capacity, the contract under which he is appointed may provide that he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of Directors;

(b) a retiring Director shall be eligible for re-election;

(c) the Company, at the general meeting at which a Director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto; and

(d) if at any meeting at which an election of Directors ought to take place the offices of the retiring Directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the provisions of clause 16 relating to adjournments of shareholders meetings will apply *mutatis mutandis* to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring Directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.

The Board shall provide the shareholders with a recommendation in the notice of the meeting at which the re-election of a retiring Director is proposed, as to which retiring Directors are eligible for re-election, taking into account that Director's past performance and contribution. Sufficient time shall be allowed between the date of such notice and the date of the general meeting or annual general meeting at which the re-election of the Director is to be proposed to allow nominations to reach the Company's office from any part in the Republic of South Africa.

(xvi) **Executive Office**

The Directors may from time to time appoint one or more of their body to the office of managing Director for such term and at such remuneration as they may think fit (subject to the requirements of section 66(8) and (9) of the Act), and may revoke such appointment subject to the terms of any agreement entered into in any particular case, provided that the period of office of the managing Director in terms of an agreement shall be for a maximum period of five years at any one time. A Director so appointed shall be subject to retirement in the same manner as the other Directors except during the period of his agreement, and his appointment shall terminate if he ceases at any time to be a Director.

Meetings of the Board shall be called by any director by the giving of 7 (seven) days written notice to all other directors, if in the opinion of the Chairperson a decision of the Board is urgently required a meeting may be called on 48 (forty eight) hours' notice. The quorum for the meeting of the Board shall not be less than 2 (two) directors or their alternates personally present.

The Board must comprise at least (3) three directors. The maximum number of directors shall be determined by the Shareholders by ordinary resolution from time to time as they shall consider appropriate, no maximum number of board members has been determined.

All directors and alternate directors shall be elected by an ordinary resolution of the Shareholders at a general or annual general meeting of the Company.

The Board shall have the authority to fill any vacancy on the board on a temporary basis as contemplated in Section 70 of the Act. Appointments made by the Board during the year must be confirmed by the Shareholders at the Annual General Meeting.

(xvii) **Borrowing Powers**

The borrowing powers of the Board, acting on behalf of the Company are unlimited.

6 **INTERESTS OF THE DIRECTORS**

6.1 The interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families and the persons connected with them (within the meaning of section 252 of the 2006 Act) in the issued share capital of the Company the existence of which is known or could, with reasonable diligence, be ascertained by any Director as at the date of this document and expected to be on the date of Admission.

| | *At the date of this document* | | | *Following Admission* | | |
|---|---|---|---|---|---|---|
| *Name* | *No. of Ordinary Shares* | *% of issued share capital* | *No. of Ordinary Shares over which options are granted* | *No. of Ordinary Shares* | *% of issued share capital* | *No. of Ordinary Shares over which options are granted* |
| Dr Kim Tan | 5,802,034 | 49.85% | Nil | 5,802,034 | 49.85% | Nil |
| Mr David Louw | 100,000 | 0.86% | Nil | 100,000 | 0.86% | Nil |
| Mr Chris Bertie | Nil | Nil | Nil | Nil | Nil | 121,442 |

6.2 Save as disclosed in paragraph 6.1 above, none of the Directors (or persons connected with the Directors within the meaning of section 252 of the 2006 Act) has any interest (including any option), whether beneficial or non-beneficial, in any share or loan capital of the Company.

6.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.

6.4 Save as disclosed above, and save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company and which remains in any respect outstanding or unperformed.

## 7 DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

7.1 Chris Bertie has agreed with the Company to act as an Executive Director. His term of employment is for an indefinite period terminable on three (3) months' notice by either the Company or Mr Bertie. The Company may at any time and in its absolute discretion terminate the Agreement with immediate effect and make a payment in lieu of notice equal to 3 months' salary. Mr Bertie will receive an annual salary of R 300,000 payable by equal monthly instalments in arrears. His salary will be reviewed annually. The Company may, in its absolute discretion pay a bonus of such amount payable at such times as may from time to time be determined by the Remuneration Committee.

7.2 Kim Tan has agreed with the Company to act as an Executive Chairman. His term of employment is for an indefinite period terminable on six (6) months' notice by either the Company or Dr Tan. The Company may at any time and in its absolute discretion terminate the Agreement with immediate effect and make a payment in lieu of notice equal to six (6) months' salary. Dr Tan will receive an annual salary of R 240,000 payable by equal monthly instalments in arrears. His salary will be reviewed annually. The Company may, in its absolute discretion pay a bonus of such amount payable at such times as may from time to time be determined by the Remuneration Committee. He is subject to confidentiality obligations, intellectual property and other matters and post-termination restrictive covenants applicable for six months after the termination. In the event of termination of his appointment, however caused, he has agreed he will not be entitled to any compensation for the loss of office.

A relationship agreement has been entered into between Dr Tan and the company. This agreement confirms that as long as Dr Tan remains the controlling shareholder of the company that any share transaction entered into between Dr Tan and the company will be at arm's length, be on normal commercial terms and comply with ISDX listing rules.

7.3 David Louw has agreed with the Company to act as a Non-Executive Director. The appointment is for a minimum period of one year subject to one (1) month's notice by either party at any time and also subject to the MOI. David Louw will receive an annual fee of R96,000 payable in monthly instalments in arrears. This fee will be reviewed annually if his appointment is extended by the Board and any increase will be entirely at the discretion of the Company. He will not be entitled to any bonus, pension or other benefits. He is subject to confidentiality obligations and provisions relating to conflicts of interest. In the event of termination of his appointment, howsoever caused, he has agreed he will not be entitled to any compensation for loss of office.

7.4 Save as disclosed above, there are no service contracts in existence or proposed between any Director and the Company.

7.5 The aggregate amount of remuneration paid (including contingent or deferred compensation) and benefits in kind granted to the Directors by the Company in respect of the period ended 28 February 2015 was R 525,000.

## 8 ADDITIONAL INFORMATION ON THE DIRECTORS

8.1 The names of all companies and partnerships of which the Directors have been a director or partner at any time in the five years preceding the date of this document and indicating whether they are current or past are set out below:

| *Director* | *Current Directorships/Partnerships* | *Past Directorships/Partnerships* |
|---|---|---|
| Kim Tan | Novastar Ventures<br>Garden Impact Investments Pte Limited<br>Truestone Impact Investments<br>University of Surrey<br>MEC Dynamics Corporation<br>Centre for Enterprise, Markets and Ethics<br>Springhill Management Limited<br>Transformational Business Network<br>Inqo Investments Limited | Bioventix plc<br>Active Capital plc<br>Asiaprise Biotech Sdn Bhd<br>Surrey & Hants Innovation Growth Team (C2i Limited)<br>Saracens Limited |
| David Louw | Alphen Farm Estate in Constantia<br>Constantia Valley Hotels<br>Kuzuko Lodge (Proprietary) Limited<br>Mount Camdeboo (Proprietary) Limited<br>Promel Properties<br>Triple Trust Investments<br>Inqo Investments Limited | |
| Chris Bertie | Kuzuko Lodge (Proprietary) Limited<br>Miklo Beheer BV South Africa (Incorporated in Netherlands)<br>Napier Winery (Proprietary) Limited<br>Napier Vineyards (Proprietary) Limited<br>Spekboom Trading (Proprietary) Limited<br>World's Best Hotels and Resorts (Proprietary) Limited<br>Inqo Investments Limited<br>Procasa Properties Africa (Proprietary) Limited | Silvermist Mountain Lodge (Proprietary) Limited<br>Weiss and Appetito Africa (Proprietary) Limited |

8.2 None of the Directors has:

(i) any unspent convictions in relation to indictable offences;

(ii) had any bankruptcy order made against him or entered into any individual voluntary arrangements;

(iii) been a director of a company which has been placed in receivership, insolvent liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director, except for Weiss & Appetito Africa (Proprietary) Limited as set out in paragraph 8.3 below;

(iv) been a partner in any partnership which has been placed in insolvent liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(v) been the owner of any asset or been a partner in any partnership which owned, any asset which, while he owned that asset, or while he was a partner or within the 12 months after he ceased to be a partner in the partnership which owned the asset entered into receivership;

(vi) been the subject of any official public incrimination or sanction by any statutory or regulatory authority (including designated professional bodies); or

(vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

8.3 Weiss & Appetito Africa (Proprietary) Limited was placed in voluntary liquidation by its holding company in June 2014. The holding company in Switzerland is the only creditor of Weiss & Appetito Africa (Proprietary) Limited. Chris Bertie was appointed a director of Weiss & Appetito Africa (Proprietary) Limited on 20 October 2008 and was a director on 30 April 2014 when the liquidator was appointed.

8.4 Each of the Directors has given an undertaking not to dispose of any of their Ordinary Shares, save in certain specified circumstances, for the period of 12 (twelve) months from the date of Admission.

## 9 SUBSTANTIAL SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

9.1 As at date of admission and on listing but save as disclosed in paragraph 6.1 above and in this paragraph below, the Company was not aware of any persons who directly or indirectly had or would, immediately following Admission, have an interest in 3 percent or more of the Company's issued ordinary share capital:

| | *At the date of this document* | | *Following Admission* | |
|---|---|---|---|---|
| *Name* | *No. of Ordinary Shares* | *% of Issued Share Capital* | *No. of Ordinary Shares* | *% of Issued Share Capital* |
| Dr K Tan | 5,802,034 | 49.85% | 5,802,034 | 49.85% |
| Peregrine Investments Limited | 1,320,544 | 11.35% | 1,320,544 | 11.35% |
| Alestra Limited | 1,309,595 | 11.25% | 1,309,595 | 11.25% |
| Stanlib Asset Management (Proprietary) Limited | 1,200,000 | 10.31% | 1,200,000 | 10.31% |
| Double Honours International Limited | 811,688 | 6.97% | 811,688 | 6.97% |

9.2 None of the Directors nor any person named in paragraph 9.1 above has voting rights which are different to any other holder of Ordinary Shares.

9.3 Save as disclosed in this document, as at the date of this document, the Directors are not aware of any person who either alone or, if connected, will, directly or indirectly, exercise or could exercise control of the Company.

9.4 There are no related party transactions, other than those disclosed in the financial statements included in Part III of this Admission Document, required to be disclosed under the accounting standards applicable to the Company, to which the Company was a party during the period of twelve months preceding the date of this document.

## 10 SHARE OPTION SCHEME

The company has an Employee Share Option Scheme representing 5% of the issued capital of the company.

The Company has granted C.J Bertie an option to acquire 121,442 ordinary shares of R5 each in the share capital of the Company at a subscription price of R10 per share. Additional shares will need to be issued by the company to allow the option to be taken up. The option is conditional on the Company being listed on the ISDX Exchange. The option may be exercised in five equal tranches of 24,288 shares per tranche over a five year period commencing on the date of the listing of the Company on the ISDX Exchange ("the Listing Date"). The first tranche may be exercised on the listing date and the other tranches may be exercised on or after each succeeding anniversary of the Listing Date.

## 11 MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries in the period of two years immediately preceding the date of this document and are, or may be, material:

### 11.1 CORPORATE ADVISER AGREEMENT

A Corporate Adviser Agreement dated 30 November 2014 between the Company and Shard Capital Partners LLP pursuant to which the Company has appointed Shard Capital Partners LLP to act as its corporate adviser to the Company for the purposes of the ISDX Rules. The Company has agreed to pay Shard Capital Partners LLP a success fee of £7,500 (immediately upon completion of the Admission) and pay an annual advisory fee of £15,000 (quarterly in advance). The Agreement contains certain undertakings by the Company and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable regulations. The Agreement continues for a minimum period of 12 months and is subject to termination; *inter alia*, by either the Company or Shard Capital Partners LLP on the giving of not less than 90 days' prior written notice.

### 11.2 SHARE REGISTRAR AGREEMENT

A Share Registrar Agreement dated 17 November 2015 between the Company and Capita Registrars (Guernsey) Limited pursuant to which the Share Registrar has agreed to act as Share Registrar to the Company and to provide certain other administrative services to the Company in relation to its business and affairs with respect to the Ordinary Shares. Under the Share Registrar Agreement, the Share Registrar is entitled to receive a basic annual fee based on the number of holders of ordinary shares, subject to a minimum charge of £6,000 per annum. The appointment of the Registrar is for an initial term of three years, after which time either party may terminate the appointment on six months' written notice. Either party may terminate the agreement immediately in certain circumstances. The Company has given certain customary warranties and indemnities to the Share Registrar in connection with its engagement as the Company's Share Registrar.

### 11.3 DEPOSITORY AGREEMENT

A Depository Agreement dated 17 November 2015 between the Company and Capita IRG Trustees Limited pursuant to which the Depositary has agreed to act as Depositary to the Company upon the terms of the Deed Poll. Under the Depositary Agreement, the Depositary is entitled to receive a set-up fee from the Company of £6,000 and a basic annual fee based on the number of DI holders, subject to a minimum charge of £6,000 per annum. The appointment of the Depositary is for an initial term of three years and will automatically be renewed for a successive 12 month periods unless terminated by either party giving not less than 45 days' written notice (save that the Company's notice to terminate will not expire earlier than the expiry of the initial three year period or subsequent 12 month period, as the case may be). Either party may terminate the agreement immediately in certain circumstances. The Company has given certain customary warranties and indemnities to the Depositary in connection with its engagement as the Company's depositary.

11.4 **CONCESSION AGREEMENT BETWEEN INQO PROPERTIES LIMITED AND KUZUKO LODGE (PROPRIETARY) LIMITED**

This is an agreement, entered into on 13 April 2005 for Kuzuko Lodge (Proprietary) Limited, the trading company, to utilise, develop and operate within the whole of the fenced area of the Kuzuko Contractual Park, and all land south of the R400 road excluding land to the west of the road 2046. The period of the concession is 20 years.

The concessionaire, its guests, invitees, patrons, employees or agents shall be entitled to have access over the Kuzuko Contractual Park for the purpose of game viewing and other related activities. There are no concession fees paid by Kuzuko Lodge to the Company.

11.3 **HOTEL MANAGEMENT AGREEMENT BETWEEN INQO PROPERTIES (PROPRIETARY) LIMITED AND LEGACY HOTEL MANAGEMENT SERVICES (PROPRIETARY) LIMITED**

Legacy Hotel Management Services (Proprietary) Limited, Registration Number 1984/011057/07, a company with limited liability duly incorporated according to the laws of the Republic of South Africa has been contracted to manage the operations at Kuzuko Lodge is responsible for its marketing and operations. The agreement was entered into on 2 December 2004 with an effective date of 31 December 2004 for a period of 5 (five) years with 2 (two) renewal options of 5 (five) years each.

The agreement provides that Kuzuko pay Legacy a management fee calculated as a percentage of its gross operating profit earned from the conduct of its hotel business during the relevant financial year. This arrangement was renegotiated in the 2012/3 financial year when an understanding was reached that the percentage fee was not viable and this was renegotiated by Legacy agreeing to charge a monthly flat fee in lieu of the percentage fee. The flat fee was R 50,000 a month for the 2012/3 financial year and this fee is escalated by CPI annually on 1 March each year. This arrangement has resulted in a substantial annual saving since the 2012/3 financial year. This fee was further renegotiated in the 2015/6 year to a monthly flat fee of R 45,850 per month effective 1 March 2015. A central reservation fee of R 30 (Thirty Rands) is also paid to Legacy Hotels per booking.

11.4 **AGREEMENT BETWEEN INQO PROPERTIES (PROPRIETARY) LIMITED AND SOUTH AFRICAN NATIONAL PARKS**

This agreement is between the two parties, was entered into on 12 January 2004, to embark upon a project with a view to promoting employment in eco-tourism and preservation of bio-diversity in the Province of the Eastern Cape. Inqo agrees to consolidate all the land into the Addo Park. Inqo shall pay a percentage of their Gross Turnover as a concession fee for the fulfilment of its obligations by the SANPARKS and 50% of the gate entrance fee for guest access to AENP when requested. Inqo shall provide and maintain the infrastructure for the game including pumps and water holes, and the fence. Inqo will also extend the network of tourism roads. Inqo will provide tourism facilities and services infrastructure including water supply, electricity, sewerage and staff and guest accommodation. SANPARKS will locate animals on to Inqo's land. SANPARKS are to handle all veterinary services and control including breakouts and recapture, as well as the relocation and establishment of the game on Inqo land.

Negotiations were entered into with Sanparks in November 2013 to obtain relief from the concession fees levied as they were proving too expensive for the business to carry in addition to the costs that were being carried by maintaining the reserve infrastructure for Sanparks. In February 2014, Sanparks agreed to write off all concession fees levied and interest charged up to 29 February 2012 of R 813,000. Further negotiations have been entered into with Sanparks to change the way that concession fees are levied from 1 March 2014.

The period of the agreement is 100 years.

11.5 **LOAN AGREEMENT BETWEEN INQO PROPERTIES (PROPRIETARY) LIMITED AND THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED**

The initial loan entered into on 18 March 2005 was for R 21,000,000 which was granted for a period of 10 years. The interest rate is 265 basis points over the DBSA Base Rate i.e. 2.65% over the DBSA base rate.

The following restructuring arrangements were entered into with DBSA and confirmed in writing by DBSA on 4 September 2014:

11.5.1 Inqo has paid DBSA R 7 million in reduction of the original capital advance of R 21 million.

11.5.2 DBSA has written off 50% of interest accumulated on the capital advanced at 30 September 2014, the write off was R 14 million.

11.5.3 DBSA will capitalise the remaining balance of capital of R14 million and interest of R15 million into an interest free loan on 1 October 2014. The balance of this loan, consisting of capital and interest of R 29 million must be repaid by no later than 30 September 2017.

11.5.4 DBSA have offered Inqo the option to settle R 15 million of the outstanding balance before 30 April 2016, if early settlement is made DBSA will write off the balance of the capitalised loan balance of R 14 million.

The negotiations between the company and DBSA were entered into in the spirit that core to their operations is the fact that they are both developmental agencies. Key to the write off agreement was the fact that both the current shareholders and DBSA had funded the company to a similar value. The DBSA loan was interest bearing while the shareholders funding was provided interest free. The parties agreed to be put in a similar position from a cost of financing perspective. The interest write-off was agreed to on condition that the DBSA capital is repaid in full and the shareholders loan converted to shares.

11.6 **LOAN AGREEMENT BETWEEN KUZUKO LODGE (PROPRIETARY) LIMITED AND EASTERN CAPE DEVELOPMENT CORPORATION**

An initial loan of R 2 million was granted to the company in terms of an agreement signed on 4 August 2005 by Eastern Cape Development Corporation (ECDC) to finance working capital for the Lodge. The interest rate on the transaction is the prime lending rate plus 2%.

The group entered into negotiation with ECDC in November 2014 to settle the balance due to ECDC. Agreement was reached on 31 July 2015 in terms of which ECDC agreed to accept a payment of R 1 million in full and final settlement of Kuzuko Lodge's obligations to ECDC resulting in a financial saving to the group of R 1 million. The amount due in terms of the settlement is being held in trust by the Company's attorneys pending cancellation of suretyships and guarantees by ECDC.

11.7 **KUZUKO LODGE (PROPRIETARY) LIMITED SHAREHOLDERS AGREEMENT**

The shareholders agreement was signed on 13 April 2005. The points detailed below are those considered to be the most crucial terms set out in the shareholders agreement that will govern the operating affairs of the company:

(i) Kuzuko Lodge will act as the development and operating company for the Kuzuko Contractual Park.
(ii) Further to shares in the company may only be issued or allotted with the consent of 80% of the shareholders.

(iii) Each shareholder will be entitled to appoint one (1) director. A company whose shareholding exceeds 30% may appoint two (2) directors and if shareholding exceeds 50% may appoint three (3) directors.
(iv) The shareholder with the largest shareholding may determine which director shall be involved in the day to day running of the business if required.
(v) The shareholders shall procure as far as possible that the directors comply with the requirements of the King Report on Corporate Governance.
(vi) A quorum at a directors meeting is four (4) of which two (2) must represent the holding company.
(vii) A quorum at a shareholders meeting shall be all the shareholders unless a shareholder has waived their rights to be present.
(viii) All major decisions taken on behalf of the company must be approved by 75% of the shareholders or directors, as required, in writing.
(ix) If a shareholder wishes to sell their shares in the company they must be offered to the existing shareholders first at the same value as they may be offered to a third party.
(x) If there is any conflict between the provisions of the shareholders agreement and the Articles of Association then the provisions of the shareholders agreement shall prevail.

### 11.8 SPEKBOOM TRADING (PROPRIETARY) LIMITED SHAREHOLDERS AGREEMENT

The shareholders agreement was signed on 1 December 2011. The points detailed below are those considered to be the most crucial terms set out in the shareholders agreement that will govern the operating affairs of the company:

(i) The approved business of the company will be the planting of spekboom plants with the objective of planting enhancing the environment by the restoration of degraded land. The Company's further objective is to market and sell the carbon credits that are created through spekboom planting.
(ii) The Company may not engage in any other business unless all the shareholders approve of the transaction in writing.
(iii) All shareholders are required to be present at a shareholders' meeting to make the meeting quorate.
(iv) Any resolution passed at a shareholders meeting must be approved by 100% of the shareholders.
(v) If a shareholder wishes to sell their shares in the company they must be offered to the existing shareholders first at the same value as they may be offered to a third party.
(vi) Each shareholder may appoint two (2) directors to the board.
(vii) A quorum at a directors meeting shall be all the directors appointed at the date of the any meeting.
(viii) If there is any conflict between the provisions of the shareholders agreement and the Articles of Association then the provisions of the shareholders agreement shall prevail.

### 11.9 INQO INVESTMENTS LIMITED UNSECURED DEBENTURES

The unsecured debentures were issued at R I2,000 per debenture. They do not pay interest in respect of each of the unsecured debentures (as is the case with normal debentures) but will provide bed nights at Kuzuko game reserve in lieu of interest on the debentures. The fair value of the debentures have been calculated based on a discounted cash flow basis utilising a market related interest rate at period end.

We do not believe these are material contracts as the values involved are small in relation to the AFS.

## 11.10 RELATIONSHIP AGREEMENT BETWEEN INQO INVESTMENTS LIMITED AND DR K S TAN

The agreement was signed on 3 October 2015. The effect of the agreement that has been entered into is to confirm that any share sale transactions entered into by Dr Tan as the controlling shareholder and the company are entered into on an arms-length basis.

The agreement has been entered into specifically to:

- Confirm that share transactions are entered into on normal commercial terms to protect the rights of the minority shareholders.
- Include transactions where the shares being sold are held by the spouse and family members of Dr Tan.
- Confirm that the company will comply with the listing rules of the ISDX Growth Market.

The relationship agreement will remain in force for as long as Dr Tan remains the controlling shareholder of the Company.

## 12 LITIGATION

The Company is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which may have or have had in the 12 months immediately preceding the date of this document a significant effect on the financial position or profitability of the Group.

## 13 WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

## 14 TAXATION

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his own professional adviser immediately.

### 14.1 Taxation of Chargeable Gains

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding. The amount paid for the Ordinary Shares subscribed for will be eligible for taper relief allowance.

If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

### 14.2 Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Ordinary Shares.

14.3 Dividends and other Distributions

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the Schedule F ordinary rate (10 per cent.) or the Schedule F upper rate (32.5 per cent.)

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent of the aggregate of the cash dividend and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust's income and are required to account for tax at the Schedule F trust rate, currently 25 per cent.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

**If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.**

## 15 GENERAL

15.1 Shard Capital Partners LLP has given and not withdrawn its written consent to the inclusion of references to it in this document in the form and context in which they appear.

15.2 KPMG has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

15.3 The accounting reference date of the Company is the last day of February each year.

15.4 The name of the Company's auditors is KPMG Inc, situated at KPMG House, Norvic Drive, Greenacres, Port Elizabeth, 6045, South Africa.

15.5 Save as disclosed in this document, there are no patents or licences or particular industrial, commercial or financial contracts or new manufacturing processes which are or may be of fundamental importance to the Group's business.

15.6 Save as disclosed in this document, the Company has not made any investments since 1 March 2015 up to the date of this document, nor are there any investments by the Company in progress which are significant.

15.7 There have been no significant changes in the trading or financial position of the Group since 28 February 2015, being the date to which the last audited accounts were made up.

15.8 There are no restrictions on the free transferability of the Ordinary Shares.

15.9 Save as disclosed in this document, no person directly or indirectly (other than the Company's professional advisers and trade suppliers in the ordinary course of business) in the last twelve months has received, directly or indirectly, from the Company during the 12 months preceding the date of this document or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value.

## 16 AVAILABILITY OF THIS DOCUMENT

Copies of this document are available free of charge from the Company's registered office and at the offices of Shard Capital Partners LLP, during normal business hours on any weekday (Saturdays and public holidays excluded) from the date of Admission until the date which is one month after Admission.

25 NOVEMBER 2015