

Registration number: 1998/024741/06
ZAU000014391

Share code: INQO

ISIN number:

CHAIRMAN AND CHIEF EXECUTIVE STATEMENT

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

COMMENTARY

The group started a process of consolidating its financial position in 2014 and we are pleased to report that the various negotiations entered into with lender institutions have been concluded resulting in a R14m write-back and a stronger balance sheet with no debt.

The results for the year reflect a profit before tax of R10,259,510 (2016: Loss of R4,718,271) equating to R0.61 cents per share. Revenues increased by 59% from R10,650,195 in 2016 to R17,026,098 in 2017.

The Selling & Administration expenses for the group amounted to R19,456,853 in 2016/7, the Kuzuko costs amounted to R13,837,149 while those of Inqo amounted to R5,869,837. The Kuzuko costs are traditional costs incurred by an operating unit in the game lodge hospitality industry. The material cost contributors for Inqo were depreciation R2,082,399, listing costs R572,019, directors emoluments R636,000, audit & professional fees R642,169 and impairments R629,169.

Investee companies**Kuzuko Lodge (South Africa)**

The improved profitability of the group is mainly attributable to the Kuzuko Lodge operation, Inqo's main trading subsidiary which earned a profit before tax for the year of R783,706 (2016: Loss of R950,638).

The profit turnaround has come about from the business being able to achieve both improved occupancies and improved average room rates. As Kuzuko enters its ninth season of trading we expect this profit turnaround achieved in 2016/7 to continue into the future.

Conservation costs remain high as Kuzuko continues to rehabilitate the game reserve as well as the gradual introduction of more animals.

Spekboom Trading (South Africa)

The contract entered into with the Department of Environmental Affairs (DEA) to fund the planting of Spekboom on the Kuzuko Game Reserve to achieve reforestation of the Reserve and to create jobs in the local community has come to an end. During the term of the contract some 500 acres of degraded land were replanted with Spekboom and in the process 100 job opportunities were created.

We are currently investigating other opportunities to continue the reforestation program.

Bee Sweet Honey (Zambia)

We concluded negotiations in the first quarter with Bee Sweet Honey Limited a Zambian commercial producer of honey. The number of beehives placed by the company increased by 50% taking the total to 90,000 beehives with 13,000 farmers in its programme. Output for 2016 was around 220 tons of honey for export. Inqo invested an initial tranche of US\$60,000 in this venture to allow Bee Sweet to acquire and supply an additional 3,000 hives and recruit 500 new farmers to the honey production programme. The bee hives are harvested twice a year and Inqo expects to earn its first revenues in the next financial year.

Four One Financial Services Limited (Uganda)

In April 2017, we made an investment in Four-One Financial Services Limited, a Ugandan based company which manages the Mazima Voluntary Individual Retirement Benefits Scheme.

The Mazima Retirement Plan is the trading name of Mazima Voluntary Individual Retirement

Benefits Scheme (MVIRBS). It is a retirement savings scheme for low income earners in the informal sector of the economy. The poor and informal workers do not currently have any formal retirement savings schemes. The Uganda government has licensed Mazima to provide a voluntary savings scheme for such low income earners. Mazima is supervised by a group of trustees and is licensed and regulated by the Uganda Retirements Benefits Regulatory Authority (URBRA), the government body that regulates all pension and retirement benefits schemes. Four-One Financial Services is the management company responsible for marketing and administration of the Mazima retirement scheme.

Savers register online and pay through mobile banking or e-banking through the bank. No cash is used. Each saver has his/her own account managed by the custodian bank, Housing Finance Bank. The investments are managed by AA Financial, a regulated advisor.

OUTLOOK

Inqo expects to benefit from the improved trading from the Kuzuko Lodge operation and the first revenues from each of the Bee Sweet Honey and Four One Financial Services Investment.

The improved room rates that have been achieved and the increased occupancies experienced at Kuzuko Lodge in the latter part of the 2016/7 year and the first quarter of 2017/8 are expected to continue on the back of the fact that the Rand remains weak against other currencies making South Africa an attractive destination of travel.

SUMMARY OF SOCIAL & ENVIRONMENTAL METRICS SINCE PROJECT COMMENCEMENT

- 39,000 acres of former farmland restored as a game reserve in a region of endemic poverty in the poorest province in South Africa.
- Increased VAT and income tax paid year on year, currently 55 fulltime and 12 part-time and contracted staff employed.
- All staff living at Kuzuko in standard housing with flush toilets, power, water and solar panels.
- Conservation of 3 endangered species.
- Reforestation of 500 acres of degraded land with spekboom providing work for 100 part time staff.
- 90,000 beehives in the field providing 13,000 farmers with increased income.

STAFF

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

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute statutory financial statements. This financial information has been extracted from Inqo's audited group financial statements for the year ended 28 February 2017. A copy of these audited financial statements will be available on the company website by 21 June 2017.

DIVIDEND

The company has not declared a dividend for the year ended 28 February 2017.

K.S Tan
Chairman

C.J Bertie
Chief Financial Officer

Statements of profit or loss and other comprehensive income

for the year ended 28 February 2017

	Audited 28 Feb 17 R'000	Audited 29 Feb 16 R'000
Revenue	17 026	10 651
Cost of Sales	(2 390)	(1 650)
Gross profit	14 636	9 001
Other income	14 042	867
Selling and administrative expenses	(19 457)	(14 796)
Operating profit/(loss)	9 221	(4 928)
Fair value adjustment	502	268
Net financing income/(costs)	536	(58)
Finance income	581	997
Finance expense	(45)	(1 055)
Profit/(loss) before taxation	10 259	(4 718)
Taxation	(2 868)	259
Profit/(loss) for the year	7 391	(4 459)
Profit/(loss) attributable to:		
Equity holders	7 085	(4 326)
Non-controlling interest	306	(133)
	7 391	(4 459)
Other comprehensive income		
	10 575	(2 896)
Revaluation of land	13 627	-
Deferred tax on revaluation	(3 052)	(2 896)
Total comprehensive income/(loss) for the year	17 966	(7 355)
Total comprehensive income attributable to:		
Equity holders	17 660	(7 222)
Non-controlling interest	306	(133)
	17 966	(7 355)
Earnings/(loss) per share (cents)	0.61	(0.53)
Diluted earnings/(loss) per share (cents)	0.58	(0.50)

Statements of financial position

for the year ended 28 February 2017

	Audited 28 Feb 17 R'000	Audited 29 Feb 16 R'000
Assets		
Non-current assets	132 870	119 110
Property, plant and equipment	131 898	119 082
Intangible assets	18	28
Loans to subsidiaries	-	-
Other investments	954	-
Investments in subsidiaries	-	-
Current assets	10 655	31 803
Inventories	486	389
Trade and other receivables	3 115	4 806
Biological assets	3 512	2 950
Cash and cash equivalents	3 542	23 658
Total assets	143 525	150 913
Equity and liabilities		
Capital and reserves		
Ordinary share capital	58 198	58 198
Share premium	58 228	58 228
Revaluation reserve	70 774	60 200
Accumulated loss	(58 786)	(65 871)
Equity attributable to equity holders of Inqo Investments Limited	128 414	110 755
Non-controlling interest	173	(133)
Total equity	128 587	110 622
Non-current liabilities	9 753	17 759
Loans from related parties	436	414
Other long term loans	566	538
External loans and borrowings	-	13 977
Deferred tax liability	8 558	2 637
Debentures	193	193
Current liabilities	5 185	22 532
Trade and other payables	4 933	6 277
Provision	252	252
External loans and borrowings – current portion	-	16 003
Total liabilities	14 938	40 291
Total equity and liabilities	143 525	150 913

Statements of changes in equity
for the year ended 28 February 2017

	Share capital	Share premium	Revaluation reserve	Accumulated loss	Non-controlling interest	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 28 February 2016	58 198	58 228	60 200	(65 871)	(133)	110 622
Profit for the year	-	-	10 574	7 085	306	17 965
Balance at 28 February 2017	58 198	58 228	70 774	(58 786)	173	128 587
Restated balance at 28 February 2015	28 813	13 266	63 096	(61 545)	-	43 630
Share issue	29 385	44 962	-	-	-	74 347
Loss for the year	-	-	(2 896)	(4 326)	(133)	(7 355)
Restated balance at 29 February 2016	58 198	58 228	60 200	(65 871)	(133)	110 622

Statements of cash flows

for the year ended 28 February 2017

	Audited 28 Feb 17 R'000	Audited 29 Feb 16 R'000
Cash utilised by operations	(986)	(4 004)
Net cash outflow from operating activities	(986)	(4 004)
Cash flows from investing activities		
Increase in loans to subsidiary	-	-
Acquisition of other investments	(954)	-
Acquisition of property, plant and equipment and intangible assets	(2 288)	(1 757)
Disposal of property, plant and equipment	66	-
Net cash outflow from investing activities	(3 176)	(1 757)
Cash flows from financing activities		
Loans and borrowings (repaid)/ received	(15 976)	94
Shares issued to new shareholder for cash	-	12 500
Loans from related parties received	22	-
Net cash (outflow)/inflow from financing activities	(15 954)	12 594
Net movement in cash and cash equivalents	(20 116)	6 833
Cash and cash equivalents at beginning of year	23 658	16 825
Cash and cash equivalents at end of year	3 542	23 658