

**Audited Group Results for the year ended 28 February 2018**

Company Registration Number 1998/024741/06	Share Code INQO	ISIN Number ZAU 000014391
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**CHAIRMAN AND CHIEF EXECUTIVE STATEMENT**

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Inqo Investments Limited (“Inqo” or “the Group”) 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 in Sub-Saharan Africa.

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**COMMENTARY**

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The Group has continued its process of consolidating its financial position that started in 2014 and remains in a good financial position with no debt.

The Group consolidated revenues showed a 35% increase to R22,962,689 from R17,026,098 in 2017. The Inqo group results for the year to date reflect a loss after tax of R4,274,616 (2017 a profit of R7,390,986 due to a large write back on the settlement of a loan). The loss takes into account depreciation of R2,447,768 and operating costs incurred during the year with listing costs of R721,820, directors emoluments of R676,000 and audit and professional fees of R675,554. The loss for the year equates to a loss of R0.41 cents per share.

In Inqo company results, the loan to Kuzuko has historically been fully impaired due to losses incurred by this main subsidiary company. However since Kuzuko has achieved two years of profits and forecasts that it will continue to be profitable, the Kuzuko loan impairment has been reduced by R3,500,000 in the 2018 year. The Group annually reviews the value of its income earning assets to ensure that they reflect fair value. The assets which have traditionally resulted in valuation movements have been Biological Assets (game animals owned by Inqo). The market for game has been very volatile in South Africa and as a result, game prices have reduced substantially which has resulted in an impairment charge of R2,052,000 in 2018.

During this financial year, 3 current Inqo shareholders committed to funding of £2.5m payable in 2 equal tranches through a private placement. The first tranche of funding was received in the current financial year and the second tranche will be received in the 2018/9 financial year. These funds will be used for new investments in our growing pipeline of social impact opportunities in 2018 and 2019.

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**INVESTEE COMPANIES**

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**Kuzuko Lodge (South Africa)**

The continued financial improvement 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 R1,051,644 (2017: profit of R783,706). Sales increased to R22,946,724 (2017: R17,026,098) with operating costs of R21,929,592 (2017: R16,227,023). The Kuzuko costs are traditional costs incurred by a business operating in the hospitality industry.

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 tenth season of trading we expect this profit turnaround achieved in the last two years of trading 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 from our breeding camps.

### **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. Analysis has been undertaken to record survival rates and efficiency of the different experimental methods of planting and these learnings will be used in the next re-planting phase.

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

### **Bee Sweet Honey (Zambia)**

This operation is based in Zambia and operates as a commercial producer of honey. The company operates in an environment where it collects and purifies honey with a desire to maximise holistic benefits to farmers, investors, customers and local communities.

The Bee Sweet operation has placed 90 000 bee hives in the field with 13 000 farmers in its program. Inqo earns its return on investment from the yield of 3 000 hives.

The hives are harvested twice a year, generally in May and November. Inqo earned revenue from the May 2017 harvest but not from the November/December harvest because torrential rain damaged the bulk of the honey crop. From its first harvest, Inqo earned R 41,438 as its share of revenue from the proceeds of the May 2017 honey crop.

### **Four One Financial Services Limited (Uganda)**

In April 2017, Inqo 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.

Over the 18 months since its launch, the scheme has attracted over 1,100 savers with a fund size of UGX 800m. Mazima has entered into an agreement with Pride Microfinance Limited, the largest microfinance institution in Uganda, to roll out its services to its 500,000 micro-finance clients. In addition, the company has entered into an agreement with MTN, Uganda's largest mobile operator, to jointly promote the Mazima scheme to its 10 million Mobile Money subscribers.

Inqo earned interest on its investment in the Four One Financial Services operation of R90,529 (2017: Nil).

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## OUTLOOK

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Inqo will continue to benefit from the improved trading of the Kuzuko operation and revenues earned from investments in the Bee Sweet operation in Zambia and the management by Four One Financial Services of the Maxima Benefits Scheme.

The improved room rates being achieved by Kuzuko with increased occupancies experienced in the latter part of 2017/8 and the first quarter of 2018/9 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.

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## SUMMARY OF SOCIAL & ENVIRONMENTAL METRICS SINCE PROJECT COMMENCEMENT

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- 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 51 fulltime and 11 part-time and contracted staff employed. 51 of the workforce of Kuzuko Lodge are drawn from local communities.
- 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.
- 1,100 voluntary savers in micro-pension scheme.

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## STAFF

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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.

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## FINANCIAL INFORMATION

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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 2018. A copy of these audited financial statements will be available on the company website by 17 August 2018.

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## DIVIDEND

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The company has not declared a dividend for the year ended 28 February 2018.

**K.S Tan**  
Chairman

**C.J Bertie**  
Chief Financial Officer

Inqo Investments Limited Group  
Condensed consolidated statement of profit or loss and other comprehensive income  
For the year ended 28 February 2018

	<b>(Audited)</b> <b>Year ended</b> <b>28 February</b> <b>2018</b>	(Audited) Year ended 28 February 2017
	<b>R'000</b>	R'000
<b>Revenue</b>	<b>22 963</b>	17 026
<b>Cost of sales</b>	<b>(3 046)</b>	(2 390)
<b>Gross profit</b>	<b>19 917</b>	14 636
Other income	<b>146</b>	14 042
Depreciation	<b>(2 448)</b>	(2 262)
Directors compensation	<b>(676)</b>	(636)
Selling and administrative expenses	<b>(21 016)</b>	(16 559)
<b>Operating (loss) / profit</b>	<b>(4 077)</b>	9 221
Fair value adjustment	<b>(2 052)</b>	502
Net financing income	<b>135</b>	536
Finance income	<b>166</b>	581
Finance costs	<b>(31)</b>	(45)
<b>(Loss) / profit before taxation</b>	<b>(5 994)</b>	10 259
Taxation	<b>1 720</b>	(2 868)
<b>(Loss) / profit for the year</b>	<b>(4 274)</b>	7 391
Other comprehensive income		
	-	10 575
Revaluation of land	-	13 627
Deferred tax on revaluation	-	(3 052)
<b>Total comprehensive income for the year</b>	<b>(4 274)</b>	17 966
<b>(Loss)/earnings per share (cents)</b>	<b>(0.41)</b>	0.61
<b>Diluted (loss)/earnings per share (cents)</b>	<b>(0.41)</b>	0.58

Inqo Investments Limited Group  
Condensed consolidated statement of financial position  
At 28 February 2018

	(Audited) 28 February 2018 R'000	(Audited) 28 February 2017 R'000
<b>Assets</b>		
<b>Non-current assets</b>	<b>131 196</b>	132 870
Property, plant and equipment	129 725	131 898
Intangible assets	15	18
Other Investments	1 456	954
<b>Current assets</b>	<b>28 767</b>	10 655
Inventories	730	486
Trade and other receivables	22 668	3 115
Biological assets	2 463	3 512
Cash and cash equivalents	2 906	3 542
<b>Total assets</b>	<b>159 963</b>	143 525
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Ordinary share capital	65 004	58 198
Share premium	70 774	58 228
Revaluation reserve	70 774	70 774
Accumulated loss	(63 546)	(58 786)
Equity attributable to equity holders of Inqo Investments Limited	143 006	128 414
Non-controlling interest	659	173
Total equity	143 665	128 587
<b>Non-current liabilities</b>	<b>7 815</b>	9 753
Loans from related parties	189	436
Other long term loans	595	566
Deferred taxation	6 838	8 558
Debentures	193	193
<b>Current liabilities</b>	<b>8 483</b>	5 185
Trade and other payables	8 336	4 933
Provision	147	252
Total liabilities	16 298	14 938
<b>Total equity and liabilities</b>	<b>159 963</b>	143 525

Inqo Investments Limited Group  
 Condensed consolidated statements of cash flows  
 For the year ended 28 February 2018

	<b>(Audited) Year ended 28 February 2018 R'000</b>	(Audited) Year ended 28 February 2017 R'000
<b>Cash generated/(utilised) by operations</b>	<b>1 337</b>	(986)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1 337</b>	(986)
<b>Cash flows from investing activities</b>		
Acquisition of other investments	(59)	(954)
Loan advanced to other investments	(443)	-
Acquisition of property, plant and equipment	(1 193)	(2 228)
Acquisition of intangible assets	(7)	-
Acquisition of biological assets	(93)	(60)
Proceeds on disposal of property, plant and equipment	40	66
<b>Net cash outflow from investing activities</b>	<b>(1 755)</b>	(3 176)
<b>Cash flows from financing activities</b>		
Loans from related parties repaid	(269)	-
Loans and borrowings repaid	-	(16 003)
Loans and borrowings received	29	27
Loans from related parties received	22	22
<b>Net cash outflow from financing activities</b>	<b>(218)</b>	(15 954)
Net movement in cash and cash equivalents	(636)	(20 116)
Cash and cash equivalents at beginning of year	3 542	23 658
<b>Cash and cash equivalents at end of year</b>	<b>2 906</b>	3 542

*Inqo Investments Limited*  
*Condensed consolidated statement of changes in equity*  
*For the year ended 28 February 2018*

	<b>Ordinary share capital</b>	<b>Share premium</b>	<b>Revaluation reserve</b>	<b>Accumulated loss</b>	<b>Non- controlling interest</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Balance at 1 March 2016	58 198	58 228	60 200	(65 871)	(133)	110 622
Profit for the year	-	-	-	7 085	306	7 391
Other comprehensive income for the year	-	-	10 574	-	-	10 574
<b>Balance at 28 February 2017</b>	<b>58 198</b>	<b>58 228</b>	<b>70 774</b>	<b>(58 786)</b>	<b>173</b>	<b>128 587</b>
Balance at 1 March 2017	<b>58 198</b>	<b>58 228</b>	<b>70 774</b>	<b>(58 786)</b>	<b>173</b>	<b>128 587</b>
Shares Issued	<b>6 806</b>	<b>12 546</b>	-	-	-	<b>19 352</b>
Loss for the year	-	-	-	<b>(4 760)</b>	<b>486</b>	<b>(4 274)</b>
<b>Balance at 28 February 2018</b>	<b>65 004</b>	<b>70 774</b>	<b>70 774</b>	<b>(63 546)</b>	<b>659</b>	<b>143 665</b>

