



Audited Group Results for the year ended 28 February 2019

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

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.

COMMENTARY

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

The Group consolidated revenues saw a slight increase to R23,795,780 from R22,962,689 in 2018 with an EBITDA of –R642,183 (2018: -R3,671,677). The Group results for the year reflect a loss after tax for the year of R1,862,282 (2018: Loss of R4,274,616), an improvement of 56%. Cost control and asset revaluations in an improved operating environment have resulted in an improved operating result for the year. The loss takes into account depreciation of R2,697,401 while included in operating costs for the year are listing expenses of R834,420, directors’ fees of R896,947 and professional fees of R621,023. The loss for the year equates to a loss of R0.15 per share (2018: R0.41 per share).

The loan to Kuzuko has historically been fully impaired due to losses incurred by this main subsidiary company. In 2018 the loan impairment was reduced by R3,500,000. There was no further impairment in 2019, since Kuzuko has forecast that it will be profitable. The Group annually reviews the value of its income earning assets to ensure that they reflect their fair value. The assets which have traditionally resulted in valuation movements have been Biological Assets (game animals owned by Inqo). The market for game in South Africa has been and continues to be volatile, the game prices that reduced substantially in 2018 have recovered to some extent resulting in a positive revaluation in 2019 of R1,178,484 compared to a negative adjustment in 2018 of R2,052,000.

During the 2017/8 and 2018/9 financial years a number of the current Inqo shareholders committed to a private placement of shareholder funds of £2.5 million. The funds have been received and will be used to grow the Group’s investment portfolio in social impact businesses.

INVESTEE COMPANIES

Kuzuko Lodge (South Africa)

The continued financial improvement of the Group is largely attributable to the Kuzuko Lodge operation, Inqo’s main trading subsidiary in South Africa.

The company earned profits in FY2017 and FY2018 but incurred a loss of R409,995 in FY2019. Tourism in South Africa generally, but mainly in the Garden Route and Cape Town area was affected by water shortages in the 2018/9 year. This water shortage had a negative impact on Kuzuko’s trading and resulted in a number of cancellations. We are pleased to report that good rainfalls that have been experienced in the Eastern and Western Cape have resulted in improved availability of water resources. The improved trading that the business has experienced has come about from both increased occupancies and higher average room rates. Kuzuko is in its eleventh year of trading and we expect the improved trading trend to continue into the future.

Conservation costs remain high as Kuzuko continues to rehabilitate the game reserve as well as gradually introduce more animals onto the property. During the year, Kuzuko entered into an ambitious partnership with

the Ashia Foundation to re-wild cheetahs born in captivity and introduce new genetics into the declining cheetah metapopulation. This project which has been in place since September 2018 has had a positive impact on Kuzuko's marketing programme.

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 is being 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 programme.

Bee Sweet Honey (Zambia)

Inqo made an initial investment in this commercial producer of honey in 2016 and a further investment in 2018. The company contracts with rural farmers to look after its hives in return for a share of the harvest.

The Bee Sweet operation has placed 85,512 bee hives in the field with 10,000 farmers in its programme. Inqo earns its return on investment from the yield of 6,500 hives.

The hives are harvested twice a year, generally in May and November. The harvest in the 2018/9 year was the largest harvest ever yielded. Inqo earned R178,417 (2018: R41,439) as its share of revenue in the 2018/9 financial year.

Four-One Financial Services Limited (Uganda)

Inqo made an initial investment in 2017 and a further investment in 2018 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 (MVIRES). 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 Retirement 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, the 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 2,100 savers with a fund size of UGX 1.5 billion. Mazima has several partnerships with organizations like Pride Microfinance Limited, the largest microfinance institution in Uganda, Airtel Mobile Money and MTN, Uganda's largest mobile operator that help Mazima on the distribution side. Mazima has become a model on how to provide social security to those in the informal sector.

Inqo earned interest on its investment in the Four-One Financial Services operation of R218,932 in 2019 (2018: R90,529).

OUTLOOK

Inqo will continue to benefit from the improved trading of the Kuzuko Lodge 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 Lodge with increased occupancies in recent times are expected to continue into the 2019/20 year 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 68 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.
- 85,512 beehives in the field providing 10,000 farmers with increased income.
- 2,100+ voluntary low income savers in micro-pension scheme

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 2019. A copy of these audited financial statements will be available on the company website by 31 July 2019.

DIVIDEND

The company has not declared a dividend for the year ended 28 February 2019.

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 2019

	(Audited) Year ended 28 February 2019	(Audited) Year ended 28 February 2018
	R'000	R'000
Revenue	23 796	22 963
Cost of sales	(3 459)	(3 046)
Gross profit	20 337	19 917
Other income	853	146
Personnel expenses	(8 177)	(7 772)
Depreciation	(2 697)	(2 447)
Listing expenses	(834)	(722)
Professional fees	(621)	(467)
Selling and administrative expenses	(13 390)	(12 732)
Operating Loss	(4 529)	(4 077)
Fair value adjustment	1 178	(2 052)
Net financing income	850	135
Finance income	1 060	166
Finance costs	(210)	(31)
Loss before taxation	(2 501)	(5 994)
Taxation	639	1 720
Loss for the year	(1 862)	(4 274)
Other comprehensive income		
	2 378	-
Revaluation of land	3 065	-
Deferred tax on revaluation	(687)	-
Total comprehensive income for the period	516	(4 274)
Loss per share (rands)	(0.15)	(0.41)
Diluted Loss per share (rands)	(0.15)	(0.41)

Inqo Investments Limited Group
Condensed consolidated statement of financial position
At 28 February 2019

	(Audited) 28 February 2019 R'000	(Audited) 28 February 2018 R'000
Assets		
Non-current assets	137 201	131 196
Property, plant and equipment	135 555	129 725
Intangible assets	15	15
Other Investments	1 631	1 013
Loan receivable	-	443
Current assets	43 690	28 767
Inventories	911	730
Trade and other receivables	23 514	22 668
Biological assets	7 708	2 463
Cash and cash equivalents	11 558	2 906
Total assets	180 891	159 963
Equity and liabilities		
Capital and reserves		
Ordinary share capital	70 559	65 004
Share premium	83 429	70 774
Revaluation reserve	73 153	70 774
Accumulated loss	(65 557)	(63 546)
Equity attributable to equity holders of Inqo Investments Limited	161 584	143 006
Non-controlling interest	808	659
Total equity	162 392	143 665
Non-current liabilities	7 872	7 815
Loans from related parties	168	189
Other long term loans	625	595
Deferred taxation	6 886	6 838
Debentures	193	193
Current liabilities	10 627	8 483
Trade and other payables	10 037	8 336
Provision	590	147
Total liabilities	18 499	16 298
Total equity and liabilities	180 891	159 963

Inqo Investments Limited Group
 Statements of cash flows
 For the year ended 28 February 2019

	Audited 2019 R	Audited 2018 R
Cash (utilised) / generated by operations	(1 887)	1 202
Finance income	1 060	166
Finance expense	(210)	(31)
Net cash (outflow) / inflow from operating activities	(1 037)	1 337
Cash flows from investing activities		
Acquisition of other investments	-	(59)
Loan advanced to other investments	(176)	(443)
Acquisition of property, plant and equipment	(5 507)	(1 193)
Acquisition of intangible assets	(10)	(7)
Acquisition of biological assets	(4 066)	(93)
Proceeds on disposal of property, plant and equipment	86	40
Net cash outflow from investing activities	(9 673)	(1 755)
Cash flows from financing activities		
Proceeds from share issue	19 352	-
Loans from related parties repaid	-	(269)
Loans and borrowings received	-	29
Loans from related parties received	10	22
Net cash inflow/(outflow) from financing activities	19 362	(218)
	8 652	(636)
Net movement in cash and cash equivalents		
Cash and cash equivalents at beginning of year	2 906	3 542
Cash and cash equivalents at end of year	11 558	2 906