

Inqo Investments Limited

Unaudited Group Results for the six month period ended 31 August 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 remains in a strong financial position with minimal debt. Cash reserves for the investment stood at R21 million, with total assets of R179 million on the balance sheet.

The results for the six months under review showed revenues of R8.739m (August 2018: R8.367m) but a loss after tax of R5.147m (August 2018: a loss of R4.118m). The loss for the period is reported after accounting for the following operating costs:

	<u>August 2019</u>	<u>August 2018</u>
Depreciation	1 531 521	1 268 207
Listing expenses	421 117	115 145
Directors fees	388 563	393 759
Professional fees	248 887	212 958

Inqo's revenues are derived primarily from its main subsidiary, Kuzuko Lodge. In the six month period under review, revenue grew from R8.367m to R8.738m, a rise of 4% during the low season where turnovers are traditionally low and having closed for a three week period for annual renovations. The marketing efforts that kicked off in 2016 to boost room occupancy and revenues have continued to be effective, resulting in improved revenues this year to date. We expect this trend to be maintained into the high season during the next 6 months.

During the last two financial years some of the Inqo shareholders committed to a private placement of shareholder funds of £2.5 million. The final instalment of these funds was received during the period under review.

INVESTEE COMPANIES

Kuzuko Lodge (South Africa)

The Lodge traded at a loss for the six months to date reflecting a loss of R3.390m (August 2018: R3.640m). The negative impact of the Cape Town water shortage experienced in the 2019/20 year has been overcome and trading experienced by the lodge has returned to expected levels, with the lodge operating as financially budgeted.

The dining area of the lodge building was extended by 260 square metres during the winter period. Concurrently with the building improvements substantial sums were also spent on repairs and maintenance to the lodge. The combined impact of the building upgrade and the repairs and maintenance led to some reservation cancellations which caused lower than expected revenues for the year to date. Improved

occupancy levels are anticipated for the rest of 2019/20 high season as reflected by a strong level of advanced bookings currently in the system and already prepaid.

Spekboom Trading (South Africa)

We continue our interaction with the Department of Environmental Affairs (DEA) and interested 3rd parties to obtain funding to extend the planting of spekboom on the Kuzuko Game Reserve. When an agreement is reached we will create some 100 new jobs in the local community. To date, the company has replanted 500 acres of spekboom on degraded land.

The company is currently embarking on further experiments to test alternative planting methodologies for spekboom for future plantings.

Bee Sweet Honey (Zambia)

Bee Sweet Honey Limited is a Zambian commercial producer of honey with 85 000 bee hives and around 10,000 farmers in its program. The bee hives are harvested twice a year in May and November each year.

Inqo initially invested in Bee Sweet in 2016 when the right to the income flow from 3,000 hives were bought. In 2018 a second investment was made when the income flow from 3,500 hives was acquired. The half-year harvest yield in May was 285 tonnes (2018: 262 tonnes) of honey.

Four-One Financial Services Limited (Uganda)

Inqo has made two investments into Four-One Financial Services Limited, a Ugandan based micro-pensions and small business loans company, which manages the Mazima Voluntary Individual Retirement Benefits Scheme. The bulk of the investment was by way of interest bearing loans.

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 using its proprietary online mobile banking platform. This pilot scheme currently has over 2,200 savers and UGX1.6b in cumulative savings.

In the last 6 months, Four One Financials launched a short-term loan scheme for small businesses called MayiCard Business Loan using its proprietary online platform. This pilot has shown some initial success with over 800 loans and a UGX400m loan book since launch.

Both pilot schemes are ready to be scaled and the company will be looking for additional investments in Q4 2019.

South Lake Medical Centre – SLMC (Kenya)

SLMC is a private healthcare provider in the Naivasha region of Kenya serving predominantly low-income flower farm workers. SLMC operate a 'hub and spoke' model around a 27-bed private referral-level hospital with smaller satellite clinics based on surrounding flower farms and in nearby population centres.

This hospital receives around 64,000 patient visits per annum with the capacity to treat three times this number. Currently, SLMC offers a range of in and outpatient services including consultations, laboratory testing, radiology and pharmacy services. Following this investment, SLMC will be expanded to include a surgical unit making it the most advanced hospital at the southern end of Lake Naivasha. The Naivasha region in Kenya is predominantly populated by low income workers working in the horticultural, agricultural and tourism industries.

OUTLOOK

Inqo expects to continue benefitting from the improved trading of the Kuzuko Lodge operation and the revenue flow from its three investments in Kenya, Zambia and Uganda as they move into profitability. Inqo is evaluating further new investment opportunities in these countries.

The occupancies and average room rates currently achieved at Kuzuko Lodge in the second six months of the 2018/9 year are very strong with the Lodge experiencing good occupancy levels in the final quarter of 2019. The trend is expected to continue into 2020 on the back of the fact that the Rand remains weak against other currencies making South Africa an attractive destination of travel. Kuzuko Lodge is situated in a malaria free area and this factor is proving to be positive to the business as the Lodge is now experiencing a higher level of enquiries from a number of countries who have not visited the property before including North American.

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 65 full-time and 12 part-time and contracted staff employed. 51 of the full-time staff are employed from local communities.
- All staff living at Kuzuko in standard housing with flush toilets, power, water and solar panels.
- Conservation of 3 endangered species.
- 50 pupils from township schools entertained on a day visit to the Kuzuko Educational Centre to learn about conservation in the period from June to August.
- Reforestation of 500 acres of degraded land with spekboom providing work for 100 part time staff.
- 85,000 beehives in the field providing 10,000 farmers with increased income. Inqo has acquired the right to the income generated from 6 500 of these hives.
- The Mazima Retirement Plan now has some 2,200 active members having grown from 430 active members in August 2016. Members are earning an average return of 11.5% on their investments currently. The MayiCard Business Loan has 800 clients since launch.
- In September 2018, Kuzuko Lodge partnered with the Ashia Foundation in a project that set out to re-wild captive cheetah and return them to the cheetah metapopulation. We are pleased to report that the first two cheetahs in this program have been fully wilded and been released in third party reserves in South Africa under the guidance of the Endangered Wildlife Trust.

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 unaudited Group financial statements for the six months ended 31 August 2019. KPMG has performed a review of the condensed consolidated interim financial statements for the six months ended 31 August 2019. A copy of these condensed interim financial statements and KPMG's review report will be available at the Company's offices on 25 November 2019.

DIVIDEND

The company has not declared a dividend for the period ended 31 August 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 six months ended 31 August 2019

	(Reviewed) Six Months ended 31 August 2019	Group (Reviewed) Six Months ended 31 August 2018	(Audited) Year ended 28 February 2019
	(6 months) R'000	(6 months) R'000	(12 months) R'000
Revenue	8 739	8 371	23 796
Cost of sales	(1 199)	(1 456)	(3 459)
Gross profit	7 540	6 915	20 337
Other income	137	197	853
Personnel expenses	(4 048)	(4 109)	(8 176)
Depreciation	(1 532)	(1 268)	(2 697)
Listing expenses	(421)	(115)	(834)
Professional fees	(249)	(213)	(621)
Directors emoluments	(389)	(394)	(896)
Selling and administrative expenses	(6 883)	(5 637)	(12 495)
Operating loss	(5 845)	(4 624)	(4 529)
Fair value adjustment	-	-	1 178
Net financing income	248	509	850
Finance income	340	559	1 060
Finance costs	(92)	(50)	(210)
Loss before taxation	(5 597)	(4 115)	(2 501)
Taxation	450	(4)	638
Loss for the year	(5 147)	(4 119)	(1 863)
Other comprehensive income	-	-	2 379
Revaluation of land	-	-	3 065
Deferred tax on revaluation	-	-	(687)
Total comprehensive income for the period	(5 147)	(4 119)	516
Loss per share (cents)	(0.29)	(0.24)	(0.15)
Diluted Loss per share (cents)	-	(0.24)	(0.15)

Inqo Investments Limited Group
Condensed consolidated statement of financial position
At 31 August 2019

	(Reviewed) 31 August 2019 R'000	Group (Reviewed) 31 August 2018 R'000	(Audited) 28 February 2019 R'000
Assets			
Non-current assets	145 211	135 355	137 201
Property, plant and equipment	137 833	131 629	135 555
Intangible assets	11	16	15
Right of use asset	997	-	-
Other Investments	3 359	1 691	1 631
Loan Receivables	3 011	2019	-
Current assets	33 595	18 702	43 690
Inventories	866	881	911
Trade and other receivables	3 573	2 870	23 513
Biological assets	7 937	2 618	7 708
Cash and cash equivalents	21 219	12 333	11 558
Total assets	178 806	154 057	180 891
Equity and liabilities			
Capital and reserves			
Ordinary share capital	71 809	65 004	70 559
Share premium	86 294	70 774	83 429
Revaluation reserve	73 153	70 774	73 153
Accumulated loss	(69 796)	(66 672)	(65 557)
Equity attributable to equity holders of Inqo Investments Limited	161 460	139 880	161 584
Non-controlling interest	(101)	(334)	808
Total equity	161 359	139 546	162 32
Non-current liabilities	8 284	7 810	7 872
Loans from related parties	168	165	168
Other long term loans	647	610	625
Deferred taxation	6 436	6 842	6 886
Debentures	193	193	193
Finance lease liability	840	-	-
Current liabilities	9 163	6 701	10 627
Trade and other payables	8 240	5 878	10 037
Finance lease liability	166	-	-
Provision	757	823	590
Total liabilities	17 447	14 511	18 499
Total equity and liabilities	178 806	154 057	180 891

Inqo Investments Limited Group**Unaudited interim financial information for the six months ended 31 August 2019****Basis of preparation**

The interim financial statements are prepared in accordance with IAS 34 Interim Financial Statements and the requirements of the Companies Act of South Africa and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 28 February 2019 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements.

The condensed financial information has been presented on the historical cost basis, except for financial instruments carried at fair value, and are presented in Rands which is Inqo Investment Ltd's functional and presentation currency.

This financial information has been extracted from Inqo's unaudited condensed consolidated interim financial statements for the six months ended 31 August 2019.

This financial information was prepared under the supervision of Mr C Bertie CA(SA), in his capacity as group financial director.

Inqo Investments Limited Group
Summarised financial information
For the six months ended 31 August 2019

	(Reviewed) Six Months ended 31 August 2019	Group (Reviewed) Six Months ended 31 August 2018	(Audited) Year ended 28 February 2019
	(6 months)	(6 months)	(12 months)
Earnings/(loss) per share			
Loss per share (cents)	(0.29)	(0.24)	(0.15)
Diluted loss per share (cents)	-	(0.24)	(0.15)
Loss attributable to equity shareholders (R'000)	(4 236)	(3 125)	(2011)
Weighted average number of shares in issue for normalised EPS calculation	14 361 839	13 000 727	13 000 727
Weighted average number of shares in issue for diluted normalised EPS calculation	-	13 610 618	-