Inqo Investments Limited

Press release at 28 February 2021

Group Results for the year ended 28 February 2021

Company Registration Number	Share Code	ISIN Number
1998/024741/06	INQO	ZAU 000014391

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 good financial position with total assets of R160,744,661 and minimal debt.

Subsequent to the financial year end, additional cash of R7,766,861 was generated through the finalisation of the disposal of a portion of the property to SANParks as well as an issue of 155 146 ordinary shares. These additional funds will be used by the company to continue to support its subsidiaries and investments during this difficult period as they navigate their operations through the pandemic. Therefore, despite the challenges beings faced, the directors of the Company have assessed that it will continue as a going concern.

The results for the year under review showed revenue of R4,214,583 (February 2020: R24,422,881) but a loss after tax of R12,700,841 (February 2020 a loss of R4,788,716). The loss for the period is reported after accounting for the following operating costs:

	February 2021	February 2020
Depreciation	3,462,536	3,210,687
Listing expenses	839,653	596,132
Directors' fees and salaries	658,000	696,000
Professional fees	514,891	601,048
Impairments and fair value adjustments	2,189,219	1,451,190
Provision for Doubtful Debts	270,134	-

Like businesses around the world, the Group has been heavily impacted by the Covid-19 pandemic. The result of this pandemic has been that all the businesses in the Group have reported reduced earnings and are taking extensive steps to reduce operating costs to the absolute minimum while the businesses operate in a holding mode as the world waits to see how the Covid-19 pandemic plays out.

The directors of the holding company have reviewed the valuation placed on all income earning assets to ensure that they reflect their fair value. This review was done at 28 February 2021 and having conducted the review, the directors are of the view that the Group's assets are reflected at fair value. In the process of carrying out this review it was decided that the following value adjustments should be processed.

- The Covid-19 pandemic has caused the Kuzuko operation to cease operating at various stages since March 2020. The impact of this is that monies owed to Inqo by Kuzuko Lodge were not able to be paid as agreed and thus it has been decided to make a provision for doubtful debts of R1,236,813 against the total amount due of R2,473,626.

- The only non-South African based company where Inqo held investments at 28 February 2021 that required to be looked at from a value adjustment perspective was Four One Financial Services Limited. This company has struggled financially but managed to keep afloat but, in the process, has defaulted on loan and interest repayments. The consequence of this is that the full capital amount of one of the loans with a value of R157,473 has been impaired and a provision for doubtful debts raised against the amount of interest owing of R370,134 at 28 February 2021.

The property owned by the company has not escaped the impact of Global Warming and like so many other properties in the Eastern Cape in South Africa suffered from particularly low levels of rainfall over the last three years. This lack of rainfall has had a significant impact on Inqo's property. A further impact of the drought and Covid-19 is that game prices have fallen and as a result Inqo has had to impair the value of the buffalo herd by R194,172 and process a downward fair value adjustment for the rest of the game on the property of R372,151.

The land and buildings are in terms of Inqo's accounting policies required to be revalued every two years by an independent valuer. A valuation was required to be done this year and was carried out in April 2021. The negative effect of the drought and the Covid-19 pandemic have affected land and building values and as a result the value of land and buildings had to be written down by R1,465,423.

INVESTEE COMPANIES

Kuzuko Lodge (South Africa)

Prior to the Covid-19 pandemic, Kuzuko was performing well with strong bookings in place for the following year. Unfortunately, the tourism sector globally has been one of the hardest hit and Kuzuko was no exception. In order to comply with South Africa's lockdown rules, the lodge has largely been closed since April 2020 trading intermittently as allowed by lockdown regulations between August 2020 and April 2021. One of the major downsides to the Covid-19 pandemic is the fact that in South Africa the tourism industry has been hard hit and as a result 35 staff have had to be retrenched.

The lodge is currently closed with a small group of essential workers retained on the property to maintain the integrity of the groups' investment at Kuzuko Lodge. At this time the future of the South African tourism industry is uncertain. The lodge has received a reasonable level of advance bookings and thus it has been decided to reopen the lodge for guests on 1 September 2021. This has been agreed by Kuzuko directors and Legacy Hotels, the management company.

Spekboom Trading (South Africa)

The company has to date replanted some 500 acres of degraded land with spekboom, an indigenous shrub that naturally sequesters exceptionally high levels carbon, creating 100 job opportunities in the process.

The spekboom thicket restoration at Kuzuko is planned to restart once the Covid-19 pandemic crisis has passed and restoration work can commence. A memorandum of understanding is being negotiated with a leading carbon fund to restore 12 500 acres of spekboom on the Kuzuko property in order to generate carbon credits.

There has recently been a renewed interest in the carbon markets in response to the growing global awareness of the impact of climate change with nature-based solutions, such as spekboom, being a high priority. Inqo anticipates scaling up spekboom restoration activities once the Covid-19 pandemic situation has been resolved, which will provide valuable employment opportunities as well as positive environmental benefits.

A small-scale trial planting exercise is currently underway to test a variety of planting methods. Once these trials are complete the next step is to undertake large-scale trials over 40 hectares to refine the cost model of the investment. This will take place as soon as it is feasible (in the context of Covid-19 lockdowns) to run the trials.

Bee Sweet Honey (Zambia)

Bee Sweet Honey have had a challenging year as a result of the Covid-19 pandemic. After the good news of excellent honey yields in 2019, Bee Sweet struggled to find buyers for their honey in their key US market due to the difficult market conditions. Bee Sweet were however able to find sales to fund the purchase of honey for the harvest in Q4 2020 and currently have a good inventory of honey. The company has experienced increased competition in the Zambian honey sector and some additional regulatory challenges with new requirements imposed for selling into the South African market. Despite the challenges of the pandemic, the management team are positive about the prospects in 2021.

Bee Sweet was able to fully repay the short-term loan provided by Inqo of $50,000 in June 2021 to support their day-to-day operations.

The Bee Sweet operation currently has 85 512 bee hives in the field with 10,000 farmers in its programme. Inqo has invested in the income that will accrue from 14 150 hives and receives a return on investment as a profit share on the yield produced by these hives.

The hives are harvested twice a year, generally in May and November.

Inqo earned R78,262 as its share of revenue in the period ended 28 February 2021 (2020: R260,423).

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 that provides micro-pension, savings and short-term loan products to the informal sector.

Prior to the Covid-19 pandemic Four One was performing well having endured challenging operating conditions for the previous 18 months. The impact of the lockdown and subsequent economic downturn is likely to be severe in Uganda and so for Four One. The senior management team have a strong track record in navigating a difficult business environment through lean operations and have developed an agile response to market demands.

In Q3 2020, Four One Financial Services began Bitbricks Limited – a new venture developing affordable homes whilst offering ownership through shares to offer an accessible entry point to the real estate market for middle class Ugandans. This new venture will leverage the network of customers and good faith Four One has built over the last few years.

Inqo earned interest on its investment in the Four One Financial Services operation of R282,325 in the year ended 28 February 2021 (2020: R230,236).

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. Inqo invested in SLMC in the current 2019/20 year.

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.

With the challenges of the pandemic compounded with registration issues with the Kenyan National Hospital Insurance Fund (NHIF), 2020 was a challenging year for SLMC. Revenues fell significantly below forecast and the pandemic also delayed planned work to the hospital. The board anticipated a potential cash flow issue at an early stage of the pandemic and began looking for solutions. SLMC entered into discussions with the Vitol Foundation and in February 2021, SLMC received a loan from the Vitol Foundation at a concessionary rate that matched the terms of previous investors. With the additional capital and a temporary pay cut taken by staff, SLMC has been able to complete works on a satellite clinic in the nearby settlement of Karagita and the new major surgery unit.

The SLMC management team navigated a challenging year commendably and the prospects for the business continue to improve. Revenues have returned to pre-pandemic levels and are on track to continue growing as forecast.

Inqo earned interest of R90,998 on its investment in SLMC in the year ended 28 February 2021 (2020: R48,340).

Kentegra Biotechnology Limited (Kenya)

Kentegra is a Kenyan based biotechnology firm owned by the US holding company, Kentegra Biotechnology Holdings LLC. Kentegra produces pyrethrum, a natural active ingredient from the chrysanthemum flower, for the use in biocide, agricultural and pharmaceutical pesticide markets. The chrysanthemum flowers must be grown in specific conditions in order to produce pyrethrum – these conditions are found only in a few places around the world, predominantly East Africa (Tanzania, Uganda, Rwanda and Kenya) and Australia. With ideal growing conditions, Kenya was once the largest producer of pyrethrum in the world until management issues and synthetic alternatives led to a major decline in the nationalised industry in the early 2000s. In 2013 the Kenyan government liberalised the pyrethrum sector in a concerted effort to revive the industry and support the growing worldwide "organic" movement. Kentegra is one of the six companies in Kenya with a licence to produce pyrethrum.

Kentegra was able to operate according to plan as a government 'essential' industry during the pandemic. They have installed a new factory that is now in production. Kentegra has shown a strong commitment to both their smallholder farmer partners and their employees during this time, going above and beyond to minimise the economic impact while ensuring safety for the organisation. The company has seen a growing demand for organic pyrethrum that is now larger than its capacity and anticipate significant increase in sales for 2021.

Sanergy Incorporated

Sanergy is a Nairobi based firm recycling sanitation and organic waste into high protein animal feed, fertilizer and biomass briquettes using an innovative circular economy approach. Sanergy currently recycles 12,000 tons of organic waste per year.

We closed our investment into Sanergy Inc in October 2020. When the pandemic struck, Sanergy were in the process of raising funds for a Series B investment round with a proportion of the funding already secured from Novastar Ventures. The challenges of conducting due diligence in a pandemic meant the funding round was paused and Sanergy sought additional investors for a bridging round. Investment timing was critical as Sanergy were in the process of completing their first major factory in Nairobi and required funds to finish the build. Following the closing of the bridge round in October 2020, Sanergy were able to find additional funding for their Series B and our convertible loan note converted to equity in November 2020.

Since investment, Sanergy have completed and opened their new factory. At full capacity, the factory is capable of processing 72,000 tons of organic waste per annum. Waste collection has remained slightly unpredictable throughout the pandemic – the hospitality industry is a major source of organic waste for Sanergy and a combination of lockdowns, travel restrictions and slow economic growth have meant that supply is hard to predict. Although Sanergy's product has been well received, sales have been similarly inconsistent in Q1 and Q2 2021, exacerbated by some minor production issues. Sanergy continue to take a methodical approach to refining their methodology on a larger scale and remain optimistic for the remainder of the year.

STOCK EXCHANGE LISTING

Aquis Exchange PLC (AIM:AQX) acquired the NEX Exchange in March 2020, which has now been renamed The Aquis Stock Exchange (AQSE). Shares on AQSE will remain exempt from Capital Gains Tax and Inheritance Tax as they were on the NEX Exchange.

OUTLOOK

Kuzuko Private Game Reserve – The Lodge saw high occupancy rates before the Covid-19 pandemic. Once international tourism re-commences, we are confident that Kuzuko will make a good recovery although it will take time for confidence to return to the tourism industry in South Africa. A decision has been made to reopen the lodge for guests on 1 September 2021. The guests currently booking into the lodge are South African residents. It is not expected that the lodge will benefit from bookings from overseas travellers until the second half of 2022.

Bee Sweet Honey – The market in which Bee Sweet is currently operating is very challenging but management is making headway on both the production and sales fronts. The company is facing increasing competition in the Zambian honey sector and some regulatory challenges. In spite of this the company has managed to sell the large portion of the 400 tons of honey that the company had in stock at 31 August 2020. The proceeds from the sales have eased the company's cash flow position to the extent that Bee Sweet paid all the costs of harvesting the May 2021 crop, which is the first time that the company has had the cash resources to do this. The company's production facilities have been upgraded through the internal promotion of a senior employee to General Manager. The General Manager will be responsible for the management of both production and field work. The crop of honey harvested in May this year was smaller than in 2019 but the quality of the stock has remained excellent.

Spekboom Trading – The Covid-19 pandemic has meant that re-planting activity had to cease. However, discussions have been on-going with a number of environment focussed investment funds to start re-planting of spekboom when lockdown is relaxed

Four One Financial Services – This business has been especially hard hit because it serves the informal sector in Uganda with savings and short-term loans products. The Covid-19 pandemic has brought the informal sector to a complete standstill with many traders going out of business. We are pessimistic about the outlook given the overall economic impact of the pandemic in Uganda.

South Lake Medical Centre – As an essential service, SLMC has been able to continue trading though footfall to the hospital declined with patients hesitant about attending the hospital for treatment due to fear of being infected with COVID. The directors are confident, as the demand for flowers and vegetables have increased, leading to re-hiring of farm workers and the upgrading of the hospital's facilities that patient visits should again start to grow.

Kentegra Biotechnology – As an Agri business, Kentegra was deemed an essential service by the Kenyan government and has been able to continue operations during the lockdown. During this period, the company has on-boarded a significant number of new out-grower farmers as well as installed and commissioned their new factory and made their first export sale.

Sanergy Incorporated – The company is receiving strong demand for its product and is confident that this start-up operation will expand as budgeted in spite of the impact of the Covid-19 pandemic on Africa.

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 by Kuzuko year on year, currently 12 fulltime staff employed.
- All staff living at Kuzuko in standard housing with flush toilets, power, water and solar panels.
- Conservation of 3 endangered species.
- Re-wild, bred and released 6 cheetahs with new genetics into the metapopulation in South Africa, with a further 4 cheetahs still to be released.
- Reforestation of 500 acres of degraded land with spekboom providing work for 100 part time staff and sequestering carbon
- 85 512 beehives in the field with positive impact on bee populations and retention of forests
- 2 100+ voluntary low-income savers in micro-pension and loan schemes
- 73 124 patient visits between January and December 2020 including 121 safe deliveries, 324 HIV patients receiving care and counselling, 1 204 infants immunised, 468 mothers receiving antenatal care and 8 275 people receiving health education including, COVID education, through community outreach in Kenya
- Increased the economic livelihoods of over 17 000 farmers and their families in Zambia and Kenya

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 during this challenging time.

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 period ended 28 February 2021.

A copy of these audited financial statements will be available on the company's website from 10 August 2021.

DIVIDEND

The company has not declared a dividend the year ended 28 February 2021.

K.S Tan
Chairman

C.J Bertie
Chief Financial Officer

Issued on: 5 August 2021

Inqo Investments Limited Group
Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 28 February 2021

	Group		Company	
	2021	2020	**2021**	2020
	R	R	**R**	R
Revenue	**4 214 583**	24 422 881	**698 491**	1 656 914
Cost of Sales	**(630 188)**	(2 965 088)	**-**	-
Gross profit	**3 584 395**	21 457 793	**698 491**	1 656 914
Other income	**552 819**	1 005 940	**552 819**	1 005 940
Personnel expense	**(4 746 444)**	(8 662 421)	**(550 110)**	(591 750)
Depreciation	**(3 462 536)**	(3 210 687)	**(2 883 328)**	(2 696 386)
Listing expenses	**(839 653)**	(596 132)	**(839 653)**	(596 132)
Professional fees	**(514 891)**	(601 048)	**(514 891)**	(601 048)
Provision for doubtful debts	**(270 134)**	-	**(1 506 947)**	-
Impairment - loans	**(157 473)**	(170 373)	**(157 473)**	(2 422 602)
Selling and administrative expenses	**(7 522 604)**	(14 444 355)	**(1 783 137)**	(1 567 920)
Operating loss	**(13 376 521)**	(5 221 283)	**(6 984 229)**	(5 812 984)
Inventory write-down	**(372 151)**	(1 442 485)	**(372 151)**	(1 442 485)
Fair value adjustment	**(194 172)**	(6 146)	**(194 172)**	(8 705)
Net financing income	**502 942**	544 627	**721 908**	632 903
Finance income	**692 482**	713 645	**761 740**	676 227
Finance expense	**(189 540)**	(169 018)	**(39 832)**	(43 324)
Loss before taxation	**(13 439 902)**	(6 125 287)	**(6 828 644)**	(6 631 271)
Taxation	**1 876 228**	1 336 571	**1 876 228**	1 336 571
Loss for the year	**(11 563 674)**	(4 788 716)	**(4 952 416)**	(5 294 700)
Loss attributable to:				
Equity holders	**(11 272 203)**	(4 754 800)	**(4 952 416)**	(5 294 700)
Non-controlling interest	**(291 471)**	(33 916)	**-**	-
	(11 563 674)	(4 788 716)	**(4 952 416)**	(5 294 700)

	Group	**Group**	**Company**	**Company**
	2021	2020	**2021**	2020
	R	R	**R**	R
Other comprehensive income - Items that will not subsequently be reclassified to profit or loss:				
	(1 137 167)	-	**(1 137 167)**	-
Revaluation of land and buildings	**(1 465 422)**	-	**(1 465 422)**	-
Deferred tax on revaluation	**328 255**	-	**328 255**	-
Total other comprehensive income for the year	**(1 137 167)**	-	**(1 137 167)**	-
Total comprehensive loss for the year	**(12 700 841)**	(4 788 716)	**(6 089 583)**	(5 294 700)
Total comprehensive loss attributable to:				
Equity holders	**(10 135 034)**	(4 754 800)	**(3 815 248)**	(5 294 700)
Non-controlling interest	**(291 470)**	(33 916)	**-**	-
	(10 426 504)	(4 788 716)	**(3 815 248)**	(5 294 700)
Loss per share (rands)	**(0.73)**	(0.33)		
Diluted loss per share (rands)	**(0.73)**	(0.33)		

Inqo Investments Limited and its subsidiaries

Statements of financial position

at 28 February 2021

		Group		Company	
		2021	2020	**2021**	2020
	Note	**R**	R	**R**	R
Assets					
Non-current assets		**143 346 953**	146 063 205	**149 017 592**	146 330 532
Property, plant and equipment	*6*	**131 315 802**	134 430 943	**130 644 236**	133 403 257
Intangible assets	*8*	**8 517**	9 062	**-**	-
Right of use Asset	*29*	**505 421**	893 597	**-**	-
Loans to subsidiaries	*9*	**-**	-	**5 808 665**	2 197 103
Trade and other receivables	*12*	**-**	-	**1 236 813**	-
Other investments	*28*	**11 517 213**	10 729 603	**9 849 493**	10 729 603
Investments in subsidiaries	*10*	**-**	-	**1 478 385**	569
Current assets		**11 702 363**	27 644 153	**10 274 635**	23 194 586
Inventories	*14*	**4 264 824**	4 763 430	**3 701 144**	3 853 615
Trade and other receivables	*12*	**3 139 521**	4 150 071	**2 626 845**	3 343 288
Other investments	*28*	**440 388**	-	**440 388**	-
Biological assets	*26*	**2 864 694**	3 058 866	**1 952 107**	2 146 279
Cash and cash equivalents	*13*	**992 936**	15 671 786	**1 554 151**	13 851 404
Land held for sale	*7*	**5 695 345**	5 695 345	**5 695 345**	5 695 345
Total current assets		**17 397 708**	33 339 498	**15 969 980**	28 889 931
Total assets		**160 744 661**	179 402 703	**164 987 572**	175 220 463
Equity and liabilities					
Capital and reserves					
Share capital	*15*	**71 809 195**	71 809 195	**71 809 195**	71 809 195
Share premium	*16*	**86 294 138**	86 294 138	**86 294 138**	86 294 138
Revaluation reserve	*17*	**72 015 535**	73 152 702	**72 015 535**	73 152 702
Accumulated loss		**(81 584 061)**	(70 311 858)	**(70 599 586)**	(65 647 170)
Equity attributable to equity holders of Inqo Investments Limited		**148 534 807**	160 944 177	**159 519 282**	165 608 865
Non-controlling interest	*27*	**482 164**	773 635	**-**	-
Total equity		**149 016 971**	161 717 812	**159 519 282**	165 608 865
Non-current liabilities		**4 632 671**	7 328 094	**4 092 252**	6 451 217
Loans from related parties	*18*	**167 845**	167 845	**40 171**	40 171
Other long term loans	*23*	**707 185**	668 210	**707 185**	668 210
Deferred tax liability	*11*	**3 344 896**	5 549 379	**3 344 896**	5 549 379
Debentures	*19*	**-**	193 457	**-**	193 457
Lease liability	*29*	**412 745**	749 203	**-**	-
Current liabilities		**7 095 019**	10 356 797	**1 376 038**	3 160 381
Trade and other payables	*20*	**6 695 255**	9 494 844	**1 376 038**	3 013 141
Provision	*21*	**253 341**	686 559	**-**	147 240
Lease Liability	*29*	**146 423**	175 394	**-**	-
Total liabilities		**11 727 690**	17 684 891	**5 468 291**	9 611 598
Total equity and liabilities		**160 744 661**	179 402 703	**164 987 572**	175 220 463

Statements of cash flows

For the year ended 28 February 2021

	Group		Company	
	2021	2020	**2021**	2020
	R	R	**R**	R
Cash utilised by operations	**(12 199 004)**	14 346 086	**(6 814 523)**	**13 657 924**
Finance income	**692 482**	713 645	**681 028**	**676 227**
Finance expense	**(189 540)**	(169 018)	**(39 832)**	**(43 324)**
Net cash flow from operating activities	**(11 696 062)**	14 890 713	**(6 173 327)**	**14 290 827**
Cash flows from investing activities				
Acquisition of subsidiary	**-**	-	**(1 000)**	-
Repayment in loans to subsidiary	**-**	-	**-**	700 000
Increase in loans to subsidiary	**-**	-	**(5 007 665)**	(1 100 000)
Acquisition of other investments	**(1 385 471)**	(5 546 279)	**282 249**	(5 546 279)
Loan repaid by /(advanced to) other investments	**38 975**	(1 521 732)	**38 975**	(1 521 732)
Acquisition of property, plant and equipment	**(1 870 529)**	(7 786 536)	**(1 812 698)**	(7 160 259)
Acquisition of intangible assets	**(3 999)**	-	**-**	-
Proceeds on disposal of property, plant and equipment	**376 214**	26 087	**376 214**	26 087
Net cash flow from investing activities	**(2 844 810)**	(14 828 460)	**(6 123 925)**	(14 602 182)
Cash flows from financing activities				
Proceeds from shares issued	**-**	4 115 250	**-**	4 115 250
Repayment of finance lease	**(137 978)**	(106 477)	**-**	-
Loans from related parties received	**-**	43 070	**-**	43 071
Net cash flow from financing activities	**(137 978)**	4 051 843	**-**	4 158 321
Net movement in cash and cash equivalents	**(14 678 850)**	4 114 096	**(12 297 252)**	3 846 966
Cash and cash equivalents at beginning of year	**15 671 786**	11 557 690	**13 851 404**	10 004 438
Cash and cash equivalents at end of year	**992 936**	15 671 786	**1 554 152**	13 851 404