

Inqo Investments Limited

Press release at 28 February 2022



Unaudited Group Results for the period ended 28 February 2022

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 good financial position with total assets of R149,004,595 and minimal debt.

Subsequent to the year-end, additional funding and cash have been made available to the Group as follows:

- Directors’ loan funds in the amount of R2,031,000 made available to the company.
- R1,440,000 that will be generated from the sale of the Group’s interest in its Bee Sweet Honey Investment. These funds are due to be settled on 31 August 2022, 31 October 2022 and 31 January 2023.

There are a number of challenges facing the Group currently, but despite these challenges 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 R3,872,007 (2021: R4,214,583), reflecting a loss after tax of R12,614,587 (2021 a loss of R11,563,674). The loss for the year is reported after accounting for the following operating costs:

	<u>February 2022</u>	<u>February 2021</u>
Depreciation	3,295,251	3,462,536
Listing expenses	581,917	839,653
Directors’ fees and salaries	696,000	658,000
Professional fees	629,847	514,891
Impairments and fair value adjustments	2,357,326	2,189,219
Provision for Doubtful Debts	529,069	270,134

The Group has suffered the consequences of the Covid-19 pandemic with lower than expected earnings reported in this period. To counter the effects of the pandemic, the Group has taken extensive steps to reduce costs with companies in the Group adopting industry appropriate strategies to operate safely and effectively under challenging conditions. The diverse nature of the Group portfolio has meant that the impacts of the pandemic have varied across investee companies from the severe impacts in the hospitality sector to far less significant impacts to the agricultural sector. Now that most of the world has relaxed Covid-19 restrictions, the companies in the Group are seeing their operations returning to some form of normality, but whilst some were able to grow despite the pandemic, others have yet to return to pre-Covid-19 business levels.

The directors of the holding company review the valuation placed on all income earning assets annually to ensure that they reflect their fair value. This review was done on 28 February 2022 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 hit the hospitality industry worldwide very hard and at this stage the industry has not yet returned to pre-Covid-19 levels of travel. Kuzuko Lodge, the Group’s five-star Private Game Reserve, has suffered like the rest of the hospitality industry worldwide. The impact of this is that monies

owed by Kuzuko Lodge to Inqo have not been paid as agreed and thus it has been agreed to make a provision for doubtful debts of R1,750,937 against the total amount owing of R2,918,225.

- When the directors conducted a review of the carrying values of the various investments that the company has made it was agreed that a value adjustment would need to be made in respect of its investments in Four One Financial Services Limited and Bee Sweet Honey Limited.
 - Four One Financial Services has struggled financially but managed to keep afloat and, in the process, has defaulted on loan and interest payments. The consequences of this are that the full capital value of two of the loans with a value of R620,722 in 2022 and 25% of the capital value amounting to R157,473 in 2021 have been impaired. A provision for doubtful debts has been raised against interest owing of R770,812 in 2022 and R270,134 in 2021.
 - Bee Sweet Honey has for the last three years struggled to produce the levels of profit forecast due to poor conditions in the global honey market which caused the US dollar based price of honey to fall. The result is that while the company has continued trading, the value of Inqo's investment has fallen and thus it was decided to impair the value of Inqo's investment in Bee Sweet by R1,894,077. In the last quarter of the 2021/2 financial year Bee Sweet decided to re-align its business under new management and as a result Inqo has opted to disinvest from the Bee Sweet operation in Zambia. The proceeds of the sales transaction will be paid to Inqo in the 2022/3 financial year of the Group.

The negative impact of Global Warming that was experienced in the Eastern Cape, where the properties owned by Inqo are situated, reached a high point in September 2021 when drought impacts were exceptionally high. We are pleased to report that this position has reversed and that Inqo's property has had good rainfall since October 2021. In spite of this, game prices have not fully recovered and thus the game, including the buffalo herd, had to be impaired by an amount of R129,531 (2021: R566,323).

Land and buildings are required to be valued every two years by an independent valuator in terms of Inqo's accounting policies. The last formal valuation was done in April 2021. The company had the same valuator carry out a desktop valuation this year and this valuation showed a 4% increase since April 2021, thus the value stated in the company's books of account is considered fair.

INVESTEE COMPANIES

Kuzuko Lodge (South Africa)

Kuzuko Lodge ("Kuzuko") re-opened to guests in September 2021 but has not yet reached pre-Covid-19 trading levels. A real improvement in bookings at the Lodge is not expected to be felt until September 2022, when international bookings for the traditional peak season, a significant source of revenue for Kuzuko, are expected to return closer to pre-pandemic levels.

Pre-Covid, the Lodge had a staff complement of 64, the bulk of whom were drawn from the local community. Currently the staff complement is 28 who once again are mainly drawn from the local community. The directors of the company and the management company, Legacy Hotels and Resorts, have maintained contact with members of the workforce who were retrenched/laid off and provided them with food parcels during the period that the Lodge has been closed in recent months. The previously retrenched/laid off staff will be re-employed by the Lodge as soon as occupancies allow.

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.

There has recently been a renewed interest in the carbon markets in response to the growing global awareness on the impact of climate change with nature-based solutions, such as spekboom, being a high priority. Inqo has started scaling up spekboom restoration activities now that the Covid-19 pandemic situation has largely been resolved providing valuable employment opportunities as well as a positive environmental benefit. The outlook for Spekboom Trading looks positive given the buoyant nature of the carbon markets and global interest in reforestation projects.

Bee Sweet Honey (Zambia)

Inqo made a series of investments in the Bee Sweet commercial honey production operation between 2016 and 2019. Bee Sweet Honey contracts with rural farmers to manage hives placed on farmers' land in return for a share of the profit from the harvest.

Bee Sweet has not been able to operate profitably over the last few years due to a combination of operational issues, challenges in the market and more recently the global pandemic. In the first quarter of the 2022 year, Bee Sweet decided to change the way the company operated under new management and as a result, Inqo has decided to exit its investment in Bee Sweet effective May 2022.

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 ("Four-One"), 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. In 2019, Four-One diversified into offering micro business lending to support entrepreneurs. The Covid-19 pandemic and resulting lockdowns had a severe impact in Uganda causing an economic downturn, which had major knock-on effects for Four-One, effectively ending their revenue stream.

During the middle of the pandemic, the Four-One management team took the brave decision to pivot the business and leverage their existing experience in finance and the technology platforms they had built to establish a new product called Bitbricks. Bitbricks is a property development company building affordable homes at 20% below the market rate. Micro real estate investors are offered the chance to buy shares in the company and receive a share of the profit on completion. The Four One team are in the process of building a condominium development of 24 two-bedroom homes as a pilot project due to be completed by the end of this year.

South Lake Medical Centre (Kenya)

South Lake Medical Centre ("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 2019/20 year.

Currently, SLMC offers a range of in and outpatient services including consultations, laboratory testing, radiology and pharmacy services. Following this investment, SLMC expanded its operation with the inclusion of major and minor surgical units that have recently been opened, making the SLMC facility 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.

The impact of Covid-19 has been economically challenging for SLMC. The major industry in the area being cut flowers for the European market – a sector that has experienced variable sales during the Covid-19 pandemic period. Fortunately, there is a strong vegetable growing industry in Naivasha that continues to trade and provides medical appointments for SLMC. Through the strong leadership of the management team, SLMC has endured the challenging conditions of 2021 and 2022 and has continued to grow throughout. Patient visit numbers have increased from 71,930 between Feb 20 – Feb 21 to 88,035 between Feb 21 and Feb 22. In addition to their regular service, SLMC operates a health outreach program funded by the Waterloo Foundation, which grew from serving 8,275 people in 2020, to 18,561 people in 2021. The hospital is now in a strong position to achieve its objectives as the Kenyan economy begins to recover.

Kentegra Biotechnology Limited (Kenya)

Kentegra Biotechnology Limited ("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 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.

As an essential industry, Kentegra had been able to operate normally and continues to report demand despite the Covid-19 pandemic. The senior management team have responded quickly and professionally drawing up well considered contingency plans for all eventualities and are re-evaluating the situation on a continual basis. 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. Kentegra’s recently built factory has been successfully in production for over a year now. At the end of this period, the company has recruited over 10,000 farmers. Kentegra has also raised additional funds to expand flower production and the expansion of their factory in order to produce more active ingredient and so meet the increasing worldwide demand for PRE (Pale Refined Extract).

Sanergy Incorporated (Kenya)

Sanergy Incorporated (“Sanergy”) is a Nairobi based firm using an innovative approach to safely recycle organic waste from agricultural, commercial, sanitation, and municipal sources into insect protein, organic fertilizer and biomass briquettes.

Since our investment into Sanergy Inc in October 2020, Sanergy have made significant progress despite the challenges of COVID. Highlights include the completion and opening of their Nairobi based factory, closing of a successful Series B investment round in November 2020 and being recognized by the World Economic Forum as one of its 15 BioDiverCITIES innovators – the only Africa based company to receive this distinction.

In 2021, Sanergy recycled a total of 39,841 tons of organic waste and produced 131 tons of KuzaPro high protein animal feed from black soldier fly larvae, 2,162 tons of Evergrow fertilizer and 256 tons of biomass briquettes – some of which were used to power the factory. Part of Sanergy’s organic waste comes from their Fresh Life franchisees who operate invaluable sanitation services in the slum areas of Nairobi. In 2021, Sanergy had a total of 2,390 Fresh Life franchisees, providing approximately 4,000 toilets to serve over 125,000 people per day.

At full capacity, Sanergy’s Nairobi facility can recycle 90,000 tons of organic waste per year. Sanergy’s organic waste recycling service helps to tackle environmental pollution caused by poor waste management and so its associated healthcare issues. The by-products of Sanergy’s recycling activities also offer major environmental benefits with insect protein offering a substitute for unsustainable fishmeal in animal feeds, organic fertilizer offering a substitute to energy intensive nitrogen-based fertilizers and biomass briquettes offering a sustainable alternative to fossil fuels. Sanergy has plans to replicate their model across Africa and Asia, which would produce significant environmental and social benefits through a sustainable business model.

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 LODGE – The Lodge reopened in September 2021 and while there has been a regular flow of guests since that date, occupancies have not yet reached pre-Covid-19 levels and are not expected to until the 2023/4 financial year. There has been an upturn in booking enquiries experienced with booking enquiries indicating that the property should see an increase in occupancy levels from September 2022.

BEE SWEET HONEY – Inqo has decided to exit its investment in Bee Sweet Honey. The amount agreed as to the exit payment will be paid to the company during the 2022/23 year.

SPEKBOOM TRADING - Spekboom Trading continues to explore the options available with a positive outlook

given the currently buoyant carbon markets.

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 been extremely challenging for the informal sector in Uganda with many traders going out of business. Four One have pivoted towards a new direction in the property development sector and it will take time to establish if this move has been successful

SOUTH LAKE MEDICAL CENTRE – As an essential service, SLMC has been able to continue trading throughout the pandemic. Despite the challenges, management have been able to continue to implement development plans putting SLMC in a strong position as the Kenyan economy begins to recover.

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. The company currently has a strong order book.

SANERGY INCORPORATED – The company is receiving strong demand for its product and is confident that this operation will expand as budgeted despite the impact of the Covid-19 pandemic in 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, Kuzuko has a reduced staff complement due to Covid-19.
- All staff living at Kuzuko in standard housing with flush toilets, power, water and solar panels.
- Conservation of 3 endangered species.
- Re-wilded, bred and released 15 adult cheetah and 15 cheetah cubs with new genetics into the metapopulation in Sub-Saharan Africa.
- Reforestation of 500 acres of degraded land with spekboom providing work for 100 part-time staff and sequestering carbon.
- 15 hectares of land between the reception area of the Lodge and the Lodge area has have been replanted with various forms of vegetation to recover heavily degraded land on the property. As part of this erosion recovery process 100,000 spekboom cuttings have been planted
- 48,853 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-19 education, through community outreach programs in Kenya.
- Increased the economic livelihoods of over 17,000 farmers and their families in Zambia and Kenya.
- 4,000 toilets serving 125,000 people daily in Nairobi.

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 unaudited group financial statements for the period ended 28 February 2022.

DIVIDEND

The company has not declared a dividend in the year ended 28 February 2022.

K.S Tan
Chairman

C.J Bertie
Chief Financial Officer

Issued on: 28 July 2022

Inqo Investments Limited Group
Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 28 February 2022

	Group		Company	
	2022 R	2021 R	2022 R	2021 R
Revenue	3 872 007	4 214 583	386 160	698 491
Cost of Sales	(648 136)	(630 188)	-	-
Gross profit	3 223 871	3 584 395	386 160	698 491
Other income	360 072	552 819	360 072	552 819
Personnel expense	(4 022 886)	(4 746 444)	(826 680)	(550 110)
Depreciation & Amortisation	(3 295 251)	(3 462 536)	(2 777 934)	(2 883 328)
Listing expenses	(581 917)	(839 653)	(581 917)	(839 653)
Professional fees	(629 847)	(514 891)	(629 847)	(514 891)
Provision for doubtful debts	(529 069)	(270 134)	(1 043 193)	(1 506 947)
Impairment and fair value adjustment	(2 357 326)	(157 473)	(2 357 326)	(157 473)
Selling and administrative expenses	(6 559 034)	(7 522 604)	(1 476 856)	(1 783 137)
Operating loss	(14 391 387)	(13 376 521)	(8 947 521)	(6 984 229)
Inventory write-down	(186 464)	(372 151)	(186 464)	(372 151)
Fair value adjustment	56 933	(194 172)	56 933	(194 172)
Net financing income	299 547	502 942	783 326	721 908
Finance income	460 595	692 482	811 063	761 740
Finance expense	(161 048)	(189 540)	(27 736)	(39 832)
Loss before taxation	(14 221 371)	(13 439 902)	(8 293 726)	(6 828 644)
Taxation	1 606 784	1 876 228	1 606 784	1 876 228
Loss for the year	(12 614 587)	(11 563 674)	(6 686 942)	(4 952 416)
Loss attributable to:				
Equity holders	(12 380 267)	(11 272 203)	(6 686 942)	(4 952 416)
Non-controlling interest	(234 320)	(291 471)	-	-
	(12 614 587)	(11 563 674)	(6 686 942)	(4 952 416)

Inqo Investments Limited Group
 Condensed consolidated statement of profit or loss and other comprehensive income
 For the year ended 28 February 2022

	Group		Company	
	2022 R	2021 R	2022 R	2021 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 income for the year	(12 614 587)	(12 700 841)	(6 686 942)	(6 089 583)
Total comprehensive income attributable to:				
Equity holders	(12 380 267)	(12 409 370)	(6 686 942)	(6 089 583)
Non-controlling interest	(234 320)	(291 471)	-	-
	(12 614 587)	(12 700 841)	(6 686 942)	(6 089 583)
Loss per share (rands)	(0.85)	(0.78)		
Diluted loss per share (rands)	(0.85)	(0.78)		

Inqo Investments Limited Group
Condensed consolidated statement of financial position
At 28 February 2022

	Group		Company	
	2022 R	2021 R	2022 R	2021 R
Assets				
Non-current assets	137 275 303	143 346 953	148 514 260	149 017 592
Property, plant and equipment	128 440 653	131 315 802	128 088 946	130 644 236
Intangible assets	3 622	8 517	-	-
Right of use Asset	362 693	505 421	-	-
Trade and other receivables	-	-	1 167 288	1 236 813
Loans to subsidiaries	-	-	10 979 026	5 808 665
Other investments	8 468 335	11 517 213	6 800 615	9 849 493
Investments in subsidiaries	-	-	1 478 385	1 478 385
Current assets	10 396 005	12 622 630	8 303 721	10 274 635
Inventories	4 058 788	4 264 824	3 426 680	3 701 144
Trade and other receivables	2 743 619	3 139 521	2 298 951	2 626 845
Other investments	-	440 388	-	440 388
Biological assets	2 921 627	2 864 694	2 009 040	1 952 107
Cash and cash equivalents	671 971	1 913 203	569 051	1 554 151
Assets held for sale	1 333 287	5 695 345	1 333 287	5 695 345
Assets held for sale	1 333 287	5 695 345	1 333 287	5 695 345
Total current assets	11 729 492	18 317 975	9 637 008	15 989 980
Total assets	149 004 595	161 664 928	158 151 268	164 987 572
Equity and liabilities				
Capital and reserves				
Share capital	72 584 925	71 809 195	72 584 925	71 809 195
Share premium	87 585 270	86 294 138	87 585 270	86 294 138
Revaluation reserve	72 015 535	72 015 535	72 015 535	72 015 535
Accumulated loss	(93 964 328)	(81 584 061)	(77 286 528)	(70 599 586)
Equity attributable to equity holders of Inqo Investments Limited	138 221 402	148 534 807	154 899 202	159 519 282
Non-controlling interest	247 844	482 164	-	-
Total equity	138 469 246	149 016 971	154 899 202	159 519 282
Non-current liabilities	2 903 675	4 632 671	2 512 847	4 092 252
Loans from related parties	902 409	875 030	774 735	747 356
Deferred tax liability	1 738 112	3 344 896	1 738 112	3 344 896
Lease liability	263 154	412 745	-	-
Current liabilities	7 631 674	8 015 286	739 219	1 376 038
Bank overdraft	688 491	920 267	-	-
Trade and other payables	6 770 068	6 695 255	739 219	1 376 038
Provision	-	253 341	-	-
Lease Liability	173 115	146 423	-	-
Total liabilities	10 535 349	12 647 957	3 252 066	5 468 290
Total equity and liabilities	149 004 595	161 664 928	158 151 268	164 987 572

Inqo Investments Limited Group
 Statements of cash flows
 For the year ended 28 February 2022

	Group		Company	
	2022 R	2021 R	2022 R	2021 R
Cash utilised by operations	(9 099 312)	(12 199 004)	(4 552 374)	(6 814 523)
Interest Received	186 687	692 482	185 955	681 027
Interest Paid	(72 467)	(189 540)	-	(39 832)
Net cash flow from operating activities	(8 985 092)	(11 696 062)	(4 366 419)	(6 173 328)
Cash flows from investing activities				
Acquisition of subsidiary	-	-	-	(1 000)
Increase in loans to subsidiary	-	-	(4 819 162)	(5 007 665)
Acquisition of other investments	-	(1 667 720)	-	-
Unrealised forex loss	(177 121)	282 249	(177 121)	282 249
Loan repaid by other investments	733 980	38 975	733 980	38 975
Acquisition of property, plant and equipment	(254 874)	(1 870 529)	(222 644)	(1 812 698)
Proceeds on disposal of biological assets	186 957	-	186 957	-
Acquisition of intangible assets	-	(3 999)	-	-
Proceeds on disposal of property, plant and equipment	5 612 447	376 214	5 612 447	376 214
Net cash flow from investing activities	6 101 389	(2 844 810)	(1 314 457)	(6 123 925)
Cash flows from financing activities				
Proceeds from shares issued	2 066 862	-	2 066 862	-
Repayment of finance lease	(192 615)	(137 978)	-	-
Loans made to related parties	-	-	-	-
Net cash flow from financing activities	1 874 247	(137 978)	2 066 862	-
Net movement in cash and cash equivalents	(1 009 456)	(14 678 850)	(985 100)	(12 297 253)
Cash and cash equivalents at beginning of year	992 936	15 671 786	1 554 151	13 851 404
Cash and cash equivalents at end of year	(16 520)	992 936	569 051	1 554 151